

ISSN 0378-5467

ILO Common Market of the Southern Cone: MERCOSUR

LABOUR EDUCATION

109

109

number

Labour Education 1997/4



INTERNATIONAL
LABOUR
OFFICE
GENEVA

Common Market of the Southern Cone: MERCOSUR

The impact of economic integration: A case study

**Mercosur:
The impact of economic
integration
A case study**

**Labour Education 1997/4
No. 109**

Contents

Editorial	V
Labour issues in Mercosur , by Víctor E. Tokman and Daniel Martínez Fernández	1
Labour institutions and labour relations in Mercosur , by Oscar Ermida Uriarte	16
Mercosur – Integration, labour, and social rights , by Julio Godio	27
Mercosur and the challenges for the integration and participation of women in the world of work , by Petra Ulshoefer	41
Mercosur and vocational training , by Pedro Daniel Weinberg	51
Mercosur and labour inspection , by José Luis Daza Pérez	60
Social security and integration processes in Mercosur , by Alfredo H. Conte-Grand	66
Mercosur – Economic performance and prospects , by Beethoven Herrera Valencia	73

Editorial

One of the most significant characteristics of our times is the transcendental changes which are occurring in all sectors of human activity. The profound political transformations we have experienced are accompanied by the dizzy progress of science and technology, the international interdependence of economies, the economic liberalization process, transnational investment, the development of world production and information networks and sweeping changes in social structures. The globalization of economies which is entailed in these changes and the opening up of markets are being effected through various machinery and methods in which multilateral agreements and regional or subregional integration experiments play a preponderant part.

For Latin America, the process which began in March 1991 with the creation of the Common Market of the Southern Cone (Mercosur) opened the way for this economic integration mechanism to move strongly towards a more solid integration stage in which the Mercosur political and economic structures were consolidated with the aim of promoting trade and contributing to the economic and social development of the region. It must be said that in this momentum towards the consolidation of political and social structures, the trade union movement, through the Trade Unions' Coordinating Body for the South, has played a fundamental role.

Seen in this context, the challenges are manifold and are connected not only with aspects related to the effectiveness of economic policies and macroeconomic attainments but also with systems of democratic and equitable labour relationships which encourage the participation of labour in productive activity and which respect workers' rights and the principles enshrined in international labour standards, thus contributing to progress along the road to social justice.

The articles in this issue make an important contribution to the debate on various labour aspects of this subregional integration experiment. They consist of a number of studies which make multidisciplinary analyses of topics related to the labour market: employment, wages, international trade, labour relationships, labour inspection, social security, vocational training, trade union organization and, of course, women at work.

The authors are fellow ILO officials or external collaborators who, taken together, have extensive experience of working in Latin America, and in the Southern Cone in particular, and have seen the momentum of the integration process at close quarters. We thank them very sincerely for their collaboration.

With this issue, in which we present our first case of subregional integration, we are opening the way for subsequent issues of our quarterly publication.

Giuseppe Querenghi

Director

ILO Bureau for Workers' Activities

Labour issues in Mercosur

Víctor E. Tokman

Assistant Director-General of the ILO
and Director of the ILO Regional Office for the Americas

and Daniel Martínez Fernández

Regional Specialist in Social and Economic Integration
ILO Regional Office for the Americas

The revival of regional integration and the globalization of Latin American economies

Ever since the dawn of the 1990s, the countries in the region have been making substantial progress in their economic integration: new far-reaching multilateral agreements have been negotiated and put into effect, such as Mercosur (Common Market of the Southern Cone), Nafta (North American Free Trade Agreement) and the Group of Three; earlier agreements have been revived – the adoption of the common external tariff in the Andean Group, and the setting up of a subgroup within the Central American Common Market; and a number of bilateral trade agreements have been concluded within the framework of the ALCA (Latin American Integration Association). This network of agreements and treaties has been leading to a liberalization of regional trade at a pace and depth which are unprecedented in the integration efforts of earlier decades.

Less state intervention

The new stage of economic integration is without doubt a facet of the much broader process of structural reform in which the countries of Latin America are engaged and which in turn is part of the widespread trend towards privatization, liberalization and globalization of the world economy. To a greater or lesser degree – and also with different results – the countries in the region have reduced state intervention in the economy by removing certain regulations and privatizing activities previously carried out by the public sector. At the external level, they have shifted towards rapid integration into the global economy.

Three avenues ahead

The opening up of markets is occurring in three ways: firstly, through the unilateral lowering of tariffs and trade barriers. This has probably been the most important measure and the one exercising the greatest impact in terms of the speed and scale of the liberalization trend: ten years ago, in 1985, the average tariff within a representative group of Latin American countries was 35 per cent and the maximum in the order of 100 per cent with a wide range of tariff bands in almost all the countries considered. Only a few years later, in 1992, the average tariff in the same countries was 14 per cent and the maximum 22 per cent with a significant drop in the range of applicable levels.

In the specific cases of Argentina and Brazil, the two largest economies of Mercosur, tariffs have also been substantially lowered. In Argentina, the highest tariff in 1989 when trade started to open up was 65 per cent and the average 39 per cent. Four years later, in 1993, the lowest tariff was only 30 per cent and the average 15 per cent. In Brazil, the highest tariff in 1988 when the opening up process began was 105 per cent and the average 51 per cent; in 1993, they had dropped to 35 per cent and 14 per cent respectively. In the same way, in 1993 there were only three tariff bands in Argentina and seven in Brazil compared with 29 five years before.

Secondly, the countries of Latin America have unanimously endorsed the results of the GATT (General Agreement on Trade and Tariffs) negotiations and many have already ratified their membership in the new World Trade Organization (WTO). This step implies a commitment to engage in a freer form of trade, one with less barriers, and greater access to world markets.

The third method is to step up the rate of regional integration which has been taking shape via the many multilateral and bilateral agreements to which reference has been made.

Part of a development strategy

Several factors have contributed favourably to the regional integration agreements and bilateral pacts. Firstly, there is now greater homogeneity between the countries: almost all have democratic regimes and their economic policies obey similar principles. Secondly, the region has moved towards a certain macroeconomic equilibrium which is enabling the countries to deal not only with the adjustment process but to address medium and long-term growth. Within this context, integration is seen as part of a strategy to speed up and sustain development based on efficient and competitive production and the increase of non-traditional exports to broader markets. The process has also been influenced by the global trend towards the formation of blocs, which at the political level was supported and strengthened in the region by the Initiative of the Americas.

Time frames and courses of action

The integration methods which have been adopted are known for their flexibility: the intention is to ensure that the different schemes converge with each subregion and

each country following time frames and means of application which are most appropriate for them to achieve degrees of openness and complementarity beyond the levels established within the GATT-WTO multilateral framework.

The regional market most dynamic for manufactured products

The opening up of markets, the globalization of economies and the extent to which integration has been taking from and substance have together operated in such a way that increased exports have become a key factor in spearheading growth in Latin America. Within the region as a whole, exports have increased faster than production for internal markets. Within the export market, the fastest growing component between 1990 and 1994 was that of intra-regional exports. This is true of all schemes and is particularly significant in Mercosur (table 1), where the reciprocal liberalization of markets has certainly had an influence. Finally, the export of manufactures has grown considerably, resulting in a marked increase in the sector's participation in total Latin American exports (table 2). Available data indicate that in several countries the regional market has been the most dynamic in terms of manufactured goods, a development which has stimulated interest in speeding up regional integration.

Table 1. Mercosur: Intraregional and total exports, 1990-95
(Billions of dollars and percentage share)

	1990	1991	1992	1993	1994	1995
Mercosur						
Intraregional	4.1	5.1	7.2	10.0	12.0	14.4
World	46.4	45.9	50.5	54.2	62.1	70.3
Mercosur/World (%)	8.9	11.1	14.3	18.5	19.3	20.5

Source: ECLAC, based on official data.

Table 2. Exports of manufactured goods
(Percentage of FOB value in total exports of goods)

	1980	1985	1990	1992	1994	1995
Argentina	23.1	20.8	29.1	26.3	32.8	33.9
Brazil	37.0	43.7	51.9	56.9	54.1	53.1
Paraguay	9.1	5.5	6.9	2.8	9.8	5.8
Uruguay	38.2	35.0	38.9	40.8	43.0	38.5

Source: ECLAC: *Statistical Yearbook*, 1996.

The effects of globalization and economic integration on the labour situation

Changes in job distribution

The opening up of the economy to international competition has important effects on labour. Firstly, a change in the composition and distribution of jobs is to be expected with an increase in the percentage of the workforce employed in the production of exports and goods which are competitive with imports. Employment drops in some activities which are unable to cope with international competition or which introduce modern and competitive technologies which are less labour intensive. In other activities employment increases as a result of additional investments and the launching of new areas of production. The net effect in each country depends in the medium term on its possibilities to create favourable conditions for investment and the adoption of active policies which contribute to the training and productive redeployment of the workforce.

Poor quality jobs

Even though exports in the region have increased more rapidly than any other productive activity, as noted above, Latin American experience shows that the results in terms of employment have not been sufficiently dynamic: the immediate effect was a drop in the rhythm of growth in employment and the change in the composition of jobs has rather tended towards a greater share of low quality jobs, underemployment and a deterioration in real wages. Between 1990 and 1996, four out of every five new jobs were created in the informal sector which is not generally connected to exports or the production of tradeables.¹

Only recent progress

In assessing this chain of events, various factors must be taken into account: on the one hand, progress towards integration and the reduction of tariffs and non-tariff restrictions is still very recent in most of the countries; on the other hand, the liberalizing policies were generally adopted together with macroeconomic adjustment measures which proved to have a negative effect on activity and employment. Finally, they coincided with a time of marked economic recession in the developed countries

during the early years of the current decade which further detracted from the positive effects of the liberalization policies.

It might well be expected that as trade increases as a result of integration and the shift of the Latin American countries into the global economy, the net positive effects on employment tend to increase; however, the changes in the levels and composition of jobs brought about by an export strategy may take shape slowly and prove costly. There is thus a need to adopt policies to facilitate the re-assignment of the factors of production in general, and the workforce in particular, and to reduce the social costs of the transition period.

Weakest social groups in a changing market

A second effect of the liberalization of trade concerns labour relations and the functioning of the labour market. In the new scenario there has been a profound change in the conditions prevailing in the economies protected from international competition. There are now fewer levels of intervention in the administration of the labour market and therefore fewer opportunities for acting on behalf of the weakest social groups; international competition fixes the boundaries for negotiations and agreements which are subject to increases in productivity. Conditions are "harsher", with employment and wages depending on the capacity to compete efficiently.

As an inherent part of the recent progress recorded in Latin America, the new labour relations context has led to the emergence of two different trends: firstly, the constant growth of the informal sector with a greater percentage of workers with precarious employment contracts and new forms of subcontracting between enterprises. By means of this "*de facto* flexibilization", enterprises have managed to increase their capacity to adjust to an uncertain, changing and competitive market, but this has also been to the detriment of the right of workers to stable, secure and well-paid jobs.

Positive trend: search for dialogue and social consensus

A second trend is towards the search for new methods of labour relations which recognize the current conditions prevailing in the economy and on the labour market but which at the same time protect workers' rights,

encourage their commitment to productive activity and contribute to creating the climate of social and labour stability required by investment and economic development. The progress which has been achieved in several countries of the region in the pursuit of dialogue and social consensus, the inclusion of new topics in collective bargaining and the training and further training of the social actors for carrying out new functions are the main expressions of this positive trend.

Labour issues in Mercosur

Most of the analyses made in the previous section on the consequences of the opening up and broadening of the economic area in the labour market are applicable to the Mercosur countries. This section will present some guidelines for developing the policy of the Mercosur countries regarding labour and social issues within a community framework.

A policy for social justice

The Treaty of Asunción, which gave life to Mercosur, contains essentially provisions referring to the establishment of the extended market but does not include any standards respecting workers; however, almost from the beginning of the negotiations, the countries were fully aware of the need to bring social and labour aspects within the ambit of negotiations to give effect to the objective of "speeding up economic development with social justice". Sub-working group 11 was established for this purpose. It set up eight committees to examine labour relations, employment and migration issues, vocational training, health and safety at work, social insurance and labour costs in specific sectors and international labour standards. The committees focused on the comparative study of the existing situation and exploring harmonization possibilities.

Subsequently, in 1994, the Additional Protocol to the Treaty of Asunción was signed in Ouro Preto, Brazil. It established the Social and Economic Advisory Forum as the representative body of the social and economic sectors, made up of an equal number of representatives of the States Parties. It carries an advisory function and will issue recommendations to the Common Market Group, the executive body of Mercosur.

In 1995 the Common Market Group decided to set up working subgroups and ad

hoc groups. One of the subgroups, No. 10, is responsible for labour issues, employment and social security. This subgroup set up three committees in 1996: one deals with labour relations questions; the second with employment, migration issues, skills development and vocational training; and the third is responsible for occupational health and safety, labour inspection and social security.

The following sections examine some of the themes of special relevance to Mercosur's social and labour policy.

Economic and social stability

Mercosur provides opportunities for increasing trade, production and employment in the participating countries; however, such opportunities neither automatically become realities nor are they necessarily the same in terms of countries or production sectors. It is not enough to broaden the market; additional conditions are also required to stimulate the development of new investments. It is important for Mercosur as a whole that these conditions are met, which implies various areas for joint action.

A long history of imbalances

One possible area falls within the scope of macroeconomic stability. The experiences of Mexico in 1994-95, Argentina in 1995 and Brazil at present clearly show the negative effects which imbalances in one of the countries participating in an integration process tend to have on trade flows, investment, production and employment.

In the case of the Mercosur countries there is a long history of major macroeconomic imbalances. Table 3 shows inflation rates and real variations in exchange rates which have, particularly in the two largest Mercosur countries, not only been considerable but frequently conflicting in their signals, altering the conditions governing prices and competitiveness and may affect investments and trade flows in the common market.

The need to avoid the distortions and uncertainty resulting from these imbalances is an important sphere for community action through consultation and harmonization (and even intervention) mechanisms, which allow fluctuations to be kept within manageable limits and offer a framework of stability which encourages investments.

Table 3. Mercosur: Variations in the consumer price index and effective real exchange rate of exports

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
<i>Argentina</i>										
Consumer price index	174.8	387.7	4 923.3	1 343.9	84.0	17.5	7.4	3.9	1.6	0.4
Real exchange rate	22.2	6.0	10.3	-30.1	-16.7	-7.0	-4.0	2.6	n.d.	n.d.
<i>Brazil</i>										
Consumer price index	394.6	2 993.3	1 863.6	1 584.6	475.8	1 149.1	2 489.1	929.3	22.0	10.6
Real exchange rate	n.d.	-8.7	-24.3	-7.7	18.5	6.8	-12.0	-13.6	n.d.	n.d.
<i>Paraguay</i>										
Consumer price index	32.0	16.9	28.5	44.1	11.8	17.8	20.4	18.3	10.5	8.8
Real exchange rate	8.0	3.7	5.6	-1.9	-13.1	4.8	2.7	1.0	n.d.	n.d.
<i>Uruguay</i>										
Consumer price index	57.3	69.0	89.2	129.0	81.3	59.0	52.9	44.1	35.4	25.5
Real exchange rate	3.2	7.6	-0.5	n.d.	-11.9	-4.8	-11.1	-2.1	n.d.	n.d.

n.d. = no data
Source: ECLAC.

Agreements guarantee investments

A second area refers to the transnational enterprises which are established in the Mercosur countries. In recent years, there has been a growing transnationalization of Latin American enterprises made up of mixed – regional and from outside the region – or exclusively Latin American capital. This is a relatively new process, the continuation and intensification of which in the future may contribute substantially to promoting integration and the development of new investment. In order to stimulate this trend there is a need for community action to secure investment guarantee agreements among the countries to ensure stability in the treatment applied and complement the liberalization of trade and the harmonization of policies.

Shifts of capital and staff

A transnational enterprise which has invested in Mercosur not only implies the movement of capital but the transfer of executives and to a lesser extent specialized staff who become important actors in the integration process. This introduces a fresh issue for community consideration involving a more international vision of the labour market and one which may need to take into account a whole host of questions including those of wages and conditions of work.

How workers see the process

Finally, a third area of action falls within the sphere of social stability which to a large extent depends on whether or not the workers see the development process as a fair one. A socially just Mercosur will be achieved with acceptable wages, appropriate conditions of work and an even level of collective bargaining. Forms of community action which strengthen national policies through cooperation funds and machinery are necessary to compensate and reintegrate displaced workers and to generate new sources of employment.

Employment, unemployment and wages

How labour supply has been progressing in Mercosur (1990-96)

Over the last seven years (and even before) the population of the Mercosur countries has grown at a relatively moderate rate, between 0.6 per cent a year in Uruguay and 1.7 per cent in Brazil. An exception was Paraguay where the rate reached 2.7 per cent. For the subregion as a whole, the annual rate of population growth is 1.6 per cent, a tenth less than that of Latin America as a whole.

However, the non-agricultural economically active population of the member countries of the Agreement has risen at relatively

high annual rates which fluctuate between 1.9 per cent in Uruguay and 5.6 per cent in Paraguay, with intermediate rates in Argentina (3.2 per cent) and Brazil (2.7 per cent). The economically active population in the subregion as a whole has increased by 2.8 per cent a year, almost half a percentage point less than that of Latin America.

The increase in the economically active population at rates which are significantly higher than those of the population is due not only to the high rates of population growth over the last 20 years but to a significant increase in the urban participation ratios, particularly since 1993. Thus in Argentina, the ratio was 63.9 per cent in 1990 and rose to 66.5 per cent in 1993, to 68.5 per cent in 1995 and 67.4 per cent in 1996. The situation in Paraguay and Uruguay has progressed along similar lines. In the first case, the ratio was almost 61 per cent in 1990; it rose to almost 63 per cent in 1993 and to 70.5 per cent in 1995. In Uruguay, it increased from almost 60 per cent in 1990 to almost 61 per cent in 1994 and to 62 per cent in 1996. Only in Brazil does the participation ratio show a downward trend, falling from 63.8 per cent in 1990 to 58.7 per cent in 1993 and reverting to around 60 per cent in 1996.

How labour demand has been progressing in Mercosur (1990-96)

Over the last seven years, the demand for non-agricultural labour by the different sectors of the economy increased at rates which were below those of supply in the case of Argentina (1.3 per cent annual growth in employment compared with 3.2 per cent increase in the economically active population), Brazil (2.5 per cent and 2.7 per cent respectively) and Uruguay (1.2 per cent and 1.9 per cent). The

opposite occurred in Paraguay (5.8 per cent and 5.6 per cent). Given the greater population of Argentina and Brazil, labour supply and demand in both countries have been progressing in such a way that in Mercosur as a whole non-agricultural employment rose at a rate (2.4 per cent per year) which was below that of the economically active population (2.8 per cent), a rate which is similar to that of Latin America as a whole (table 4).

Although the increase in jobs has been insufficient to meet the growth in labour supply, it has been below that of the GDP in all cases with the exception of Paraguay (table 2). Thus, average labour productivity has increased significantly in Argentina (3.5 per cent per year) and Uruguay (2.6 per cent) and less so in Brazil (0.1 per cent per year) and in the subregion (1.1 per cent). Only in Paraguay has there been a major drop in productivity (-3.0 per cent per year).

Most new jobs in informal sector

But although the shortfall in jobs is already a serious problem, it is further compounded by the fact that the largest proportion of new workplaces (approximately 97 per cent) were in low productivity activities in the informal sector. This development accounts for the phenomenon that in the Mercosur countries as a whole the informal sector, which in 1990 generated 51 per cent of the total number of workplaces, now absorbs just over 56 per cent. This increase in the informal sector is high in Argentina, Brazil and Paraguay, and very small in Uruguay. Thus the new workplaces required by the Mercosur economy have not only been insufficient in numbers but, in general, have also been of poor quality, since of the approximately 8.2 million new jobs created

Table 4. Population, production, employment and productivity
Annual growth rates (1990-96)

	Population	GDP	Per capita GDP	EAP*	Employed persons*	Productivity*
Argentina	1.2	4.8	3.3	3.2	1.3	3.5
Brazil	1.7	2.6	1.2	2.7	2.5	0.1
Paraguay	2.7	2.8	0.2	5.6	5.8	-3.0
Uruguay	0.6	3.8	3.2	1.9	1.2	2.6
Mercosur	1.6	3.5	3.0	2.8	2.4	1.1
Latin America	1.8	3.1	1.4	3.2	2.8	0.3

* Does not include the agricultural sector.

Source: Table prepared by the ILO on the basis of official data from the countries.

in the period 1990-96, just over 7.9 million are in the informal sector and only 225,000 in the formal sector.

Private sector not dynamic

What is the cause of this situation in the modern sector? In the first place, it is due to the widespread loss of jobs in the public sector where some 408,000 jobs were cut during the period under review. The second explanation is the lack of drive in job creation in the modern private sector which in the same period created only 633,000 net jobs.

Privatized and modernized

The reasons for the retrenchment in the public sector are well known: on the one hand, many public enterprises have been privatized; and on the other, in central government and in autonomous public institutions, jobs have been cut both as a result of the policy to correct the public deficit and the processes involved in modernizing institutions.

Different sectors behave differently

Furthermore, the limited job creation capacity of the public sector is due to clear differences in behaviour among the sectors. Whereas in commerce, services and non traditional exports there has been an increase in labour demand, in those sectors which produce tradeable goods there has been a reduction in employment as part of the strategy to increase productivity and competitiveness to meet the new conditions resulting from the opening up of trade.

Thus the available data on the evolution of employment in the manufacturing sector show that during the period under review, the level fell both in Argentina (-3.2 per cent per year) and in Brazil (-4.6 per cent). The reduction was greater than that of the number of hours worked (-2.4 per cent and -3.6 per cent respectively), which shows that productivity gains (6.6 per cent and 6.2 per cent per year respectively) were achieved to a large extent with fewer persons working more time.

Young workers and less labour intensive technology

Three arguments are generally used to explain why industrialists had to cut jobs as a means of increasing productivity and why,

once the sector had adapted to the new conditions created by the opening up of trade and achieved high growth rates, labour demand is so low: firstly, the oversizing of the workforce available to enterprises during the period when national industry was protected – once this protection was over, enterprises were forced to rationalize the number of their workers; secondly, enterprises opted to dismiss workers with many years of seniority and incurring high labour costs and recruit (fewer) young workers with less experience but with a higher level of professional skills and at a relatively lower cost; and finally, the new technologies acquired by enterprises to meet external competition are less labour intensive, meaning that the production employment elasticities are now significantly lower than before the opening up process.

All these arguments may well be valid. Whether or not there was over-sizing of the workforce, it cannot be contested that many enterprises are at present producing more with fewer workers and with a restructured organization of work processes.

The decisive factor: product behaviour

It is also true that the recruitment of workers on a fixed-term or part-time basis has increased as a result of the legal incentives granted in recent years to promote these kinds of contract – incentives which include wage restrictions in some cases and exemption from specific social contributions in others. The results of a study being carried out by the ILO Regional Office on the subject show, for example, that in April 1997 in Argentina, approximately 7 per cent of the total employment in urban private enterprises used this kind of contract, a percentage which it is estimated was only 4 per cent in 1995 and 2 per cent in 1990. In Colombia, temporary employees accounted for 15.7 per cent of total employees in 1990 and 18 per cent in 1996. However, this increase in fixed-term recruitment, in addition to being lower than was expected by those who designed this policy in their respective countries, has not always led to an increase in the overall number of jobs which were already in place, but in many cases to a replacement of workers engaged according to different contractual terms. The net result has been, as noted earlier, a very modest increase in total employment in the tradeables sectors. This situation shows that over the recent period, and within the framework of policies to reduce

labour costs, employment growth in these sectors has relied much more on product behaviour than on efforts to reduce labour costs.²

New technology invested in goods and services

As regards technological modernization, it clearly represents a savings in capital which can be used to make new investments and thus generate employment so that the net effect of modernization is not necessarily a loss of aggregate employment. However, such investment may well be oriented to sectors which are less affected by the opening up process (i.e. those which produce goods and non-tradeable services) while in the manufacturing sector technological modernization does result in a net loss of jobs.

Unemployment in Mercosur

The increase in the labour supply at rates exceeding those of demand resulted in a rise in unemployment in Argentina, Brazil and Uruguay so that despite the drop recorded in Paraguay, the unemployment rate in Mercosur as a whole rose from 5.1 per cent in 1990 to 8.8 per cent in 1996 (table 5).

Young persons, women and urban dwellers

Unemployment affects mainly young persons and women in the large cities. Thus youth unemployment is twice as high as the average urban unemployment rate (Argentina and Brazil) and sometimes three times as high in some years (Paraguay and Uruguay). The unemployment rate of women is between 1.5 and 2.0 times higher than the national average, except in Paraguay where it is lower, possibly because of the lower participation of women in the labour market. As regards urban unemployment, with the exception of Asunción,³ in the other capitals of the Mercosur countries the unemployment rate is slightly higher than the national urban unemployment rate.

As a result, the average unemployed person in the region is a young person, probably more often than not a woman and living in a large city.

Low income families

One of the well-known problems of unemployment which, although familiar, is still worthy of mention, is that it affects mainly low-income families afflicted by poverty.

Table 5. Urban open unemployment (percentages)

	1990	1991	1992	1993	1994	1995	1996
<i>Total</i>							
Argentina	7.5	6.5	7.0	9.6	11.5	17.5	17.3
Brazil	4.3	4.8	4.9	5.4	5.1	4.6	5.4
Paraguay	6.6	5.1	5.3	5.1	4.1	5.6	5.5
Uruguay	9.2	8.9	9.0	8.4	9.2	10.8	12.4
Mercosur*	5.1	5.5	5.6	6.6	7.0	7.9	8.8
<i>Young persons</i>							
Argentina (15-24)	15.2	12.3	13.0	—	21.2	30.1	29.9
Brazil (18-24)	—	9.1	11.2	10.3	9.6	9.3	11.2
Paraguay (15-19)	18.4	9.0	14.1	9.8	12.3	10.8	
Uruguay (14-24)	26.6	25.0	24.4	23.3	25.5	26.6	29.4
<i>Women</i>							
Argentina	7.3	6.2	7.1	12.7	14.5	22.3	—
Brazil	—	4.9	6.2	5.6	5.3	4.9	6.5
Paraguay	6.5	4.7	3.8	4.5	3.7	5.7	—
Uruguay	11.8	11.3	11.9	11.0	12.0	13.7	15.5
<i>Cities</i>							
Buenos Aires	7.3	5.8	6.7	10.1	12.1	18.8	—
São Paulo	4.6	5.5	5.4	5.8	5.4	5.2	—
Asunción	6.6	5.1	5.3	5.1	4.1	5.6	—
Montevideo	9.2	8.9	9.0	8.4	9.2	10.8	—

* Weighted average.

Source: Table prepared by the ILO on the basis of official data from the countries.

ECLAC figures⁴ show that in 1992 the unemployment rate of the population in the first fifth of the income distribution was 18.6 per cent in Argentina (the urban national average was 7.0 per cent in that year), around 12 per cent in Brazil (4.9 per cent at the national level), 13.5 per cent in Paraguay (5.3 per cent at the national level) and 15.9 per cent in Uruguay (9.0 per cent at the national level).

Wages

Real wages over the period 1990-94 show some signs of recovery both as regards minimum wages and industrial wages (table 6).

Slight increase in minimum wage

Minimum wages rose significantly in Argentina (11.8 per cent per year) and Brazil (3.7 per cent). However, in these two countries they continue to fluctuate between 20 and 30 per cent lower than the level reached in 1980. In Paraguay and Uruguay, the real minimum wage fell by 2 per cent and 8 per cent per year respectively. Despite the reduction noted in Paraguay, the real minimum wage at present is 17 per cent higher than that of 1980 although in Uruguay it is now less than half the level recorded in 1980. In the subregion as a whole, the weighted minimum wage shows a slight increase of 1.5 per cent per year.

Average wages in the industrial sector remained constant in Argentina (where in 1996 the sectoral average wage was equivalent to only 75 per cent of the 1980 wage) and in Paraguay. The figure rose sharply in Brazil

(5.1 per cent per year) and very slightly (0.6 per cent per year) in Uruguay. For the subregion as a whole, the weighted industrial average wage increased by 4.4 per cent a year, no doubt due to the increase registered in Brazil.

In conclusion, the behaviour of the labour market in the Mercosur countries during the period 1990-96 was characterized by the following developments:

- an even greater increase in the labour supply, to a large extent, as a result of the growth in the participation ratio, particularly among women;
- an insufficient generation of jobs which has led to a higher level of unemployment, particularly among young persons, women and city dwellers;
- a concentration of the new workplaces in the informal sector as a result both of the reduction in public employment and the scant labour demand of modern private enterprise;
- a growth in the number of employees recruited for fixed periods of time which is greater than that of workers recruited on contracts of indefinite duration, modifying the composition of salaried employment;
- a recuperation of real wages in many countries but with growth rates which have been lower than those of productivity so that gains in competitiveness have been achieved in the most representative tradeables sectors.

Table 6. Real wages (1980 = 100)

	1990	1991	1992	1993	1994	1995	1996
<i>Minimum</i>							
Argentina	40.2	52.9	45.3	70.0	81.1	78.4	78.3
Brazil	55.4	64.8	56.5	63.9	60.8	67.1	68.9
Paraguay	132.1	125.7	114.7	110.2	113.2	112.8	117.1
Uruguay	68.8	62.9	60.0	51.5	46.0	42.9	41.7
Mercosur	74.0	77.2	72.0	76.6	78.4	79.2	81.0
<i>Industrial</i>							
Argentina	75.0	76.0	77.0	75.7	76.5	75.6	75.5
Brazil	96.7	90.9	101.7	108.7	113.4	124.2	130.4
Paraguay	102.4	97.7	93.8	93.6	95.4	100.8	100.7
Uruguay	110.8	115.8	117.5	123.8	122.9	115.5	114.9
Mercosur	94.2	90.4	99.0	104.5	108.6	116.7	121.9

Source: Table prepared by the ILO on the basis of official data from the countries.

Labour costs and competitiveness

Within the Mercosur context, the growth of economic activity and employment depend in the medium term on the capacity of each country to meet the challenge of competitiveness both within its own frontiers and from the other countries of the world.

Competitiveness is a result of the relative costs of a set of factors and their productivity. Labour costs play a part, along with others such as the costs of energy, raw materials, technology, transport and work capital.

In what way do labour costs affect the competitiveness of the Mercosur countries?

Compare productivity and labour costs

In general, the available data indicate that wages tend to be higher in Argentina and substantially lower in Paraguay;⁵ but in order to evaluate the effect on competitiveness it is not sufficient to take into account labour costs alone: they must be compared with productivity.

Table 7, based on recent research by the ILO,⁶ shows the hourly labour costs in the manufacturing industry of various countries including Argentina, Brazil and Uruguay, and their relationship with productivity per hour of work.

Among the Mercosur countries for which information was available, Argentina has

much higher labour costs, but the relationship changes when account is taken of the unit of production. The higher productivity of an hour of work in Argentina reverses the relationship with regard to Brazil and reduces the difference with respect to Uruguay (table 7).

Major productivity differentials with respect to the United States

These are overall data and do not reflect the situation regarding competitiveness in specific branches or in other sectors. However, other studies have been carried out for specific industries. Research on four sectors – iron and steel, foodstuffs, banking and telecommunications – which cover, among other countries from the region, Argentina and Brazil, corroborates the major productivity differentials with respect to the United States. Of the two Mercosur countries, in three of the four sectors, Brazil records higher productivity (table 8).⁷

Both the overall data and those referring to specific sectors are indicators which show that the problems of competitiveness do not depend mainly on labour costs but are more influenced by the levels of productivity and other factors. Among them, there is no doubt that the delay in the kind of change undertaken in most Mercosur countries has affected competitiveness to a greater extent than the evolution of labour costs.

Table 7. Labour costs and productivity in industry, 1995 (US dollars)

	Labour cost per hour	Productivity per hour	Labour cost per production unit
United States	17.30	46.50	0.37
Rep. of Korea	5.60	22.40	0.25
Germany	27.50	n.d.	n.d.
Argentina	5.96	24.00	0.25
Brazil	4.65	15.10	0.31
Uruguay (1992)	2.37	12.50	0.19

n.d. = no data.

Source: Table prepared by the ILO on the basis of official statistics.

Table 8. Labour productivity (United States 1992 = 100)

	Iron and steel	Foodstuffs	Banking	Telecommunications ¹
Argentina	30	52	19	55
Brazil	44	29	31	59
Latin America ²	37	34	29	80

¹ No adjustment made for quality difference. ² Weighted by jobs.

Source: McKinsey Global Institute. 1994.

Sectoral agreements foreseen

Forms of community action aimed at defining and applying a strategy to enhance productivity and competitiveness could be included in the sectoral agreements for which provision is made in the Treaty of Asunción. In the same way, community action could well stimulate and support the export development of micro-enterprises which in the four countries account for a substantial part of the labour force.

Training, vocational training and retraining

In the Mercosur context, skills development and the vocational training of the labour force are key variables in several different ways: in the first place, they are a necessary condition for developing Mercosur's potential, launching new production, creating jobs and enhancing the efficiency and competitiveness of existing production; secondly, training is a means of facilitating the productive re-assignment of workers displaced as a result of changes in the composition and structure of production following the broadening of the market and the introduction of new technologies; and thirdly, a better trained and more productive labour force makes it possible to increase remuneration and improve conditions of work in an effort to achieve not only equitable development but social justice.

Training as part of employment policy

In recent years, the vocational training systems in the Mercosur countries have embarked upon an intense process of reform.⁸ In Argentina, the Employment Act made vocational training part of employment policy under the responsibility of the Ministry of Labour. A National Employment Fund was established from which funds are allocated for the training and retraining of workers.

In Brazil, enterprises have taken over the main responsibility for the formulation and application of vocational training programmes. The main institutions are the SENAI (National Service for Industry Training), the SENAC (National Service for Commercial Training) and the SENAR (National Service for Rural Training) which are linked to industrial, commercial and rural production respectively. The modernization of these institutions is designed to provide competitive technological development services, advisory services, information

and specialized production, enabling the institutions to have closer contact with enterprises and define their needs more precisely in terms of skilled labour. The Ministry of Labour has sought to establish a link between training, unemployment insurance and job placement.

The dual German model

In Paraguay, extra-curricular vocational training is the responsibility of the National Vocational Promotion Service which is a semi-autonomous body attached to the Ministry of Labour. It has aimed its efforts at providing more and more decentralized and flexible services, enabling it to conclude agreements with private bodies. Special importance has been given to dual training in line with the German model in industry and commerce.

In Uruguay skills development and vocational training are essentially public functions linked to education. The establishment of the Vocational Training Council and the functioning of NGOs have brought vocational training closer to the needs of enterprises and the demand from sectors not covered by public institutions. The Labour Retraining Fund has been established to finance the Labour Retraining Programme which is aimed at adapting training to the requirements of production reconversion and economic integration. Both the Fund and the Programme are administered on a tripartite basis. Uruguay is the only Mercosur country which has an occupational certification procedure which recognizes the skills and abilities acquired by the worker irrespective of the origin of the apprenticeship.⁹ Retraining courses are given to recipients of unemployment benefit.

Bridging the gap between formal schooling and work

Although there continue to be different problems in terms of human resources, many are common to the different countries and the requirements posed by the new market conditions are more or less similar. There are still areas with high rates of illiteracy in Brazil and Paraguay, and in the four countries a substantial effort will have to be made to improve the quality of education at all levels. There is a common need to increase the link between the educational system and work by addressing two main questions: first, the education system must improve its capacity to impart basic skills and so facilitate the integration of graduates

into production activities; and second, the educational system must provide students with a minimum degree of practical training and apprenticeship. The labour training systems require further decentralization and more involvement of enterprises and workers in the development of dual systems. There is a need to improve the specialized training centres as an alternative to the universities and to organize new specialized courses of short duration.

Skills training for young persons

Another common problem in the four countries revolves around the integration of young persons into the labour market, a problem closely linked to the issue of skills development. The design and application of employment and labour training programmes which take account of the heterogeneous situations and aspirations of young people are concerns shared by all countries in the area. Argentina and Brazil have even established programmes of this kind already and Uruguay will do so very shortly.

A high percentage of the labour force in Mercosur is employed in informal activities and urban and rural micro-enterprises. There is a need for a special organization where special status would be accorded to local and regional institutions to provide training to these sectors and enable them to participate fully in the restructuring of production.

Pool national training efforts

A human resource and training policy in Mercosur would enable national efforts in these spheres to be mutually strengthened. The construction of such a policy could begin by increasing collaboration in various spheres: between public and private training institutions; between universities and production sectors and enterprises; and between workers' and employers' federations. A clear form of cooperation would be the exchange of information which would allow successful national experiments to be adopted in other countries. Progress could be made in the exchange of curricular content and organization systems, the establishment of scholarship programmes and student-teacher exchange agreements and the development of joint projects.

A system for the recognition of certificates of skills and studies and professional titles is a prior condition for the circulation of factors of production established by the Mercosur treaty.

Social security¹⁰

Independently of the globalization and integration process, the social security schemes in the Mercosur countries are now undergoing a period of examination and reform. Argentina, Brazil and Uruguay are among the countries of Latin America which first adopted social security schemes and which have achieved the greatest population coverage. However, they are also among those countries with the highest social security deficit: problems resulting from marked increases in expenditure, in part because of greater life expectancy, along with reductions in real incomes during long periods of inflation and difficulties in the administration of the funds, have led them to engage in reforms or undertake studies and projects to redress the situation. Mercosur is an additional factor to be taken into consideration with a view to the adoption of common criteria.

Same levels of benefits

One of the first issues at hand is the need to strive to reduce differences in the amounts and sources of financing and levels of benefits. To bring social security costs closer together is important because of the effect they may have on the total costs of labour and on competitiveness. Even levels of benefits have a social objective of reducing inequalities in the conditions of life and work.

Available data on the costs of social security and other benefits as a percentage of wages show that, on average in Mercosur countries, they account for approximately 68 per cent of wages paid and 84 per cent of the net wages received by the worker. In Brazil and Uruguay, the costs are more or less equal to the average, whereas in Argentina they are 12 per cent higher and in Paraguay 13 per cent lower.¹¹

Not same levels

As can be seen, these costs are an important percentage of the total costs of labour and there are significant differences between the countries. However, as noted earlier, their real effect on competitiveness seems to be limited. Therefore the objective, from the economic point of view is not to standardize conditions between countries.

As regards benefits, once again there is no standardization criterion. A gradual process towards fairly even levels could be based on

the establishment of minimum conditions of social protection which at least guarantee the average level achieved and prevent any attempts to increase competitiveness to the detriment of social security; above the agreed levels, countries could establish whatever schemes they deem appropriate.

Migrant workers' acquired rights

A second issue is the fine-tuning of agreements to enable migrant workers to benefit, in their country of residence, from the rights acquired or in the course of acquisition, and to guarantee them their benefits. The basic principle in this instance is that of equal treatment between nationals and non-nationals. It must be remembered that some of the migration flows are illegal and therefore generally excluded from the protection of labour legislation, with neither access to social security nor membership in trade union organizations. This is a problem which requires community attention for the establishment of mechanisms and forms of regularization. In this respect Subgroup No. 10 adopted a "Multilateral Social Security Agreement of the Southern Common Market". This Agreement, which will be presented to the Common Market Group, establishes as a general standard that the applicable legislation (as regards social security) shall be that of the place in which the worker's activity is carried out". (article 4.)

The Administrative Agreement mentioned in the Multilateral Social Security Agreement establishes (article 6) that for the granting of contributory benefits in respect of age, old age, disability or death, the following rules shall be observed:

- each Contracting State shall take into account the periods completed and registered by the other State, provided that they do not overlap, as periods of insurance or contribution, in accordance with its own legislation;
- the periods of insurance or contribution completed before the entry into force of this Agreement shall take into account only when the worker has periods of work to be completed from that date;
- the period completed in a Contracting State, under a voluntary insurance scheme, shall only be taken into consideration when it is not simultaneous with a period of compulsory insurance or contribution completed in another State.

If ratified, the Agreement would offer extensive scope for cooperation among the national bodies responsible for social security. This is particularly the case as regards the establishment of common objectives, the definition of applicable schemes, administrative matters, actuarial calculations, placement and administration of special funds, and the means for achieving the establishment of universal social protection.

Labour mobility

Mercosur implies the free circulation of factors of production, but the Treaty of Asunción and the Ouro Preto Protocol do not establish any procedures or time frames to achieve it.

Migrations between Mercosur countries have historically been important and it is likely that they will continue to be so in the Common Market. Argentina and Brazil are the main receiving countries of migration flows: at the beginning of the last decade, most migrants to Argentina came from Latin America and half of these were Paraguayan (35 per cent) and Uruguayan (15 per cent).¹²

Early agreement to remove restrictions unlikely

Given the labour market situation in the four countries which all have high rates of underutilization of their labour forces, it seems unlikely that an early agreement will be reached to remove restrictions on the movement of workers. In Subgroup No. 11 (Committee 3) progress has been made on the exchange of information and preference given to the criterion of moving forward on a gradual basis. The current Subgroup 10 continues to deal with the subject through one of the three committees which have been set up.

A proposal in favour of successive stages suggests, as a first stage, granting workers originating from other Mercosur countries a preferential right to take up jobs for which no national workers are available, after a specified interval. At a second stage provision could be made for free access as a general rule except in cases of protection for sectors or regions which have a surplus of national labour. At a third stage, there would be full freedom of circulation which, in the case of dependent workers, would be subject to the condition that they have a contract of employment prior to their transfer.¹³

Free movement across frontiers includes that of settling and engaging in profit-making activities in any part of the Mercosur territory;

the free provision of services from one country to an individual or person domiciled in another country; the recognition of social security rights and the same treatment as that provided to nationals; and the recognition of occupational diplomas and skills.

Standards and labour legislation

Finally, a few remarks follow on international labour standards and labour legislation.

Ground for community cooperation

As noted earlier, one of the committees set up by the now defunct Working subgroup No. 11 selected a set of ILO Conventions whose ratification by all Mercosur countries would provide a common minimum legal base. In addition to ratification there is a clear general interest in each of the Mercosur countries to ensure proper application of these standards, which itself constitutes a sphere for community cooperation. However, the current Subgroup No. 10 has abandoned, at least temporarily, the examination of the subject of international labour standards and is focusing its attention, as noted earlier, on employment, migration, job skills and vocational training, health and safety at the workplace, inspection and social security. Even so, the construction of a common legal basis as regards labour standards allows for various options which should be explored: one possibility is for countries to decide simply to rely on the mechanisms established by the ILO for monitoring the application of the standards in each of them in accordance with general procedures. A disadvantage of this option is the periodic nature of the observations, which fluctuates between two and five years according to the Convention concerned. A second option might consist of the application of specific Mercosur procedures to monitor and support the application of standards, making cooperation and reciprocal technical assistance between the countries possible and providing consultation machinery to deal with specific situations. An intermediate option might consist of using the ILO procedures but with a different approach on the part of the Committee of Experts which would involve their consideration of standards in terms of Mercosur countries exclusively.

Large numbers of workers unprotected

The application of Conventions and labour legislation is not independent of the level of development and the structure of employment in the different countries. In Mercosur, more than half the labour force is to be found in the informal sector, made up of independent workers, workers in domestic service or in small enterprises. A high percentage of these workers are not covered by the protection of labour standards and legislation and their gradual integration opens up another field for cooperation and community action.

Finally, the inspection and monitoring capacity of the Ministries of Labour to ensure compliance with the legal and standard-setting framework requires development and improvements in all the Mercosur countries. To cite one example of the dearth in this area, in Argentina and Paraguay in 1994 there was one labour inspector for every 5,000 urban workers, in Brazil 1 for every 20,000 and in Uruguay 1 for every 13,000. The strengthening of these services means allocating additional resources, a responsibility largely incumbent on each country but which also offers opportunities for cooperation and mutual technical assistance among Mercosur countries.

Notes

¹ ILO: *Panorama Laboral 1996*, Lima.

² *ibid.*

³ This is because the rate of urban employment in Paraguay is also calculated on the basis of the data corresponding to the capital.

⁴ ECLAC: *Panorama Social*, 1995.

⁵ UNIDO, 1993.

⁶ *Costo laboral manufacturero. Incidencia sobre la competitividad y la protección de los trabajadores*, V.E. Tokman and D. Martínez, working document No. 46, ILO, Lima, 1996.

⁷ McKinsey Global Institute, 1994.

⁸ M.B. Peluffo and C. G. de Kamfbolec, 1994.

⁹ *ibid.*

¹⁰ See in this issue Alfredo Conte-Grand: *Social security and integration processes: Mercosur and social security*, p. 66.

¹¹ See J. R. Delgue and F. Pérez Tabó, 1993.

¹² P. Stalker, 1994.

¹³ S. Pérez del Castillo, 1993.

Bibliography

- AGOSIN, M. AND FRENCH-DAVIS, R.: "La liberalización comercial en América Latina", in *Revista de la CEPAL*, No. 50 (Santiago de Chile, Aug. 1993).
- BANGHMAN, M. L.: *Labor and the negotiation of free trade agreements*, IDB-ECLAC, Working Papers on Trade in the Western Hemisphere (Mar. 1993).
- BARBAGELATA, H.-H.: *Perspectivas de una Carta de Derechos Fundamentales para el MERCOSUR* (Montevideo, 1993).
- BOYER, R.: "The impact of the single market on labour and employment", in *Labour and Society*, Vol. 15, No. 2 (Geneva, ILO, 1990).
- CONTE-GRAND, A.: "Las relaciones del trabajo y la seguridad social en el MERCOSUR", *Jornadas Nacionales - Trabajo y Seguridad Social*, Valle Hermoso (Argentina, 1993).
- ECLAC: *Anuario Estadístico* (Santiago de Chile, 1992, 1994).
- . *Panorama reciente de los procesos de integración en América Latina y el Caribe*, Doc. LC/R 1189 (Santiago, Sep. 1992).
- GRIFFITH-JONES, S.; STEVENS, C.; GEORGIADIS, N.: *Regional trade liberalization. The experience of the EC*, IDB-ECLAC Working Paper on Trade (Washington, June 1993).
- LIEMT VAN, G.: "Economic globalization: Labour options and business strategies in high labour cost countries", in *International Labour Review*, Vol. 131, Nos. 4-5, (Geneva, 1992).
- MCKINSEY GLOBAL INSTITUTE: *Latin America productivity*, 1994.
- MERCOSUR TRADE UNION COMMITTEE: *Dimensión social y participación sindical en el MERCOSUR* (Buenos Aires, Oct. 1993).
- ILO: *Empleo y Trabajo en América Latina y el Caribe*, 1995.
- . *Panorama Laboral 1994* (Lima, 1994).
- . *Defending values, promoting change. Social justice in a global economy: An ILO agenda*, Report of the Director-General to the International Labour Conference, 81st Session (Geneva, 1994).
- PELUFFO, M.B., AND GRIVET DE KAMFBOLEC, C.: "Formación Profesional" en *El Derecho Laboral del MERCOSUR*, RELASUR/Instituto de Derecho del Trabajo y de la Seguridad Social de la República (Montevideo, 1994).
- PÉREZ DEL CASTILLO, P.: "MERCOSUR: History and aims", in *International Labour Review*, Vol. 132, 1993, Nos. 5-6, 1993.
- TOKMAN, V. E., AND MARTÍNEZ, D.: *Costo laboral manufacturero: incidencia sobre la competitividad y la protección de los trabajadores*, Working Paper No. 46 (ILO, Lima, 1996).
- TOKMAN, V. E., AND WURGAFT, J.: "Integración Económica y Mercado de Trabajo", in *Revista Perspectiva*, Seade Foundation, Vol. 9, No. 1, Jan.-Mar. 1995, (São Paulo).
- UNIDO: *Trade integration and industrial restructuring. The case of MERCOSUR*, 1993.
- WEINBERG, P. D.: "Integración y Formación: Lecciones de la experiencia comunitaria europea y las perspectivas para el MERCOSUR", in *Informes*, No. 150, ILO/CINTERFOR and Ministry of Labour and Social Security, Spain (Montevideo, 1992).

Labour institutions and labour relations in Mercosur

Oscar Ermida Uriarte

Senior Specialist in International
Labour Standards and Labour Relations,
ILO Multidisciplinary Team/Santiago

Mercosur was instituted under the Treaty of Asunción, concluded on 26 March 1991 between Argentina, Brazil, Paraguay and Uruguay. The Treaty provided for a period of transition or construction of the free trade zone between the four countries and for a common external tariff in the block's relations with the rest of the world. Subsequently, the Ouro Preto Protocol of 17 December 1994 laid down the final institutional structure of Mercosur which currently consists of an internal free trade zone (with zero rating, with exceptions) and customs union as regards third-party countries (with a staggered common external tariff ranging between 0 per cent and 20 per cent, with exceptions).

First trading block in the developing world

Today, Mercosur and the European Union happen to be *the only regional customs unions in operation anywhere in the world*. While this circumstance might be considered to be one purely of form, its substance becomes clear when it is noted that, between 1990 and 1995, intra-Mercosur trade rose by 200 per cent, while the block's foreign trade rose by 80 per cent. For the time being, Mercosur is the first successful trade block among developing countries and is taking steps, in its turn, to conclude or negotiate tariff preference or free trade agreements with other groups or countries (European Union, Chile, Bolivia).

However, the development achieved by Mercosur on the trade front in that brief period of time has not been mirrored in proportionate social development. Indeed, social rights and those of citizenship do not even feature in the Mercosur founding treaties, with the exception of a brief mention of the labour dimension, in spite of general recognition that integration implies a substantial social dimension.

Mutual influences and labour effects

Indeed, any reasonably developed regional economic integration process will entail numerous social repercussions, including those impacting specifically on labour. So while awaiting the long-term positive labour spin-offs ensuing from the block's economic and political growth, it is almost inevitable that social setbacks will be experienced in the short term, such as loss of jobs in certain sectors and the risk of "social dumping" among the member States of the groups themselves, or vis-à-vis third-party countries as they compete for control of the internal market. As a parallel process, in the medium term, mutual influences may be exerted among the member States' labour relations systems, in addition to the inevitable emergence of a new national/regional level of labour relations.

In this context, the areas where integration produces the most obvious or foreseeable labour effects include those connected with loss of jobs in certain sectors, industrial reconversion, vocational retraining, alternative placements, occupational safety and health, social security, trade union structures and functions, international collective bargaining and conflicts, and the participation of workers in enterprise decision-making and in the integration process itself.

Admittedly, Mercosur has so far failed as yet to reproduce its trade successes in the social sphere. This study will examine the difficult and, as yet, incomplete process of recognition of the social dimension of integration, identifying the labour bodies of Mercosur, proposals for adoption of international labour standards for Mercosur, and trade union structure and functions in the context of integration. Finally, an attempt will be made to draw a few conclusions. This study will not discuss the labour

institutions and labour relations of the Mercosur countries (national institutions and relations) but will concentrate rather on the labour institutions and relations of Mercosur itself. Such institutions operate at the international, supranational or regional levels, and have come into existence either as the result of, or to be placed at the service of the driving force of Mercosur as a socio-economic block which includes the four member States and generates its own institutions and relations which join those already in place at the national levels.

Recognizing the social dimension of Mercosur

The Treaty of Asunción, of 26 March 1991, under which Mercosur was founded, makes no reference to the labour and social dimension that is inevitably part and parcel of any regional integration process. In the view of Américo Plá Rodríguez (Dean of the Faculty of Law, University of the Republic, Uruguay), the Treaty of Asunción was drafted by diplomats and economists and embodies only commercial and organic instances where provisions are made only for the representative bodies of the executive powers of the States Parties and, more specifically, the Ministries of the Economy and of Foreign Affairs. At first sight, neither the social dimension nor the representatives of civil society and their organizations (parties, trade unions, associations) feature in the Treaty of Asunción. However, it was not long before the idea germinated and won recognition that a social dimension of Mercosur, and consequently the construction of its social space, did exist.

Set up competent instances

The initial impetus was prompted by trade union demands and by the doctrine of labour legislation which promptly identified, in the Treaty of Asunción text itself, the beginnings of legal justification for the construction of a social space within Mercosur. These lay in the Preamble to the Treaty, whose objectives included “economic development *with social justice*” and the enhancement of the people’s “living conditions”. These mentions sparked off a range of opinions far and wide which were to give legal substance to Mercosur’s need for instances with labour competence, its need to adopt labour standards and make it possible for workers and employers to participate in the process.

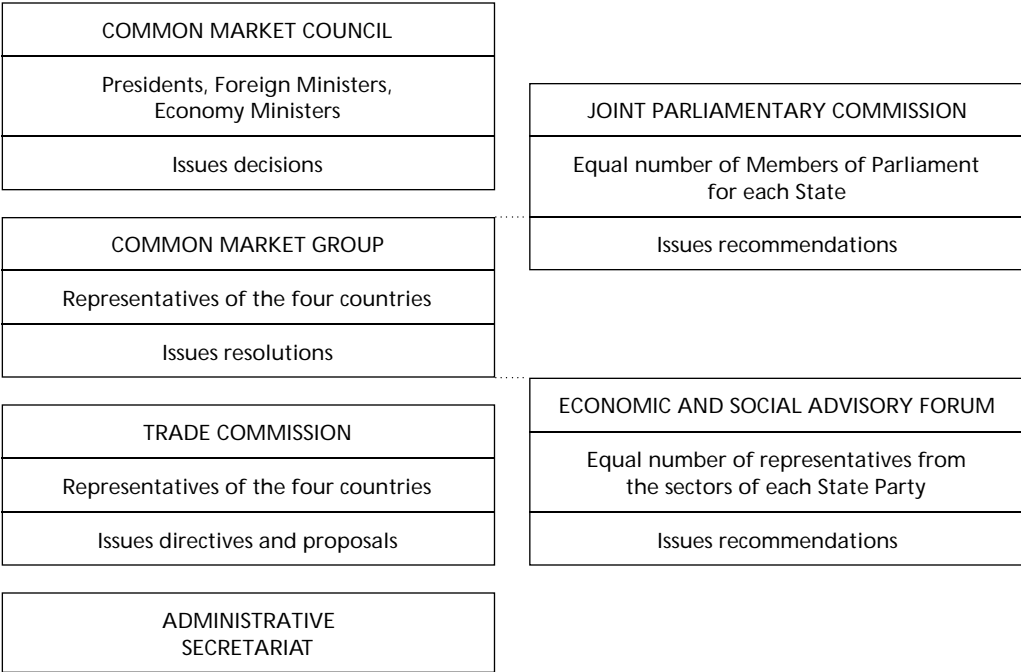
This academic initiative went hand in hand with a political measure. On 9 May 1991, a mere one and half months after the Treaty of Asunción was signed, the Labour Ministers of Argentina, Brazil, Paraguay and Uruguay issued the Declaration of Montevideo which made reference to: (1) the need to give due attention to the labour aspects of Mercosur in order to ensure that it produced an effective improvement in conditions of employment; (2) the proposal to establish a working subgroup on labour matters within the organic structure of Mercosur; and (3) the initiative to study the possibility of adopting a Mercosur social charter. Without expressly stating it, the Declaration clearly implied that the Treaty of Asunción had not only left out members of civil society and trade union organizations, but nor had it accommodated the government bodies specifically responsible for labour matters.

The social and labour “offensive” bore its first fruits in that same year when the Common Market Group, under Resolution 11/91, established the Working Subgroup (WSG) No. 11 on “Labour Affairs”, which was later to be renamed “Labour relations, employment and social security”. This working subgroup was Mercosur’s first labour institution, although it was contingent upon and subordinate to the Common Market Group which was composed of representatives of the Ministries of Foreign Affairs and of the Economy. Nonetheless, over the two years following its first session on 27 May 1992, the subgroup proved itself to be extremely active, with a broad-ranging tripartite mode of operation.

Representatives of civil society

The Ouro Preto Protocol, concluded on 17 December 1994, laid down Mercosur’s definitive organic structure. Once again, and this time in permanent form, it gave pride of place to diplomatic and economic dimensions, as demonstrated in figure 1. The decision-making bodies are organically linked to the executive powers and, within them, with the Ministries of the Economy and of Foreign Affairs, or their representatives. However, the really important novelty introduced by the Ouro Preto Protocol was that it provided for two bodies within Mercosur’s definitive organic structure which could be considered to represent civil society, namely the Joint Parliamentary Commission and the Economic and Social Advisory Forum.

Figure 1. The organic structure of Mercosur



The latter is the only standing labour body in Mercosur's permanent structure. Its establishment and functioning imply a formal recognition of the participation of the social sectors in regional integration.

Decision 9/95 of the Common Market Council approved the "Mercosur programme of action to the year 2000", which embodied the recognition of Mercosur's social dimension and the consequent need to build its social space. The Decision stated, on the one hand, that "the consolidation of the integration process calls for the increasing participation of society as a whole", and makes the Joint Parliamentary Commission and the Economic and Social Advisory Forum responsible for guaranteeing "the appropriate participation of the sectors involved". In addition, the programme calls for the formulation of proposals for developing Mercosur's social dimension (paragraph 3.2 of Chapters I and II).

It should be noted that trade unions played an important part in this as yet incomplete and inadequate process of defining and constructing Mercosur's social space by trade union organizations, particularly through the Mercosur Trade Union Commission within the Trade Unions' Coordinating Body for the South.

The labour bodies of Mercosur

The Ouro Preto Protocol lays down the permanent organic structure of Mercosur, maintaining the principal bodies that had previously been instituted by the Treaty of Asunción and which had been in operation during the transition period, and providing for the establishment of other, new bodies. Among the original, provisional bodies to become permanent were the Common Market Council and the Common Market Group. The Common Market Council is the supreme body of Mercosur, responsible for its political administration and composed of the Ministers of Foreign Affairs and of the Economy of the States Parties, although it meets once every six months with the participation of the Presidents. The Common Market Council unanimously adopts decisions that are binding on States Parties.

The Common Market Group is Mercosur's executive branch, composed of representatives of national governments and coordinated by the Ministers of Foreign Affairs. Its unanimously adopted resolutions are binding on States Parties. The Ouro Preto Protocol also provides for the establishment of other bodies, including the Trade Commission, the Joint Par-

liamentary Commission and the Economic and Social Advisory Forum, together with the Administrative Secretariat (see figure 1).

Meanwhile, during the transition period, within the context of the Common Market Group, ad hoc committees and working subgroups specializing in different topics were set up. Prominent among these was WSG No. 11 on labour relations, employment and social security which made a valuable contribution until it was dissolved in 1989, only to be recently restored under Resolution 20/95 of the Common Market Group as WSG No. 10 on labour affairs, employment and social security.

The Common Market Group also provided for meetings of Ministers, including Ministers of Labour. Consequently, Mercosur currently has two or, at most, three labour bodies: the former WSG No. 11 (currently WSG No. 10) which functions within the structure of the Common Market Group, and the Economic and Social Forum which is a standing body representing the economic and social sectors, as provided for in the Ouro Preto Protocol. The third, to the extent that they may be considered a body, are the meetings of Ministers of Labour.

WSG No. 10 on labour affairs, employment and social security

WSG No. 10 on labour affairs, employment and social security, set up under Resolution 20/95 of the Common Market Group, is in fact a re-creation of the former WSG No. 11 on labour relations, employment and social security, which had been highly effective until 1994.

Indeed, the work of WSG No. 11, during the interval it was active, was of no trifling importance: it incorporated eight committees devoted to the following topics: (1) individual labour relations; (2) collective labour relations; (3) jobs; (4) vocational training; (5) health and safety at work; (6) social security; (7) specific sectors; and (8) principles.

One of the most prominent features of WSG No. 11 was its tripartite manner of operation. The meetings of the subgroup itself, and of each of the committees, were composed not only of government representatives from the Ministry of Labour but also of a substantial number of representatives of employers' and workers' organizations, and recommendations were generally adopted by consensus. These sectors were represented by the main trade union and employer confederations of each country.

Only chance for tripartite participation

While the progress and achievements of the different committees within WSG No. 11 were not homogeneous, we consider that they were for the most part important and encouraging. Prominent among them were the recommendation that a common minimum set of international labour agreements should be ratified by the four countries, and discussions surrounding the adoption of a social charter for Mercosur. Both matters will be discussed hereafter. However, for a number of years, the subgroup and its committees were the sole instance of tripartite participation in the consideration of the labour dimensions of Mercosur. This circumstance in itself made it invaluable, as became particularly clear when it ceased to meet during the final quarter of 1994.

As stated previously, Resolution 20/95 of the Common Market Group re-instituted WSG No. 11 with minor (and unnecessary?) changes in number and name. The new one met for the first time in September 1995 but found it difficult to recover its earlier dynamism, although it maintained its tripartite mode of operation. The subgroup has approved a new agenda which includes a proposal to set up a labour observatory and a system of occupational certification, in addition to conducting comparative studies of labour legislation and industrial relations and analyses regarding the shaping of regional labour standards and their effectiveness. The latter issue is discussed further in this article. Subgroup No. 12's most important achievement to date is the approval of a preliminary draft Multilateral Security Agreement for Mercosur (Recommendation No. 3/95). Obviously, this Agreement still has a long way to go before it can come into effect because, after approval by the Common Market Group, it must be approved by the Council – which is expected to occur in late 1997 – and subsequently ratified by the national parliaments of the States Parties.

The Economic and Social Advisory Forum

The Economic and Social Advisory Forum (FCES), provided for in arts. 28 and 30 of the Ouro Preto Protocol, is the only body with competence in the labour sphere among the standing bodies provided for in the founding treaty of Mercosur, since the current WSG No. 10 was established by a Common Market Group Resolution ("derived law" in European

terminology) and forms part of the Group's internal structure. The same applies to meetings of the Ministers of Labour. Art. 28 of the Protocol states that the FCES is a "body for representing the economic and social sectors". It further specifies that the FCES "should be composed of an equal number of members from each State Party" which constitutes a departure from the European Union Committee model.

Article 29 provides that it will have an "advisory function", which is clear from its title. Although it is customary in comparative law for economic and social committees or councils to function in an advisory, as opposed to an executive decision-making capacity, it is not usual for this to be included in the title of the body.

Article 29 further provides that the FCES "will act through recommendations to the Common Market Group" which is the executive body of Mercosur. In other words, the FCES will draft its own internal regulations, which will require no approval or authorization by any other body, other than the mere acceptance by the Common Market Group.

Finally, article 30 stipulates that the Economic and Social Advisory Forum will submit its internal regulations to the Common Market Group for the purpose of standardization. In this manner, the FCES will draft its own internal regulations that will require neither the approval nor the authorization of any other body, just standardization by the Common Market Group.

In accordance with this provision, and in the exercise of their collective autonomy, the trade union and employer organizations of the four Mercosur countries negotiated the relevant Statutes and established the Economic and Social Advisory Forum. Their first step was to set up "national FCES sections" which were not necessarily of homogeneous conformation. It was decided that each national section would appoint nine representatives to the Mercosur FCES, resulting in a total of 36 members. Within each national representation, the principle of numerical parity is observed between representatives of employers and workers. Each national section then decides whether it will include other sectors (consumers, environmentalists, students, etc.) and, where this is the case, they decide how many representatives of these sectors would be included in the respective delegations.

In their second plenary session, held in Rio de Janeiro on 30 October and 1 November 1996, the Forum drew up a lengthy list of topics to be

dealt with and regarding which it would, as the case may be, ultimately pronounce opinions. From this long list, in which economic and social topics, in the broadest sense, predominate over specifically labour issues, the first matters addressed were those relating to employment policy, industrial policy, relations with the Latin American Integration Association (LAIA) and with the American Free Trade Area, and consumer protection.

During the course of its third meeting, held in Asunción on 21-22 April 1997, it issued its first two recommendations, regarding the American Free Trade Area (No. 1) and non-tariff barriers and bureaucratic obstacles in Mercosur (No. 2). During its fourth plenary session, held in Montevideo from 4-5 September 1997, the FCES adopted recommendations Nos. 3, 4 and 5 on negotiations between Mercosur and the other ALCA countries, Unilateral measures by governments that might affect intra-zone trade, and job promotion policies, respectively.

Consultative machinery alone not enough

Thus, the FCES has indeed begun to operate, but the predominantly advisory nature of its function, and the practical antecedents from Europe, are enough to stir doubts as to whether this body, single-handedly, will measure up to the task of constructing a social space within Mercosur, and ensure effective social participation in the integration process. In other words, the FCES is not sufficient in itself to ensure that corporate citizenship is recognized in Mercosur.

Sources of power monopolized

This democratic shortfall is not confined to the FCES which issues recommendations to the Common Market Group, a body of non-social composition. More serious yet is the circumstance that, under article 26 of the Ouro Preto Protocol, "the Joint Parliamentary Commission will submit recommendations to the Common Market Council, through the Common Market Group". Not only may the constitutionality be questioned in individual States Parties of the quasi-dependence of the parliamentary body of Mercosur on the bodies of ministerial composition, but it also highlights the fact that the participation of civil society is subordinate to the sources of decision-making power which are monopolized by the economic and diplomatic spheres of the national executive powers.

The meetings of the Ministers of Labour

Decisions 5/91 and 1/95 of the Common Market Group provide for meetings between the Ministers of the Economy (and Presidents of the Central Banks), of Education, Justice, Agriculture and Labour, "to deal with matters relating to the Treaty of Asunción, in their respective areas of competence".

In this context, a number of meetings have been held among Mercosur Labour Ministers, which have proved particularly useful during the interim period between the termination of WSG No. 11 and the establishment of its successor, WSG No. 10.

The fact that these meetings – though belonging to an organic structure – are of a flexible nature and are held on an irregular basis, in addition to frequent and ready contacts between the Ministers of Labour of the States Parties of Mercosur, means that the importance of these meetings of Ministers can only be appreciated in relation to circumstantial factors.

The shaping of international labour standards for Mercosur

Mercosur has not yet produced its own supra- or international labour law, although its "Mercosur action programme to the year 2000" provides that "the evolution of the integration process requires that agreements on labour and social rights should be examined". This topic was in the forefront of the work of Committee No. 8 (Principles) of former WSG No. 11. The Principles Committee of former WSG No. 11 had even recommended the joint ratification, by the four States Parties of Mercosur, of a set of ILO Conventions which would thereby create a joint body of minimum international labour standards, and put to the floor the proposal adopting a Mercosur social charter. Both initiatives had been proposed by Professor Héctor-Hugo Barbagelata in a report commissioned by the ILO.

In addition, the Multilateral Social Security Agreement could become the first substantive international standard of labour and social security law to be directly approved by Mercosur.

The joint ratification of a set of core international labour standards

Committee No. 8 (Principles) of the former WSG No. 11 of Mercosur recommended that the four member States should ratify as a body

a set of international labour standards. The list was drawn up through tripartite negotiation and includes 34 ILO Conventions (see figure 2), which indicates those agreements which have already been ratified by the four countries (R) and those that have not yet been ratified by some of them (U).

This is an open-ended list which can be supplemented and which includes a number of key Conventions, such as Nos. 11, 98, 135, 151 and 154 regarding freedom of association and collective bargaining, No. 144 on tripartite consultation regarding ILO related matters, Nos. 100, 105 and 111 on equality, forced labour and non-discrimination, Nos. 1 and 30 on limitation of the working day, No. 14 on weekly rest, Nos. 26 and 95 on wages, together with others on safety and health, labour inspection and vocational rehabilitation.

The objective is to create a minimum floor of protection of workers' rights in the region, one that is valid throughout the entire geographical area of Mercosur. By ratifying as a single body a set of international Conventions, the aim of member States is to create a *common or uniform body of international law*, as opposed to supranational law.

See figure 2, which lists the 34 Conventions selected, of which the following 12 had been ratified by all four member States of Mercosur by 10 June 1995:

- No. 11 on the right of association (agriculture), 1921.
- No. 14 on weekly rest (industry), 1921.
- No. 26 on minimum wage-fixing machinery, 1928.
- No. 29 on forced labour, 1930.
- No. 81 on labour inspection, 1947.
- No. 95 on the protection of wages, 1949.
- No. 98 on the right to organize and collective bargaining, 1949.
- No. 100 on equal remuneration, 1951.
- No. 101 on holidays with pay (agriculture), 1952.
- No. 111 on discrimination (employment and occupation), 1958.
- No. 115 on radiation protection, 1960.
- No. 159 on vocational rehabilitation and employment (disabled persons), 1983.

Their importance lies in the fact that, at the present time, they constitute the entire body of Mercosur's substantive body of international labour law.

Fig. 2. Recommendations of the former WSG No. 11 of Mercosur: agreed list of ILO Conventions to be ratified by Mercosur member States

No.	Convention	Argentina	Brazil	Paraguay	Uruguay
1	Hours of Work (Industry)	R	U	R	R
11	Right of Association (Agriculture)	R	R	R	R
13	White Lead (Painting)	R	U	U	R
14	Weekly Rest (Industry)	R	R	R	R
19	Equality of Treatment (Accident Compensation)	R	R	U	R
22	Seaman's Articles of Agreement	R	R	U	R
26	Minimum Wage-Fixing Machinery	R	R	R	R
29	Forced Labour	R	R	R	R
30	Hours of Work (Commerce and Offices)	R	U	R	R
77	Medical Examination of Young Persons (Industry)	R	U	R	R
78	Medical Examination of Young Persons (Non-Industrial Occupations)	R	U	R	R
79	Night Work of Young Persons (Non-Industrial Occupations)	R	U	R	R
81	Labour Inspection	R	R	R	R
90	Night Work of Young Persons (Industry)	R	U	R	R
95	Wages protection	R	R	R	R
97	Migration for Employment	U	R	U	R
98	Right to Organize and Collective Bargaining	R	R	R	R
100	Equal Remuneration	R	R	R	R
105	Abolition of Forced Labour	R	R	R	R
107	Indigenous and Tribal Populations	R	R	R	U
111	Discrimination (Employment and Occupation)	R	R	R	R
115	Radiation Protection	R	R	R	R
119	Guarding of Machinery	U	R	R	R
124	Medical Examination of Young Persons (Underground Work)	R	R	R	U
135	Workers' Representatives	U	R	U	U
136	Benzene	U	R	U	R
139	Occupational Cancer	R	R	U	R
144	Tripartite Consultation (International Labour Standards)	R	U	U	R
151	Labour Relations (Public Service)	R	U	U	R
154	Collective Bargaining	R	R	U	R
155	Occupational Safety and Health	U	R	U	R
159	Vocational Rehabilitation and Employment (Disabled Persons)	R	R	R	R
162	Asbestos	U	R	U	U
167	Safety and Health in Construction	U	U	U	U

(R) Ratified. (U) Unratified.

A Mercosur social charter?

The Declaration in Montevideo by the Labour Ministers of the Mercosur member States of 9 May 1991 (which emphasized the need to "devote attention to the labour aspects of Mercosur" and represented the immediate antecedent to the creation of the former WSG No. 11), already referred to the desirability of studying the viability of adopting a social charter for Mercosur. In line with the above-mentioned recommendations by Professor Barbagelata, together with the joint ratifica-

tion of specific ILO Conventions, the social charter would consolidate the network of international protection of workers' rights in Mercosur.

Committee No. 8 (Principles) of former Mercosur WSG No. 11 agreed to study the viability of framing a Social Charter or Charter of Fundamental Rights in Labour Matters for Mercosur, which could in principle feature as an additional protocol to the Treaty of Asunción, to be ratified by each State Party, and to set up a tripartite sub-committee for this task. The Committee proposed and con-

ducted studies on the possible nature, content and effectiveness of a social charter. The detailed preliminary draft was drawn up by the Trade Unions' Coordinating Body for the South, entitled "Charter of Fundamental Rights of Mercosur. Proposal by workers." Discussions and studies have considered which rights should be included in the charter, its effectiveness and monitoring mechanisms, including the possibility of imposing penalties for non-compliance, or the creation of a type of international tribunal which could ultimately introduce a degree of supranationality.

Some political impetus lost

However, the matter did not pass the negotiation stage which was, moreover, suspended when former WSG No. 11 of Mercosur ceased to function. Subsequently, the social charter initiative lost some of the political impetus that it had displayed in previous years, although we believe that Mercosur will sooner or later adopt a European-style Charter or Declaration.

After considerable hesitation, at its meeting held from 19-22 August in Montevideo, WSG No. 10 placed the subject on its agenda and set up a tripartite ad hoc group with one representative for each sector and country, with responsibility for "analysing proposals for approving an instrument containing a core of fundamental rights, and a supervisory mechanism with participation of the social sectors" (Records No. 2/97 of the V Meeting of WSG No. 10). In addition, the Mercosur Joint Parliamentary Commission recommended on several occasions that a social charter for Mercosur should be approved, and this topic also features on the agenda of the Economic and Social Advisory Forum.

Some Mercosur member States have been discussing an alternative to the social charter which calls for the adoption of a technique similar to that of the Complementary Labour Agreement of the Nafta, consisting of a mechanism for monitoring the effective application of national labour standards without creating a body of supra- or international standards or principles. Such an alternative would mean that the compliance commitment would have to emanate from an international source, together with some form of supra- or international monitoring. Moreover, the "Mercosur action programme to the year 2000" includes both possibilities, in the form of cumulative as opposed to alternative actions. It is stated, on

the one hand, that "the evolution of the integration process calls for the examination of agreements on labour and social rights", and then goes on to add that "likewise, greater cooperation will be encouraged in connection with compliance and monitoring of labour standards" (paragraph 3.2 of Chapter II).

Draft Mercosur multilateral social security agreement

WSG No. 10 and the Common Market Group approved a draft multilateral social security agreement for Mercosur and a draft Administrative Agreement for its implementation.

The draft agreement specifies that the social security rights provided for in this document "will be recognized for all workers who provide or have provided services in any of the Contracting States, attributing to them and to their family members and dependants the same rights and imposing on them the same duties as nationals of those States."

Overall, this document incorporates the fundamental material principles of basic international social security law, namely: the application of the law of the place of execution, equality, conservation of acquired rights, the cumulative nature of rights and pro rata. Articles 4 and 5 of the draft agreement stipulate that, under the agreed principles, the *legislation applicable* will be that of the *place where the worker carries out his or her activity*, with the usual exceptions of such cases as liberal professions, technicians, executives, etc., who are transferred for limited periods, workers in specific transport companies and members of diplomatic and consular representations.

The principle of equality and non-discrimination between nationals and foreigners is embodied in the above-mentioned article of the draft agreement which recognizes that workers, family members and dependants who provide or have provided services in any of the Contracting States should enjoy the same rights and obligations as nationals.

The principle of conservation of acquired rights is not expressly stated in the document, although it is inherent in the express statement of the principles of cumulative rights and pro rata.

The fact that *periods of insurance or contributions are cumulative* means that the periods of insurance or contributions paid in the territories of "any of the Contracting States will be considered for purposes of benefit entitlement", in which regard provision is also made

for the criteria of “pro rata” distribution of the costs of benefits (art. 7), whereby the total cost of the benefit is divided between the countries in which it was generated in proportion to the period worked (and for which contributions were paid) by the beneficiary or subject in each of them.

The draft agreement also contains special rules regarding health benefits for workers who are temporarily moved and rules regarding individual capitalization pension regimes, among other matters.

Mention should be made of the provision that the documents to be used in implementing the agreement will not require official, authorized or consulate-legalized translation, provided that they have been processed through an administrative entity or national link body (art. 13), and of the provision for setting up a Standing Multilateral Committee for implementing and interpreting the agreement (art. 16).

As stated in paragraph 2.1, this draft agreement, which has already been approved by WSG No. 10 and by the Common Market group, cannot come into effect until it has been approved by the Common Market Council and has been subsequently ratified by the parliaments of the four member States.

Trade union structures and action in Mercosur

Action by trade unions has been the driving force behind the early development of the social dimension of Mercosur. It will also be essential in ultimately achieving full recognition of this dimension. However, trade unions and their activities will have to be *re-scaled* if they are to be truly effective in constructing the social space of Mercosur. Indeed, the function of Mercosur as a free trade zone and customs union, and its tendency to become a new, more-or-less unified political entity, brings with it the internationalization of the geographical, political and economic context of labour relations. In other words, labour relations are being conducted in an increasingly international context which, in turn, calls for international-level social players.

New life for the Trade Unions' Coordinating Body

The international context (integrated region) calls for international (regional) trade union action which cannot occur without international-level (regional) players. The trade

unions of the Mercosur countries were quick to understand this and made use of the instrument that already existed in the Treaty of Asunción, namely the Trade Unions' Coordinating Body for the South, which covers both the Mercosur countries and Bolivia and Chile. Mercosur's Trade Union Committee, set up within that pre-existing coordinating body, in turn played a key role in relaunching and revitalizing the Coordinating Body which proved effective in focusing its activities within Mercosur.

Always on call

The Coordinating Body played a very vigorous and effective role both in the former WSG No. 11 of Mercosur and at the time when the Economic and Social Advisory Forum was taking shape. It now has a permanent place both within the Forum and in WSG No. 10. The Trade Unions' Coordinating Body for the South and its Mercosur Trade Union Commission continue to serve as coordinating bodies, without going so far as to constitute a genuine international organization with its own structure and authorities, although these steps are now necessary.

The Industrial Council

For their part, employers' organizations were slower to react to the change in circumstances. The Mercosur Industrial Council was not created until 1994, followed by the Council of Mercosur Chambers of Commerce. These two coordinating bodies are not only more recent but are also less active than the trade union entities.

More workers' participation bodies needed

It is clear that the strengthening of these structures is a *conditio sine qua non* for the effective participation of workers and employers in regional integration. The recognition of the representation of civil society in Mercosur depends, to a large extent, on the existence of appropriate trade union structures and functions: firstly, effective trade union action, at the right level, is essential to ensure that the social dimension of integration is not displaced once and for all by the purely commercial facet; and secondly, because the regional-level trade union structure, with regional objectives, is essential in generating other forms of workers' participation instruments, in particular, regional collective bargaining.

Collective conflicts or regional bargaining

Indeed, the regionalization of the economy and politics, on the one hand, and of trade union structures and functions, on the other, will eventually lead to the emergence of instances of regional collective bargaining and of collective conflicts at the same level. One school of opinion considers that a collective conflict involving some or all Mercosur member States will trigger the emergence of collective bargaining in that sphere in order to resolve it. But whatever the genetic conflict-bargaining order (which, in the last instance, may be seen in terms of the chicken and the egg), there is no doubt that the horizon of labour relations in Mercosur necessarily bears a "Mercosur" stamp. Such collective bargaining may either be at the level of the enterprise (enterprise or economic group installed in one or more of the Mercosur member States), by branch of activity, or even operate within a framework agreement or social covenant at the summit, in the nature of the "joint positions" which are agreed within the European Union by the European Confederation of Trade Unions (ETUC) and the Industrial Union of the European Community (UNICE).

It follows that the dynamics of negotiation at the summit between trade union confederations and employers' groups within the Economic and Social Advisory Forum might facilitate the contacts and the personal and institutional relationships which are essential in opening any of the doors to future collective agreements or social agreements in Mercosur. At all events, one fact remains: side by side with the national systems of labour relations in Argentina, Brazil, Paraguay and Uruguay, a Mercosur labour relations system is developing, one that is superimposed over the systems of the four member States and functions simultaneously and in interaction with them, but with its own players and its own set of dynamics.

Conclusions

Mercosur has developed rapidly as a free trade zone and customs union. As an international trading block, it can only be described, to date, as highly successful. It was launched in 1991 and is, in fact, one of the only two regional customs unions existing in the world. In the course of a few years, intraregional trade has grown spectacularly and the group is beginning to take its place abroad as a uni-

fied body, as exemplified by the current negotiation of a free trade agreement with the European Union.

However, Mercosur has not developed its social dimension at the same rate.

In fact the 1991 Treaty of Asunción leaves out the social and labour aspect altogether, despite which the social space for Mercosur began to take shape almost immediately. The major milestones in this process were laid by trade union activity, efforts on the part of the Trade Unions' Coordinating Body for the South, those of the Ministries of Labour, labour doctrine, in conjunction with the setting up of WSG No. 11 (currently WSG No. 10) and of the Economic and Social Advisory Forum. These are currently the only bodies that can be said to specialize in labour affairs within Mercosur and, consequently, the only institutional space open to the participation of workers and employers in regional integration.

Alongside these achievements, proposals and discussions regarding the adoption of substantive international labour standards for Mercosur have not gone beyond the proposals stage, with the result that the existing substantive labour law of Mercosur is confined to the 12 ILO Conventions ratified by all four States Parties.

Moreover, the lack of participation in Mercosur, as emphasised elsewhere, is not restricted to the players in the labour relations system, but applies to civil society as a whole. This is clearly demonstrated by the relatively subordinate position assigned in the Ouro Preto Protocol to the position of the Joint Parliamentary Commission and the Economic and Social Advisory Forum. These are the only organs which ensure the participation of civil society in Mercosur and they clearly enjoy poor status vis-à-vis the technical, economic and diplomatic organs of implementation.

The social dimension of Mercosur is poorly developed not only in comparison with the European Union, but also in comparison with Nafta, which is strikingly contradictory: while Mercosur is already a customs union and intends shortly to become a common market, it has not yet managed to produce its own framework of labour standards. Meanwhile, the Nafta, which is just a free trade agreement and does not aspire to any further level of integration, has, however, produced an additional labour agreement and monitoring mechanisms which are working.

An interesting although relative coincidence is also apparent in the case of the European

Union. Following a long process of construction of the single market, and of its political and social dimension, Europe today is facing the worrying conclusion that the structure does not operate in a sufficiently democratic manner. A degree of contradiction appears to occur between the objective (an increasingly close union between the peoples of Europe) and the means of diplomacy and trade employed; consideration is being given to the question of whether or not citizens should participate more directly in institutional Europe which would thereby recover its full democratic legitimacy. It is stated that, to achieve this, the Parliaments of member States would have to be involved in all mechanisms for framing and monitoring decisions, and the presence of parties, trade unions and associations would have to be strengthened in order to achieve a democratic "recasting" of the Union.

Trade union action at the forefront

The question might be asked as to whether Mercosur, which is still in the early stages of organization, is not reproducing these same democratic shortcomings from the very start, in the form of a reluctance to recognize the social dimension as expressed in the limited number of institutional spaces for citizen and trade union participation and in the relegation of the latter to a secondary level. As is usual, however, it is easier to identify the problem than to take corrective action. Even if such a

lack were to be recognized, it is unlikely that Mercosur's current centres of technical-commercial decision-making will take corrective action to enhance democracy and participation. The only immediate solution lies in trade union action which may be accompanied or backed by the efforts of the Ministries of Labour, Parliaments and political parties.

A system of labour relations of an international scale or at regional/international level is being developed for Mercosur and will at some point come to fruition.

The constitution of international trade union bodies or coordinating bodies between national organizations are the first inadequate but essential steps towards the creation of international players, that is, trade union entities with a structure and scope that are in keeping with the new regional context. Subsequent steps will in due course involve the consolidation of these southern market trade union structures and the appearance, in an unpredictable chronological order, of multinational collective agreements and of collective conflicts at the same level.

It is likely that, in the Latin American context, workers' participation in enterprises will take considerably longer to become reality in Mercosur than in the European Union. Nonetheless, "macroparticipation" has already been institutionalized in the Advisory Forum which, despite its shortcomings, produces worthwhile "demonstration" and "practice" effects.

Mercosur – Integration, labour, and social rights

Julio Godio
ILO Consultant

Economic and trade integration

The Common Market of the Southern Cone (Mercosur) is an economic mechanism of decisive importance. Its four member States (Argentina, Brazil, Paraguay and Uruguay) together account for 45 per cent of the total population of Latin America (almost 200 million people) and 50 per cent of its product. Chile and Bolivia participate as associate members, under the 4 + 1 formula.

Join in globalization

During the six years that have elapsed since the conclusion of the Treaty of Asunción in March 1991, the Mercosur project has progressively extended its political and economic scope in member States and in the remaining Southern Cone countries. Mercosur will be an “imperfect customs union” with special tariff regimes until the year 2006 when it will become a Common Market. Mercosur may prove to be the principal instrument in incorporating these Southern Cone countries into the current worldwide process of globalization.

In November 1994, in Miami, a “Declaration of Principles” of the Summit of the Americas was approved by 34 of the hemisphere’s heads of State and government. The Declaration states that “free trade and closer economic integration are key factors in raising the standard of living and improving the employment conditions of the peoples of North and South America, and in protecting the environment”. The establishment of the American Free Trade Area (AFTA) involves the progressive dismantling of barriers to trade and investment and the full operation of the free trade area by 2005. On the occasion of the Miami meeting, the Inter-American Regional Organization of Workers (ORIT)/International Confederation of Free Trade Unions (ICFTU) proposed to the heads of State and government that, in addition to the seven working groups responsible for framing trade and investment measures, an additional working group and a regional

forum should be created for tripartite discussion of how to incorporate the social clause in the AFTA. The majority of governments, however, continue to maintain that the International Labour Organization is the organization which is competent for labour matters.

A charter of fundamental rights

It is the view of the United States government that Mercosur should be considered to be a trade subsystem that is subordinate to the objectives and standards/rules of the American Free Trade Area. However, in September 1996, the Mercosur Council Meeting in Florianópolis (Brazil) specified that the objective of the American Free Trade Area is to create a free trade zone, while that of Mercosur is to create a Common Market, as specified in the Treaty of Asunción. In February 1997, in the meeting of American Free Trade Area Deputy Ministers of Trade in Recife (Brazil), the governments of the four Mercosur member States confirmed that the purpose of subregional integration is to create a common market which includes more-favoured treatment to other members than to third-party countries. This position is supported by the national trade union confederations and by the Trade Unions’ Coordinating Body for the South (CCSCS) who further advocate a Mercosur supranational Charter of Fundamental Rights to protect workers’ rights. This position is being resisted by the governments of member States. In short, tension reigns between the American Free Trade Area and Mercosur which can only be settled through negotiations between the parties.

Differences in scales of their economies

Argentina and Brazil are the largest Mercosur partners. The differences in scale between their economies and markets and those of Paraguay and Uruguay, the other two members, are enormous: Brazil’s gross product is between 40 and 50 times larger than that of Paraguay and Uruguay, while that of Argentina

is almost 20 times larger. The two larger countries account for 97 per cent of Mercosur's total product and 90 per cent of its population. Mercosur is of vital importance for the two smaller countries in that reciprocal trade with Mercosur accounts for between 60 per cent and 70 per cent of their total trade.

Mercosur and the world market

Mercosur must settle the central issues of increasing unemployment and the difficulty of creating jobs. However, new jobs can be created in the integrated subregion only if the rate of growth of Mercosur's trade with the other regions of the world can outstrip that of product. Although intraregional trade did indeed expand more rapidly than product in 1990-95, Mercosur's share in world trade stood at a mere 2 per cent in 1994, on account of scale. The principal export products of Mercosur countries, which enjoy comparative advantages, are not dynamic, and the competitiveness of their technology- and human capital-intensive products leaves much to be desired.

The functioning of the old import substitution and protectionist system has undergone a radical transformation with the opening up of the economies since domestic markets are no longer the exclusive preserve of domestic enterprises. As globalization advances, companies must deal with increasingly open competition on both domestic and international markets.

Cope with new conditions

The governments of the Mercosur member States intend to maintain existing preferential customs policies or to introduce new preferences for members vis-à-vis third-party countries. This will only be effective if Mercosur can improve on its current small share of the world market. In addition, under the adjustment and stabilization policies implemented in these countries, state intervention in the economy is being cut back, with the immediate effect of substantial job losses in the public sector. In addition, several links in the chains of production in these countries have been replaced by imported products, which has caused local companies to close down and led to unemployment. Companies are required to deal with new, very different circumstances, in the knowledge that survival, growth and expansion of the labour market will be achieved only if they remain competitive.

The labour market

Mercosur will generate an immense labour market. In 1992, the total population of the Mercosur countries totalled 194 million people, and this figure is expected to rise to 217 million by the year 2000. Almost 90 per cent of that population lives in Brazil (154 million in 1992) and Argentina (33 million). The population of Paraguay in 1992 stood at 4.5 million, and 3.1 million in Uruguay. Chile and Bolivia accounted for a further 24 million. The population of the Mercosur countries is predominantly urban: Argentina 87 per cent, Brazil 77 per cent, Paraguay (rural country) 54 per cent and Uruguay 91 per cent. In turn, half the urban population in these countries live for the most part in cities of over 1 million inhabitants. The labour market of the Mercosur countries is composed of approximately 90 million people, of which the working population totals 85 million. While open unemployment stands in 1997 at 5.5 million, underemployment has topped the 30 million mark; that is, 35.5 million workers are workers in a situation of unemployment or underemployment. It should be noted that an overall average of 50 per cent of workers are employed in the urban informal sector in Mercosur countries, which represents a preponderant share of low-skilled, that is, low quality jobs which offer no social security or welfare and low levels of pay. It is calculated that 4 million children work in Mercosur countries for a weekly average of 46 hours, for which they are paid below the minimum wage.

Refuge jobs

Job creation rates between 1990 and 1995 vary widely. The highest annual rate of job creation (5.8 per cent) is recorded by Paraguay, revealing a marked dynamism in its labour market. However, this rate includes low quality "refuge jobs" which are not included in the statistics submitted by other countries; consequently, the figure is not comparable. During the period under analysis, the remaining member States' rates of annual job creation were, in declining order, Brazil (2.6 per cent), Paraguay (1.5 per cent), while Argentina recorded the lowest (1 per cent) rate of job creation.

Less jobs in public sector, more in private sector

Although new jobs were created in all the economies of the Mercosur countries, the volume was not sufficient to satisfy the demand generated by the total number of workers entering the labour market. Hence, the levels of urban unemployment between 1990 and 1996 were high in Argentina (17.3 per cent), relatively high in Uruguay and Paraguay (9.2 per cent and 6.6 per cent respectively) and lower in Brazil (4.3 per cent). Meanwhile, formal private employment grew slowly over this period in Argentina and Brazil (0.8 per cent and 0.2 per cent respectively) and at moderate rates in Paraguay and Uruguay (2.6 per cent and 2 per cent). Finally, employment in the public sector declined in all member States between 1990 and 1996, with the exception of Paraguay where it grew by 5.3 per cent. In short, private formal employment has risen, to varying degrees, in all member States, while employment in the public sector has declined, representing a drop in the share of total formal employment (public and private combined) in total employment, with a concomitant growth in informal employment.

Women and youth

The informal sector (which includes domestic service, self-employment and microenterprises) has experienced considerable growth in Argentina, Brazil and Paraguay, accounting for 50 per cent of total employment in 1996. Hence, for the region as a whole, the informal sector predominated in the growth and structure of employment with a simultaneous rise in unemployment. As in most Latin American countries, women and young people are those who are most affected by unemployment in Mercosur.

Changing in two ways

The member States of Mercosur are no exception to the process of structural change currently being experienced by most Latin American countries, whereby the economic development model of import substitution (pursued since the 1930s) is being replaced by market economies of scale. The fact that Mercosur is participating in the process of globalization and creation of regional spaces means that it is increasingly open to foreign markets, with the result that it is undergoing a dual transformation.

Competitiveness, productivity, employment and wages

Within Mercosur, a discussion is currently ongoing – within governments, and employers' and workers' organizations as in other social sectors – regarding the most effective economic model and policies for boosting economic activity and competitiveness and increasing jobs and levels of pay. It is generally agreed that the difficulty of choosing between models is worldwide, but that particular features prevail in Mercosur where any solution calls for a concerted social commitment between the social partners and the States.

In favour of the giants

The establishment of Mercosur has created national economies of scale, leading to a restructuring both of capital and labour and of the relationship between them. The opening up of the economy is galvanizing economic activity, although not all companies can gain access to the integrated space composed of national market economies. The combined expansion of the regional market and heightened competition have served to strengthen the major economic groups and multinational enterprises, triggering a crisis in the Small and Medium Enterprise (SME) sectors. As for the workers, a "regional working class" is being created, although diverging levels of productivity increases may spark off competition between workers.

Special favours for capital

Should the productivity of labour increase more rapidly than production, and should the mobility of labour increase in the form of migratory flows in quest of jobs under working conditions that may be below those stipulated in national legislations and collective agreements, competition among workers would be liable to increase, with a consequent drop in wages and living conditions so that capital would end up making competitiveness depend on reduced labour and wage bills. Within this logic, member States will seek to offer prime conditions which permit large investors and multinational enterprises to achieve competitiveness through low wages, for which pur-

and working conditions have prompted closer trade union cooperation in Southern Cone countries with a view to countering competition between workers, particularly through the creation of the Trade Unions' Coordinating Body of the South and the trade unions' proposed "Charter of Fundamental Rights".

No downward levelling

Mercosur was the outcome of the need for larger markets in order to achieve producers' surplus, that is, to sanction the termination of industrial growth processes based on import substitution, and to adapt to the new rules of globalization and the opening up of economies. To achieve this, the CCSCS maintains that member States should pursue similar levels in terms of wages, taxes, tariffs, general infrastructure costs, etc., with a view to creating a new economy of scale in the Southern Market space. Non-competitive enterprises within member States will be displaced by the enterprise concentration process, for which reason the CCSCS maintains that a "downward levelling" of wages should not be necessary to achieve a reduction in labour costs. The establishment of Mercosur has caused the trade unions of the member States to become involved in a complex process of interdependence and competition among enterprises. Thus, on the one hand, large local economic groups and the US and European multinationals endeavour to occupy all possible accumulation niches and use Mercosur as a new platform to achieve competitiveness at world level. However, this of course does not exclude conflicts among large local economic groups and the multinationals. In order to compete on the new market, swift mergers occur between local enterprises (at the local level and between countries) for the purpose of achieving the necessary levels of capitalization. In some cases, these mergers include foreign capital. In other instances, the alternative is to sell off companies in unpromising sectors in order to invest in new activities. Consequently, if workers' organizations are to be effective in defending their members, they must be familiar with the complex fabric of commitments and tensions in relationships of association and competition between the local economic groups and multinational enterprises.

Change the rules of the game worldwide

The CCSCS has warned that the workers of member States may be the victims of an unequal capital structure in Mercosur. However, trade union organizations cannot preserve jobs and incomes through nationalistic stances that hamper the mobility of capital and of labour. Hence, trade union strategy should be based on a global approach, at the regional level, in the quest to change the ground rules and ensure that competitiveness is achieved on the basis of a diversification of supply and quality and not through an erosion of direct and indirect wages (contributions to social welfare, health, etc.), within a context of the integrated and comprehensive growth of the national economies.

A common labour platform

Supranational legislation should be framed to facilitate the automatic assimilation of immigrant workers into national labour regulations in order to avoid overexploitation (for instance, in the Argentinian textile industry which illegally uses foreign labour) and prevent any escalation of racism and xenophobia on the part of local workers who consider that foreigners are "taking" their jobs. The subregional trade union strategy should be to draw up a joint labour platform of homogeneous labour and working conditions (for example, 6-8 hour working days, minimum wages, salary scales negotiated by branch of activity, joint pension schemes, vocational training curricula, etc.). Trade unions should endeavour to introduce framework agreements between companies and trade unions in economic sectors with a view to facilitating the homogenization of wages and working conditions (for example, in the automobile, energy and transport sectors). However, this will only be possible if the respective national workers' organizations resist the temptation to make working conditions flexible in the interests of encouraging foreign investors to choose one country at the expense of the other.

Risk of segments

Therefore, when discussing the labour market in Mercosur, we should bear in mind that sustained and balanced growth among the countries must necessarily strive for higher levels of pay if the markets for goods are to

expand. Otherwise, the predominance of low wages and the widespread casualization of jobs, combined with unemployment and informal employment, will lead the labour market to split into high productivity/income versus low productivity/income segments which experience has shown to lead to economies with low average productivity/incomes. Such sectors produce tradeable goods with comparative advantages and achieve a higher rate of productivity by introducing hard and soft technological innovations.

The benefits of integration for workers

Mercosur is structured as a set of inter-governmental institutions intent on promoting free trade and integration. The workers' organizations belonging to the CCSCS advocate a supranational structure in the nature of the European Union's, for reasons connected not only with political and trade union questions but also for motives that are closely linked to the labour market. Indeed, properly resolving issues related to wages, working conditions, security, migration, etc., which are all components of the structure of the labour market, call for supranational labour and social policies.

Humanizing work

Such policies will commit Mercosur to operate and develop supranational institutions which guarantee the humanization of employment and labour market regulations in line with the social security concerns of the welfare State. The unions consider that this goal is not negotiable in structuring a labour market that is in a position to deal with the challenges of greater competitiveness and productivity within Mercosur and between Mercosur and the world economy. For the past ten years, the trade unions of the countries in the region have been acting in a coordinated manner in the context of endeavours to create a progressive Mercosur that promotes equality. The CCSCS further considers that this trade union aspiration should provide a semblance of response to its proposals relating to the social dimension of Mercosur by matching it with the scenario that will emerge with the ultimate construction of the AFTA, with its accompanying requirement of a continent-wide social dimension.

The political presence of trade unions in Mercosur

Origin and objectives of the CCSCS

1997 marks the eleventh anniversary of the founding in Buenos Aires of the CCSCS, with the support of the International Confederation of Free Trade Unions (ICFTU) and of the Inter-American Regional Organization of Workers (ORIT), the former's representation for the American hemisphere. The CCSCS's sphere of activity focuses on the Southern Cone countries of Latin America (Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay). Since its creation, the CCSCS, which is an autonomous trade union organization with strong links with the ORIT/ICFTU, has adopted numerous coordinated measures for the purpose of: (a) promoting the restoration of political democracy in the Southern Cone countries (it should be remembered that, in 1986, Argentina was the only democratic country); (b) debating and framing economic and political programmes offering an alternative to neoliberalism; (c) guaranteeing the participation of workers in Mercosur; (d) promoting trade union training; (e) furthering the cooperation of the CCSCS and its members with the International Trade Secretariats (ITSs); and (f) strengthening links between workers' organizations and the ILO. Over the last ten years, the CCSCS has succeeded in overcoming the difficulties caused by the fact that national trade union confederations in the Southern Cone had previously been isolated, and has now successfully gathered strength to the extent that it has become a focus of political and trade union solidarity and cooperation between national trade union movements of the Southern Cone countries and between these movements and the ORIT/ICFTU.

Take into account the impact of the process

In the light of Mercosur's strong impact on the labour markets of its member States and, by extension, on the living and working conditions of millions of workers, the CCSCS has opted to give priority during these years to its activities in Mercosur, given that the objectives of economic and social advancement in each country cannot be viewed in isolation from the impact of the integration process on national economies and on national labour markets. The CCSCS is composed of the following trade union confederations: Confederación General

del Trabajo (CGT), in Argentina; Central Obrera Boliviana (COB); Central General de Trabajadores (CGT), Central Unica de Trabajadores (CUT) and Força Sindical (FS), in Brazil; Central Unitária de Trabajadores (CUT), in Chile; Central Unica de Trabajadores (CUT) in Paraguay; and the Plenario Intersindical de Trabajadores – Convención Nacional de Trabajadores (PIT-CNT), in Uruguay. The location of the headquarters of the CCSCS rotates regularly and is currently in São Paulo, Brazil (1996-98).

Not all workers' organizations in CCSCS

It should be noted that several national workers' organizations do not participate in the CCSCS, including the Central de Trabajadores Argentinos (CTA) (not to be confused with the Movimiento de Trabajadores de Argentinos (MEA) of Argentina which participates through the CGT); three confederations affiliated to the World Confederation of Labour, and its branch in the region, the Central Latinoamericano de Trabajadores (WCL/CLAT); the recently-formed Centrales Autónomas de Trabajadores (CAT) of Brazil and Chile; and the Central Nacional de Trabajadores (CNT) of Paraguay. Some of these workers' organizations participate in the Economic and Social Advisory Forum. Approximately 85 per cent of unionized workers in the Southern Cone countries are affiliated to the CCSCS, and 90 per cent of workers in Mercosur countries, with the result that it is by far the largest trade union organization.

The CCSCS reacts promptly to the establishment of Mercosur

The CCSCS, in conjunction with national member trade union confederations, embarked on the formulation of a strategy of trade union participation in Mercosur founded on four basic premises:

- (a) to require that Mercosur should incorporate the social and labour dimension;
- (b) to demonstrate that Mercosur should provide for an institution to engage in tripartite negotiations between governments and employers' and workers' organizations in connection with labour matters;
- (c) to demonstrate that trade union participation should be conducted at the global and sectoral levels (by economic sectors and

branches of activity). As a result of the latter policy, increasing cooperation has been achieved between the CCSCS, national trade union confederations and ITSs;

- (d) to establish within the CCSCS a Mercosur Trade Union Commission with responsibility for framing specific policies and coordinating activities.

So many ideologies

It has not proved easy to consolidate the strategies and policies of the CCSCS and its members in Mercosur, and the process is still ongoing. For example, from the first days of the CCSCS's foundation, the national trade union movements around the table held diverging ideologies, and few had previously had any direct contact.

General climate favourable

Nonetheless, the movement is now "up and running". Mercosur shot ahead at a vertiginous pace after 1991, when the prevailing climate in the hemisphere was conducive to the establishment of free trade zones and to a reactivation of integration institutions in other subregions. The North American Free Trade Agreement was concluded soon afterwards. Since 1991, the economic identity of the hemisphere has changed, and the implementation of economic policies that are conducive to greater openness, combined with economic structural reforms have opened the way to the creation of national economies of scale, to closer integration and to smoother trade flows. Finally, the EEC became the European Union. Japan and the emerging economies of South East Asia have intensified their economic relations with the economies of Latin America and the Caribbean. The so-called "globalization of the world economy" has become the main point of reference in framing economic policy in the countries of the region.

ORIT/ICFTU take the lead

Although the trade union movement of the Southern Cone countries has encountered certain difficulties in reacting to globalization and integration, it has nonetheless acted promptly in the interests of participating in Mercosur. The promptness of their response may be attributed to the fact that the national trade union confederations were already engaged in discussions on how to adapt trade union

strategies to the changes that were occurring not only in the region but throughout the world. Such discussions were promoted principally by the ORIT/ICFTU, which took the lead in formulating a trade union platform (XII Congress 1989 and XIII Congress 1993) to meet the new challenges, and in devising an original ideological concept known as “sociopolitical trade unionism” for framing and formulating the corresponding trade union policies.

Trade union participation in the social and labour institutions of Mercosur

Working Subgroup No. 10 (WSG No. 10)

The CCSCS devotes particular attention to Working Subgroup No. 10 (prior to 1994, known as Working Subgroup No. 11) of the Common Market Group, assigned to deal with “Labour matters, employment and social security”. The subgroup is composed of the Labour Ministries of the Mercosur countries who submit their proposals to the Common Market Group for the adoption of social and labour-related positions. The structure of WSG No. 10 provides for tripartite consultation meetings on these topics, for which reason it is an important forum for trade union concerns. At its first meeting in 1995, in Montevideo, the WSG No. 10 established three committees: (a) labour relations; (b) employment, migration and skills development; and (c) occupational safety and health, labour inspection and social security.

While the CCSCS has not contested the choice of topics, it has objected to the decision not to create standing tripartite committees to carry out analysis and submit proposals. This position by the CCSCS is relevant in that it has a bearing in promoting the role of the WSG in the key areas that have previously been analysed or included in the agenda.

Priority issues

The programme of the national trade union organizations, the CCSCS and the ITSs identifies the social and labour objectives to be discussed by the three Subgroup No. 10's committees. Such objectives could well culminate in concrete achievements if democratic participation institutions and tripartite and bipartite negotiations at the global and sectoral levels are consolidated, provided that an agenda of priority topics exists. The CCSCS considers these priorities to be:

- (a) *Reconversion, technology and vocational training.* Mercosur will bring about major changes in the demand for labour. New problems arise in connection with the acquisition of skills, which should be linked to the comparative advantage of each Common Market member State in order to guarantee the integration-reintegration of the different groups of workers in the labour market.
- (b) *Labour relations and tripartite negotiations.* With more open national economies, changes will occur in institutions and in labour standards, but ideally they should occur in such a way as to promote collective bargaining and other institutions which protect workers' interests.
- (c) *Migration.* The establishment of an integrated labour market will reflect international flows of labour in response to levels of economic activity and of wages. The issue here is to protect workers by obliging entrepreneurs to comply with the labour legislation in force in connection with minimum wages, contracts, health and safety coverage, in order to prevent overexploitation of migrant workers and “social dumping” in the form of cheap migrant labour. Supranational migration regulations should be introduced.
- (d) *Job creation and competitiveness.* The increasing pressures to boost competitiveness are reflected in government policies intended to enhance productivity. While this will increase the demand for some jobs and skills, the general effect on the level of employment will probably be negative unless policies to promote growth, create new job opportunities and associate productivity with collective labour contracts are adopted simultaneously.
- (e) *Harmonization of labour legislation and social protection.* In the interests of fair competition between countries, the CCSCS has framed proposals which would make it possible for the member States to match their national labour relations systems during the course of the regional integration process. ILO standards have served as a framework of reference for addressing this matter in Mercosur. However, given the force of pressures towards deregulation and casualization of jobs, trade unions

should carefully consider the scope of such harmonization, as well as the means of achieving it.

- (f) *Labour costs.* This is a crucial aspect in terms of the strategy to be employed by enterprises and trade unions, which lies at the very heart of the contradictions in the kind of economic impact integration is likely to produce. Analyses of labour costs are complex and involve studies of pay, of the costs of protection and social security, of the relationship between labour costs and productivity and other production costs, and of the indirect social effects. Trade unions have demonstrated that a reduction in labour costs has little impact on the general costs of goods and services.
- (g) *Passive labour market policies.* Regional integration should develop joint systems for combating unemployment. Such systems might include the linking of unemployment insurance and policies relating to vocational training and integration to the labour market, the development of new forms of employment contract, and explicit protection of particular groups of workers.
- (h) *Equality of opportunity, discrimination and social exclusion.* It is clear that sizeable groups of the population may be excluded from the benefits accruing from regional integration, at least in the short term, by reason of the fact that they are not strongly represented at the institutional level, and on account of endemic social discrimination, either because their interests are adversely affected, or because their earnings are generated in sectors that cannot gain access to the benefits of a broader market. Mechanisms should be developed to ensure that those groups that do not benefit are compensated, without, however, obstructing the integration process. Innovations should also be introduced in the strategy and the institutions devised to counter the trend towards increasing inequality and social exclusion. It should be noted, on the subject of discrimination, that the principle of equality of opportunity and treatment is enshrined in the Constitutions and labour legislation of the four member States of Mercosur, and of Bolivia and Chile. However, in practice, women continue to be subject to discrimination, in the form of low representation in decision-making posi-

tions, in the better paid jobs or in those where labour expectations are highest, with consequent disparities in earnings.

- (i) *Approval of the Charter of Fundamental Rights.* The Charter, with the earlier European Social Charter, featured as an item on the agenda of Mercosur in 1992. The CCSCS submitted the sole concrete proposal in this connection in January 1994.
- (j) *Information on the labour market.* A shared data base containing the principal labour and social parameters on each of the Mercosur member States is required for purposes of identifying priorities and problems. Creation of the Permanent Observatory of the Labour Market in Mercosur, with tripartite administration, centralizing information and for the use of the administrative bodies of Mercosur, employers' and workers' organizations, universities, NGOs and the general public.

It should be noted that these topics (and others that emerge over time) call for global and sectoral approaches (by branch of activity, by economic and service sector, etc.) and should be adopted by other spheres of Mercosur besides WSG No. 10, particularly other WSGs and the Economic and Social Advisory Forum (FCES).

The Subgroup No. 10 meetings have already scored some major victories: (a) it was agreed that 34 ILO Conventions should be ratified by the Mercosur member States, thereby providing a legal foundation for labour standards; (b) the "Mercosur Multilateral Social Security Agreement" was framed and submitted to the GMC for its approval; (c) the decision was taken to create the Permanent Observatory, organized in the form of a network among countries, with headquarters in the Argentinian Ministry of Labour and Social Security; and (d) discussion has been initiated within Subgroup No. 10 on the Charter of Fundamental Rights.

The CCSCS has openly voiced its opinion that the role of WSG No. 10 within the GMC should be enhanced. Hence, the CCSCS rejected the Labour Ministers' decision that the WSG No. 10 should meet only twice a year, and proposed the alternative of three annual meetings, together with committee meetings every two months. Finally, the CCSCS emphasized that priority should be given to the functioning of the tripartite plenaries within each

WSG No. 10 meeting. The CCSCS seeks in this way to enhance the WSG No. 10's status in the hierarchy of the GMC structure in order to prevent it from becoming a sort of "advisory committee" to the GMC.

Working Subgroups provide ground for a broad network of trade union cooperation

Such steps give WSG No. 10 a more prominent institutional status and serve to bolster efforts to ensure that the Mercosur construction process achieves a type of subregional integration that enhances not only trade interests but also the values of economic and social democracy. If this is not achieved, the global labour and social concerns espoused by WSG No. 10 will be altogether neglected, since they will not be addressed by any of the remaining GMC Subgroups. These are: WSG No.1, Communications; WSG No. 2, Mining; WSG No. 3, Technical Regulations; WSG No. 4, Financial Affairs; WSG No. 5, Transport and Infrastructure; WSG No. 6, Environment; WSG No. 7, Industry; WSG No. 8, Agriculture; WSG No. 9, Energy. Tripartite structures are also present in these subgroups within which the national trade unions operate by branch of activity and through the ITs. In this manner, the trade union activities of the different subgroups allow a broad network of trade union cooperation to be built up between the CCSCS, the national trade union bodies and their federations/confederations by branch of activity and the ITs. Therefore the trade union strategy objective in all WSGs of the GMC is to boost trade union participation and tripartism and to proceed in such a way as to make WSG No.10 the forum for drawing up global legal-labour standards which will furnish Mercosur with a progressive supranational social dimension.

The Economic and Social Advisory Forum (FCES)

Free trade but at the expense of identity and autonomy

The FCES, which was established under the Ouro Preto Protocol, is a body which represents economic and social sectors (art. 28), composed of an equal number of representatives from each member State (art. 28). It has an advisory function and may make recommendations to the GMC (art. 29). On 25 June 1996, the GMC approved the statutes of the

FCES which is to be composed of the respective national sections of each State Party of Mercosur in conformity with article 28. Since its inception, the FCES has held two meetings (Brazil 1996 and Paraguay 1997), and a programme of work has been drawn up. In the Paraguay meeting (Asunción, 22 April 1997), the FCES agreed on an important document regarding the American Free Trade Area which accepts the development of free trade in the hemisphere while preserving the identity and autonomy of Mercosur. The FCES will meet once more in late 1997 in order to frame labour policies for Mercosur.

Social and political institutions for participation and bargaining

The institutional structure of the FCES consists of the Forum Plenary which is the supreme body, composed of nine representatives and their respective substitutes members for each member State. The FCES is composed of employers' organizations, workers' organizations and a host of others; each national delegation must observe parity in the designation of representatives of workers' and employers' organizations. The creation of the FCES should be viewed as a major step towards the construction of Mercosur as a common market with political and social institutions for participation and negotiation between the social interests involved. In this regard, Mercosur is similar to the integration model pursued for three decades by the European Economic Community, now the European Union.

Other social categories and groups

The "core" of the FCES is composed of employers' and workers' organizations. However, other categories and social groups are likewise represented, including consumers, environmentalists, liberal professions, media, culture and science, and education.

As stated, the WSG are bodies within the GMC structure (as are other institutions such as the Specialized Meetings, the ad hoc Groups, and the Technical Cooperation Committee). In contrast, the FCES is one of the six bodies belonging to the Mercosur structure.

The forum enjoys more freedom

Unlike the WSGs, which are composed of

representatives of the private sector, requires no authorization, and may issue recommendations without the participation of the government sector. Thus, the FCES enjoys greater freedom than the WSGs.

Unions can bring pressure to bear on governments

The vitality of the FCES is therefore related to: (a) the political desire of its members to forge an institution of prestige and political weight; and (b) the political will of governments regularly to consult the FCES and, thus, to consolidate it. But the FCES will only achieve political prestige if it becomes the forum for formulating proposals of a global nature (for instance, regarding macroeconomic goals, policies for compensating the disadvantaged regions of each country, and regarding environment, labour market, social and health and security funds, migration). The FCES should concentrate on labour matters, but in a manner intended to strengthen, but not replace, the role of tripartism in the WSG No. 10. Logically, should the GMCs seek to restrict the WSG No. 10 to government participation, the FCES would serve as an ideal channel through which trade unions could bring pressure to bear on governments. In turn, in the FCES, trade unions are confronted by the major challenge of equipping themselves to formulate, propose and achieve consensus on global economic and social policies designed to make Mercosur an institution that promotes economic development with social equity. The priorities of the trade unions in the FCES include that of discussing the Charter of Fundamental Rights. Ways should be considered for incorporating the employer-worker organizations of Chile and Bolivia in the FCES, under the formula of 4+2 participation. Finally, the Permanent Observatory supplies the FCES with information.

Toward the Mercosur Parliament

With the establishment of the Joint Parliamentary Commission (JPC), a first important step has been taken towards recognizing that Mercosur will, in the near future, require a decision-making parliamentary body. Mercosur's agenda should also include the creation of supranational courts of justice.

The Mercosur flow chart features the JPC as an advisory body to the GCM, but the objective of trade unions should be to channel ini-

tiatives by the parliamentary sectors with a view to turning the JPC into a real supranational parliament which features on the Mercosur's organizational plan as the prime administrative institution. Such a trade union strategy is based on the socio-political nature of trade unions, who claim their right to "engage in politics" while maintaining their autonomy, to forge links with political parties sympathetic to workers, and to introduce debate on supranational socio-labour topics in national parliaments. The CDC has demonstrated its interest in social and labour topics by: (a) placing the discussion of the Charter of Fundamental Rights on its agenda. It is probable that the Charter will also be discussed in some of the National Legislative Assemblies of the member States; (b) signing the Buenos Aires Declaration with the ILO in September 1997, thereby instituting a campaign to bring an end to child labour; and (c) drawing up an agenda with the ILO to agree on policies and programmes to combat discrimination and social exclusion.

The social and labour institutions of Mercosur at the national level

When Mercosur was being set up, many people proclaimed its failure. There is no doubt that difficulties were to be anticipated on account of the existing imbalances in production and services structures, territorial and population density, education and vocational training, different channels of access to world markets, combined with long-standing protectionist economic policies. Powerful contributing factors to the construction of Mercosur included globalization and world interdependence, the formation of economic regions, and strong international pressure toward free trade, openness and deregulation.

No choice but to change course

However, the creation of Mercosur was not motivated solely by external factors: internal factors likewise promoted the formation of national economies of scale, with a view to achieving a dynamic integration of the economies of the subregion in world markets. Chile had successfully applied such a strategy throughout the previous decade. It is for this reason that the Treaty of Asunción, under which Mercosur was founded in 1991, received the support of the political, business and trade union entities of the countries

involved, and that the respective national societies offered their support. It is impossible to understand Mercosur unless we accept that, prior to its creation, an awareness existed in national societies that a change of course was inevitable and that closed economic models had to make way for openness and integration.

Roots in national societies

It was claimed that Mercosur had no future because it would inevitably become “a bureaucratic superstructure” that was not rooted in national societies. Experience in individual countries has, however, demonstrated the success of institutions which bring together the business community, technical specialists, research and information centres, cultural exchange centres, publications, etc., which are all devoted to promoting a series of activities within Mercosur. Mercosur is now considered to be just “common sense” in the view of the majority of the population of member States.

Between 1991 and 1995, the growing number of committees and working groups formed by the specialized agencies of governments (particularly in the Ministries for Foreign Affairs and of the Economy) and representations of employers’ and workers’ organizations, offered a clear example of how the political-institutional fabric of Mercosur grew in member countries. The GMC Subgroups and the Trade Commission instituted by Ouro Preto have proved to be the focus of an unprecedented participation of national private sectors in the development of Mercosur.

In that connection, attention should be drawn to: (a) the existence of national tripartite working groups and subgroups; (b) the formation of the national sections of the FCES in the four countries. It is to be anticipated that these national forums of the FCES – which discuss economic, social and labour policies in terms of integration – may well come to serve as bargaining tables for social agreements and covenants to facilitate participation in Mercosur. The national sections of the FCES could function as the forum for negotiations between private sectors, with impact on governments.

The proposed Charter of Fundamental Rights

In December 1993, the CCSCS approved its draft Charter of Fundamental Rights, thereby fulfilling a resolution adopted by the then WSG No. 11. As mentioned previously, the charter

features on the agenda of WSG No. 10 and will also be discussed by the FCES and the JPC.

Its legal texts are drawn from ILO Conventions and Recommendations and from the basic principles of the Declarations, Covenants and Protocols constituting the legal heritage of mankind, in particular the Protocol of San Salvador.¹

The objectives of the charter are:

- (a) to achieve the institutional incorporation of the social dimension in Mercosur;
- (b) to adopt instruments for securing a social space in the integrated market, so as to guarantee basic social rights;
- (c) to oblige member States to ratify, implement and comply with the core ILO Conventions;
- (d) to ensure that fundamental rights are progressively acquired.

The charter is divided into two parts and seven sections:

The sections of part 1 are as follows:

- the scope and social dimension of integration;
- the right to free movement of workers;
- fundamental rights of the person and of workers;
- collective rights;
- rights to social security.

The sections of part 2 are as follows:

- implementation of the charter;
- verification of compliance with the charter.

The process of negotiating and ultimately adopting the charter will be lengthy, and will certainly not be void of difficulties. The Charter, in establishing the social profile and labour rights of workers in Mercosur: (a) establishes supranational labour and social standards and the supervisory machinery for monitoring implementation binding on the signatories of the Treaty of Asunción; (b) requires governments to bring their national labour standards on par “from the bottom upwards”; and (c) serves as a source for directives and draft legislation on the subject areas included. Logically, the CCSCS document should be viewed as a working draft for tripartite debate and negotiation. Hence, the charter may be amended in order to achieve consensus among the parties.

Use the charter to regulate bargaining framework

In drafting the charter, workers' organizations were seeking a form of integration in which the social dimension would not be confined to a set of basic labour standards which would require the parties to comply with a core of ILO Conventions and with domestic labour legislation (as is the case with the Nafta). The trade unions agreed on a model for the social dimension of Mercosur which links labour and social rights with the national societies and political systems, so that the Charter would serve as an instrument for regulating various public and private spheres of negotiation. The social charter is also a special programme with far-reaching implications, which progressively seeks to renew societies, economies and political systems. The Charter will have a bearing on policies which focus on production systems and on improving quality of life, employment levels, etc.

The Charter is a long-term strategic objective, the adoption and implementation of which imply a change in the correlation of forces in the individual countries which will foster progressive popular blocks and bridle "wildcat capitalism".

Will foster social consciousness

With reference to workers' organizations, the Charter will regulate the supranational labour market and will have an impact on national labour markets. For this reason, it is a priority focus for trade union action. Indeed, the establishment of a supranational labour market regulated by the Charter will guarantee the rights of workers, particularly collective and individual rights, social security, etc., and foster the emergence of "corporate citizenship" in Mercosur.

In 1997, tripartite negotiations commenced within Subgroup No. 10 to arrive at an Additional Protocol to the Treaty of Asunción which includes labour and basic trade union rights (in the guise of a social clause), with mechanisms for monitoring compliance and sanctioning infringements by member States. But this Protocol will only be accepted by the legal organizations if it states that it constitutes the first step towards incorporating the Charter in the supranational normative structure of Mercosur.

The impact of Mercosur on labour legislation

The extent of the positive social effects of regional integration will depend ultimately on the growth of the economy and of trade, income distribution policies, etc., and will be felt in the medium and long term. In contrast, negative impacts on jobs may be much more immediate. The establishment in 2006 of an intraregional free trade zone with zero tariffs between the countries of the block, including Mercosur, may well cause situations of sectoral unemployment as the result of the disappearance or downsizing of companies, or even of whole sectors of production in the countries without tariff protection who are unable to compete with the other countries in the group. The other negative impact of integration lies in the effect of "social dumping".

Trade union agendas by branch of activity

The reduction or removal of tariff protection for trade between the countries in the region, together with the requirement that the block as a whole should compete more effectively with the rest of the world, may prompt enterprises to endeavour to enhance their competitiveness at the expense of working conditions, and governments to tolerate, if not encourage, such practices. The existence of large numbers of multinationals in Mercosur will lead to the rapid formation of supranational business spaces. These phenomena mean that trade unions must coordinate their actions by branch of activity in order to control the multinationals, an end which might best be achieved through supranational collective bargaining approaches.

Supranational standards

Labour legislation is the normative network of labour relations under which workers are protected, and it cannot therefore be left to ignore the effects of integration on the labour market. The Charter of Fundamental Rights will create supranational standards. However, a supranational labour law should also be developed for the purpose of regulating these new regional-level circumstances and of harmonizing respective national labour legislations in the light of new regional circumstances.

The CCSCS has been instrumental in framing trade union policies to meet the challenges

of building up a progressive supranational labour law by establishing a committee to undertake the following tasks: (a) study legal procedures for labour standardization in the regional integration spaces; (b) draft core international labour standards (based on ILO Conventions); and (c) determine how national labour laws are affected by regional economic integration.

Foundations for a supranational trade union culture of progress and solidarity in Mercosur

It may be fairly confidently stated that within the next ten years the economic and political structures of Mercosur will have been consolidated. The basic objectives of free trade and an imperfect customs union will have been achieved through staggered customs agreements (culminating in an across-the-board zero tariff by the beginning of the next century). The markets of the Mercosur countries are rapidly flowing into one another, through division of labour policies based on the fundamental intentions of establishing Brazil as the main industrial/financial hub, and Argentina as the main agro-industrial hub. The supranational system includes a supranational "bank", BANASUR, which will coordinate economic and financial operations between member States. The division of labour in the integration space has been furthered by the activities of multinational enterprises and of large economic groups. Mercosur will vibrate between the two centres of attraction represented by the large free trade zone which the United States proposes for the entire American continent, and the recently-established European Union. Companies based in Asia, particularly Japan, are already endeavouring to establish links with Mercosur.

Head-on collisions

However, in constructing this subregional economic space, clashes are bound to occur between governments seeking to protect sectors of production and services, and in connection with the security of borders. Basically, a choice of two substantive modes of integration exists: one concentrates almost exclusively on the interests of companies, and the other which might be termed as representing a model of self-sustaining balance and development between national markets and supranational markets.

Cultural networks: solidarity or individualism

The institutional construction of Mercosur includes political and institutional components that might be either positive, for example, promoting the construction of Parliaments, strengthening the FCES, or negative, e.g. eroding or destroying the image of institutions of democratic political participation such as political parties, trade unions and employers' organizations, or progressive social movements. Finally, on the cultural front, the construction of Mercosur might lead to either the construction of a network of national and supranational scientific and educational institutions based on shared values of integration, common objectives and solidarity between people, or to a system of values based on individualistic capitalism and on economic success and consumerism of privileged segments of national societies and social exclusion caused by poverty and the absence of quality education and vocational training for other sectors of national societies. The first cultural option would have the effect of strengthening national societies, while the second would lead to balkanization and fragmentation of the weaker groups in the nations' civil societies. The latter could well prove a fertile breeding ground for turning demands for social equity into hate and chauvinism among the excluded.

Cultural choices and the media

Meanwhile, the increasing influence of the media, particularly television, Internet and publications, will be decisive in determining which of these cultural objectives prevails. It is to be noted that there is already talk of "cultural" Mercosur, that is, a series of policies and activities pursued by universities, research centres, NGOs, etc., with a view to promoting cultural exchange, compatibility among study programmes, and cooperation in scientific research. Trade unions should join these endeavours to promote culture, science and education in the region.

Overcoming national prejudices

The trade union organizations of the countries involved cannot remain indifferent to the choices facing confronting Mercosur. Trade unions will see their future positions strengthened or weakened, depending on which alternative prevails. During the short period between

1990 and 1996, the CCSCS, the activities of the ITSS, the Latin American Confederation of Workers (CLAT), etc., have allowed the previously isolated working populations of the respective member States, which used to entertain strong nationalistic prejudices, to draw closer together and take the first steps towards overcoming nationalistic prejudices between trade unions and to make progress in confidence building and in developing a common trade union discourse. This unprecedented situation, which was made possible to a large extent by the activities of the CCSCS and of the international trade union move-

ment, should be viewed as an integral part of a system of political, social and moral values shared by the workers of the member States. It will take time to forge a supranational trade union culture, but it will be immensely beneficial for the workers and the peoples of Mercosur whose work and sacrifice daily contribute to the construction of the supranational economic, social and political space.

Note

¹ Ouro Preto Protocol.

Bibliography

- AMADEO, E.: *Costos laborales y competitividad industrial en América Latina* (Geneva, ILO, 1997).
- BABACE, H.: *Propuesta política sindical sobre estructura y funciones del FCES* (ILO, 1995).
- BARCELO, H.: *Políticas sindicales y laborales para los ámbitos de participación de los trabajadores en el Mercosur: FCES y Subgrupo 10* (ILO, 1995).
- CONTE-GRAND, A.: *Seguridad social y los procesos de integración* (ILO, MDT, Santiago, Chile, 1995).
- DAUDERSTÄDT, M.: "¿Es posible una política comercial global?", in *Nueva Sociedad*, No. 143 (Caracas, May-June 1996).
- ERMIDA URIARTE, O.: *Mercosur y derecho laboral* (Montevideo, FCU 1996).
- FORO CONSULTIVO ECONÓMICO-SOCIAL (FCES), Uruguayan Section: *Políticas de promoción del empleo* (Montevideo, 1997).
- GALIN, P. AND FELDMAN, S.: *Sistemas de información sobre el empleo no registrado en los países del Mercosur* (ILO, Buenos Aires, 1996).
- GARMENDIA, M. M.: *La legislación laboral relativa a la mujer en los países del Mercosur y Chile. Un estudio comparativo* (ILO, Santiago, Chile, 1995).
- ILO: *World Employment 1996/97*. National policies in a global context (Geneva, 1997).
- . *Panorama Laboral 1996* (Lima, ILO Regional Office, 1997).
- . *La situación normativa y el trabajo infantil en los países del Mercosur* (Lima, ILO/IPEC 1997).
- . *Las relaciones laborales en el Cono Sur*, Informe RELASUR (Madrid, Ministry of Labour and Social Security, 1995).
- INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS – INTER-AMERICAN REGIONAL ORGANIZATION OF WORKERS (ICFTU-ORIT): *La alternativa: Democratizar la globalización*, XIV Continental Congress, Santo-Domingo, April 1997.
- MARSHALL, A.: "Protección del empleo en América Latina: Las reformas de los años 1990 y sus efectos en el mercado de trabajo", in *Estudios del Trabajo* (Buenos Aires, Jan.-July 1996).
- MOABRO, H.: *Diseño del FCES del MERCOSUR* (ILO, 1995).
- NOTISUR: "Mercosur: Un desafío, una esperanza", in *Revista de la Cultura del Trabajo*, No. 48, 1994.
- PORTELLA DE CASTRO, M.S.: "Mercosur: Mercado de trabajo y desafíos para la acción sindical regional", *Nueva Sociedad*, No. 143 (Caracas, May-June 1996).
- SARTELLI, E.: "Mercosur y clase obrera: Las raíces de un matrimonio infeliz", in *Realidad económica* No. 146 (Buenos Aires 1997).
- WORLD BANK 1995: *World Development Report 1995. Workers in an Integrating World* (Washington, DC).

Mercosur and the challenges for the integration and participation of women in the world of work

Petra Ulshoefer

Senior Specialist in Women and Gender Issues
Office of the Special Adviser for Women Workers' Questions
ILO, Geneva

Globalization and regionalization of the economy and their effect on employment

General aspects and the case of Latin America

Although the globalization of the economy is not an historically new phenomenon, its current connotations have a special resonance since globalization is speeding up the processes of economic, financial and even cultural inter-relations among all nations. One of the main characteristics of this phenomenon is the liberalization of national markets which in turn has been strengthening or modifying the already existing structures of economic integration and has been affecting economic integration pacts or agreements in the subregions of the world, including Latin America.

Two parallel processes

Many studies have analysed the impact of this globalizing process on labour markets. In this respect the ILO report on *Employment policies in a global context* (ILO 1996a) states that despite the decline in the level of employment and conditions of work throughout the world, both in the industrialized countries and in the developing countries, the political objective of full employment should be maintained. However, this objective should be sought in the long term and must be based on definitions which are more consistent with current conditions. According to the ILO study, although employment problems have existed since the 1970s or 1980s, it cannot be said that there has been a disappearance of jobs. Rather, at least two parallel processes are visible in the world of work today and will continue to be so in the near future: firstly, alongside "typical" or "classic" forms of work there have appeared other forms which, although different, are nevertheless related to the former and are more flexible (own account

employment, part-time employment, temporary work, various forms of subcontracting).

The gap is increasing

Secondly, there has been a greater segmentation of employment, expressed in a strong growth at the top of the employment pyramid, particularly in the industrialized countries, but also in the developing countries. There has been an increase in professional, technical or administrative staff, including a significant percentage of women, who in several cases have gained access to better conditions of employment. On the other hand, the incidence of manual work has either declined or remained constant. This means that the gap between good and poor quality jobs is increasing: good jobs seem to be reserved for workers with a very good formal education who are well prepared for the world of work, skilled and mobile, whereas semi-skilled or unskilled persons will have to accept lower remuneration and unstable conditions of employment, including among them a majority of women workers.

Greater equality or a greater divide

In 1996, the Latin American economy had recovered from the levels of the previous years (ILO 1996b). However, employment problems have become more serious as a result in part of reductions in the state machinery and adjustments in manufacturing and the modern private sector in general. There has been a limited expansion of good quality jobs in the modern sector, above all in services, while the informal sector has continued to absorb most of the labour expelled from that sector.

Women count among both winners and losers in the processes of change, but owing to the specific characteristics of their emergence on the labour market they have been affected differently from men by these processes.

This article offers a general overview of the various ways in which the opening up of the economy has affected the workforce, and in particular women workers. The analysis focuses on the question of whether the changes which have occurred are geared towards a greater equality of opportunity between men and women, or whether they serve instead to broaden the existing gap by creating fresh disadvantages for women. Finally, in the light of the trends observed, various courses of action at the level of the bodies of Mercosur and its member countries are discussed with a view to ensuring greater gender equity in their social and economic development.

Social and labour aspects in the regional integration agreements

For the ILO, some of the most important aspects of economic integration processes are directly linked to the social or social and labour dimension of the trade agreements which countries adopt. The Mercosur treaties, ever since they were first signed in 1991 (Treaty of Asunción) have included the social component, thereby expressing a concern to place social and labour issues on the same footing as trade agreements. The Treaty of Asunción clearly states that one of the objectives of the future Free Trade Agreement will be to speed up the processes of economic development through social justice and securing better living for the inhabitants of the countries party to this agreement. This concern for the social dimension of the Mercosur agreements was clearly reflected in the establishment of tripartite discussion groups. Thus, in 1991, Working Subgroup No. 11 was set up, a tripartite body with exclusive responsibility for questions related to the labour market, labour relations, employment and social security. Among the outcomes of the work of this group, which completed its work in 1995, was the consideration of 35 international labour Conventions deemed sufficiently essential and of vital importance and which might well be included in the forthcoming agreements on standardization and the reduction in uneven levels of national legislations, the ILO texts being recognized as a body of standard or framework legislation for labour regulations in the Mercosur countries.

Guiding principles without joint minimum standards

Furthermore, the workers' organizations of the countries of the Southern Cone have drawn up a Social Charter, which includes a chapter on equal opportunity and treatment between men and women workers, based on the relevant international labour Conventions. This charter is inspired by the Community Charter of the Fundamental Social Rights of Workers of the European Union. In the same way, account was taken of the Supplementary Agreement on Labour Issues of Nafta, 1993. The guiding principles of this Agreement include the elimination of all forms of discrimination between men and women in the labour sphere, no joint minimum standards whatsoever having been established to serve as criteria for the signatory countries.

Talks at a halt

It appears that it would be difficult to achieve the objectives set by the workers' organizations of the Southern Cone, i.e. linking labour standards and their infringements with trade sanctions, since in the current talks within the Mercosur bodies this item has been scheduled. However, the above-mentioned Social Charter is an important reference document for workers and for the participation of women in the general context of regional integration.

Subgroup will provide guidelines

Subsequently, on the basis of the Ouro Preto Protocol (1994), two bodies were set up in 1995 of particular relevance in the socio-labour sphere. In May 1996, another technical Subgroup, No. 10, was established, responsible for labour issues, employment and social security. Like its predecessor, it is tripartite and has similar objectives, and although it is not entrusted with the special mandate of examining the situation of women workers as such, the question has arisen of including among the representatives of the Ministries of Labour and the main employers' and workers' organizations men and women interested in promoting the principle of equal opportunity. Furthermore, the studies and surveys commissioned by the three Committees of this Subgroup could include the question of gender – which would undoubtedly enrich the debate and provide guidelines for subsequent political action in the light of the results achieved.

Good intentions

The other body is the Economic and Social Advisory Forum in which governments do not participate but which brings together employer and worker representatives; it is also open to other social groups such as consumer associations (Argentina and Brazil), cooperatives and university staff (Uruguay). A proposal has been made to the Forum to admit women's groups and organizations and/or governmental bodies for the promotion of women. So far no significant progress has been noted in this respect.

Within the framework of ILO core Conventions

Two main areas of analysis have been established regarding the strengthening of the social and labour dimension of Mercosur: on the one hand, as noted above, there is a need to observe and raise labour standards if the fundamental human rights of workers of both sexes are to be promoted. All the instances of the ILO, including the employers' organizations, have recognized the seven core human rights Conventions as a regulatory framework for labour relations.

Among these seven are two related to gender equality: the Discrimination (Employment and

Forum organized in that country the Third Meeting of Mercosur Women. Although in the course of these international gatherings criteria have been harmonized to promote joint action strategies at the supranational level on behalf of women, the network still does not seem to have established any specific programmes or to have had any tangible influence on the working or executive bodies of Mercosur.

The trade union central organizations of the countries of the Southern Cone have, in their turn, organized a series of national and subregional meetings and discussions on the future situation for women workers within the framework of the processes of regionalization and the opening up of the economy.

Position of the female workforce in the context of Mercosur regional integration

The key question here is how changes in production, technology and the organization of work resulting from the opening up of global markets will affect the position of women in the world of work in the countries of the Southern Cone. Will these changes aggravate the existing forms of discrimination, will they create even further disadvantages for women workers, or will they rather minimize the segmentation of the labour market by gender and thus increase opportunities for achieving greater equality between the two sexes?

Divisions among women as a group

Various studies have focused on this subject in recent years, either in direct relation with Mercosur, or by analysing new forms of employment for women (home work, forms of subcontracting, the impact of technological change, etc.). All these documents agree that the processes of globalization and increasing regional integration will bring both advantages and disadvantages for women, and that there is no homogeneous and uniform evolution. However, in general terms, the authors of these studies are sceptical about the positive effects of these processes for most women, unless specific policies, programmes and mechanisms are developed to counter their negative impact. In the same way, the divisions among the women themselves will widen, mainly between highly qualified women and semi-skilled or unskilled women.

Economic changes speeded up by integration

It is not easy to make any precise assessment of the possible future effects of processes under way within a specific population: Mercosur has only recently entered the second stage of integration with the establishment in January 1995 of the Customs Union between the four countries to which Chile became associated in 1996. Many of the economic changes would perhaps have been introduced perhaps without the integration process, but they have undoubtedly been speeded up as a result of the latter. As regards work performed by women, and notwithstanding the above-mentioned studies, no analysis has yet been made of cases which illustrate their situation in specific economic sectors in comparison with that of men or which give rise to interpretations beyond the trends indicated in the specific case-studies. Very often, the lack of statistics disaggregated by sex makes it necessary to use qualitative methods of analysis which in their turn lack representativeness. Furthermore, the application of the concept of gender and the study of the situation of women at work from the perspective of the promotion of equality of opportunity between women and men are relatively recent developments (Frohmann/Romaguera 1996).

Situate the female workforce

In analysing the impact of the regional integration process in the Southern Cone on employment among women, some authors suggest focusing on two aspects: the "winning and losing" sectors of the different economic branches; and the changes in production and organization occurring at the level of specific enterprises and establishments and which affect workplaces (Yáñez/Todaro 1997). To this can be added the need to identify relations of productive and commercial dependency between different types of enterprises and individuals (subcontracting chains) and to situate the female workforce in this context.

A strategic asset in the services sector

As elsewhere in the world, women in the countries of the Southern Cone are, in principle, in a good position to meet the new challenges of globalization: fertility rates have fallen and life expectancy has risen; women have increased their level of formal secondary and university education so that it is now at

least equal to or higher than that of men; women have managed steadily to increase their quantitative presence on the labour market, both in dependent and independent employment; and they have managed to gain access to new types of occupations and new positions of responsibility. These new work opportunities for women have occurred mainly in the service sector which is considered an area of future promise for women workers. It is in this same sector that women undoubtedly enjoy a strategic advantage; however, the quality of their integration depends on the service subsector in which it occurs.

The same scenario everywhere

Although the rates of women's economic participation vary in the Mercosur countries and Chile (1995: Argentina 39.3 per cent; Chile 31.8 per cent; Paraguay 33.3 per cent in urban areas; and Uruguay 42 per cent. For Brazil, in 1990, 45 per cent in urban areas),¹ there are nevertheless some common features: women's participation is increasing with the rise in their level of education; their participation rates are slowly drawing closer to those of men; they pursue steadier employment careers as revealed by their rates of economic participation which do not drop during their most reproductive years. Similarly, the negative aspects of women's integration into employment in the countries of the Southern Cone carry certain common characteristics: women on average are paid far less than men for work of equal value (between 30 and 40 per cent less, a practice particularly striking in the case of Brazil). The figures for Argentina and Chile show even greater differences in pay at the higher skill levels. Unemployment, underemployment, temporary employment and home work are more common among women workers. Furthermore, as in other parts of the world, there is a marked occupational segregation which is both horizontal (little occupational diversity in the case of women) and vertical (low participation by women in managerial functions, particularly in the private sector and in trade union and employer organizations).

Swelling ranks of precariously employed

Studies on the impact which technological innovation and organizational changes in enterprises have had on the workforce have reached similar conclusions: in some service

subsectors, women have benefited from new and better employment opportunities, but in the manufacturing sector the introduction of state of the art technology and new production systems of the total quality kind are relegating them to a secondary level. Because of their schooling and subsequent vocational training, men are better equipped to adapt to the new labour requirements (Yáñez/Todaro 1997). Furthermore, in the new production chains, women are concentrated in the subsidiary enterprises and are increasingly less employed at parent companies, a situation which accounts for the growing ranks of those engaged in precarious employment (Abramo 1997). The main factors which give rise to such unfavourable situations might be listed as follows: the lack of vocational training mentioned earlier; the high cost image associated with maternity which employers try to offset with lower pay; stereotypes about the low profitability of female labour, coupled with the previous point; and the search on the part of the women themselves for better facilities to reconcile family responsibilities with occupational work.

Women choose the flexibility of micro-enterprises

But the micro-enterprise sector is also characterized by a gender bias. Pardo (1996) shows in the case of Chile that micro-entrepreneurial women are concentrated in the economic sectors which have to face greater competition as a result of the opening up of the economy (articles of clothing, knitwear, leather and footwear), whereas enterprises run by men have been more successful (wood products and furniture, metal products). The author ascribes these differences to the priority which women give to their roles as mothers, spouses and homemakers, encouraging them to prefer businesses which offer them greater flexibility to carry out their family obligations or to be close to the home.

Active policy measures to promote equality of opportunity and treatment for women

The profound changes which have occurred and others which will be occurring within the framework of globalization and regionalization, leaving their specific stamp on working women, require a strategic form of intervention to facilitate their adjustment to these changes. The State and workers' organizations, but also women themselves, must

develop “preventive” strategies enabling them to improve or maintain their position on the labour market. These strategies should comprise at least three elements:

- *The constant improvement of a person's levels of skills (lifelong learning)*

The present labour market and that of the near future requires not only a solid educational base but an ongoing process of updating and further development of the skills acquired. This, in turn, requires a change of attitude on the part of all persons participating in the labour market, not only women, even though it is the latter who in general have developed less long-term perspectives and who have defined with less clarity a “work project” as part of their “life project”.

- *Focusing on occupational opportunities with a future*

For the reasons given earlier, it is particularly important for women to have access to updated information and counselling, in order to enable them to take decisions which take account of the future of the economy. They should seek placement in areas or subsectors of employment with the greatest development perspectives and the best opportunities in terms of income and promotion with a view to obtaining better quality jobs.

- *Development of entrepreneurial and self-management capacities*

The growing shortage of formal workplaces means that people must be more and more equipped to provide their own products or services. Although this also applies to men, women are the ones who suffer the greatest difficulties in making their businesses profitable and who face the greatest obstacles in gaining access to credit and production inputs.

The foregoing “preventive strategies” should form part of an active policy to promote employment, one which respects the principle of equal opportunity and treatment between men and women. In order to render this policy effective, positions of stridency should be avoided in favour of positive arguments about the situation of women on the labour market. It is more acceptable for the parties concerned if emphasis is placed on the argument that women have an important potential contribution to make to the develop-

ment of the economy rather than on the fight against discrimination. There certainly remain instances of open discrimination against women in the world of work which should be eliminated, but it is important to emphasize the role of women as economic agents, both as regards dependent employment and as independent workers, own account workers, and the heads of micro- and small enterprises.

Misplaced chivalry

Furthermore, policies for the promotion of equal opportunities should have a twofold objective. In various sectors of the countries in the Southern Cone, as well as elsewhere in the world, there still prevails a desire to protect women in employment, based on a perception of women as “vulnerable creatures”. Although women form a majority group in various kinds of precarious employment (domestic workers, home workers, part-time workers, temporary workers in agriculture), those who require greater legal protection should be the focus of active employment policies. The objective here would be to improve their level of competitiveness, enabling them to remain on the labour market and improve their access to better quality jobs in terms of remuneration and responsibility, or to develop more successful businesses.

Main spheres of intervention for the development of an active policy to promote equal opportunity and treatment between men and women at work

Special measures and significant progress

In line with the commitment undertaken at the IVth World Conference on Women in Beijing (September 1995), all the countries of the region have revised their policies and programmes relating to the promotion of women. Thus specific measures have been launched or strengthened to give effect to the application of the Platform of Action adopted at this Conference. These programmes are giving increasing emphasis to action in the labour sphere. If the situation is compared with that of only a few years ago when few bodies for the promotion of women and Ministries of Labour undertook joint activities, it can be seen that significant progress has been made. The following examples, discussed later, may be cited: the exis-

tence of cooperation agreements between the two above-mentioned government bodies in all Mercosur countries and Chile; the establishment of tripartite equal opportunity commissions in the five countries (the formal nature of which varies); legislative progress; employment programmes focused on women; the introduction of the subject among employer bodies; and in-depth action by trade union organizations.

Rapid dissemination of information

Such progress in the proceedings of the various instances and active promotion of the principle of equal opportunity between men and women in employment is undoubtedly due to a greater awareness by persons and institutions making up the world of work. Many factors have influenced this situation, including the rapid dissemination of information through the new communication media and assistance from international agencies and bilateral donors. In this context the ILO has stepped up its contribution by launching a series of information measures and training for officials and leaders of both sexes on this subject.

Tripartite agreements

The ILO has primarily emphasized the importance of adopting a coherent policy to promote equality in all areas of the world of work, both at the legal level and at the practical level of promoting employment as an integral part of its general policies in these spheres. Account has been taken of the fact that the disadvantages or forms of discrimination suffered by most women are the result of several interrelated factors which necessarily require multiple means of solution. Secondly, such an integrated policy must be designed, implemented and monitored collectively by the main social actors: the Government and employers' and workers' organizations supported by active NGOs with experience in this sphere. Thirdly, mechanisms must be established to monitor and evaluate an equality policy of this kind, based on previously established indicators.

In this context, the regional integration of the countries of the Southern Cone based on the Mercosur trade agreements is an appropriate opportunity to strengthen and enrich the efforts made in the different countries. The supranational body of Mercosur can give additional impetus to the action undertaken within the respective national contexts. It

would be desirable to move towards a certain degree of harmonization in policies to promote equal opportunity by exploring joint lines of action. In accordance with ILO Recommendations and with account being taken of the employment problems faced by women in the countries of the Southern Cone, the following "model programme" could be established:²

1. *Legal level:* reference to the main strategies to take advantage of or improve existing legal provisions. A starting-point would be to make explicit the principle of non-discrimination and equal opportunity in legal texts (e.g. the recent proposal to include this aspect in the Constitution of Chile; regulation of Act No. 16.045 (1989) respecting equal opportunity and treatment in employment, Uruguay). Other measures could include the following:

- (a) review and waiving of discriminatory provisions which still exist and which are damaging to women's work or their employability in various occupations;
- (b) inclusion within protective legislation, on a gradual basis, of the most vulnerable groups of women workers, such as domestic workers, home workers, agricultural workers and part-time workers;³
- (c) new orientation in maternity protection towards the context of family responsibilities as a task shared between women and men, the State, the social actors and civil society (e.g. the recent review of the application of maternity standards in selected enterprises, undertaken by the Ministry of Labour, Chile); promotion of the concept of parental rights;
- (d) adoption of positive measures and establishment of regulations to monitor their implementation (e.g. a discussion at the national level of the concept of "diversity in the labour market and at the enterprise level" in Brazil);⁴
- (e) promotion of the ratification of international labour Conventions of special relevance to the foregoing items (Workers with Family Responsibilities Convention, 1981 (No. 156), in the case of Brazil and Paraguay); Part-time Work Convention, 1994 (No. 175); Home Work Convention, 1996 (No. 177); Protocol of 1990 to the Night Work (Women) Convention (Revised), 1948 (No. 89); Night-Work Convention, 1990 (No. 171).

2. *Supervision of the application of the law:* The law in itself does not guarantee the exercise of equality unless there is effective machinery to monitor its application. It is therefore important to consider the following measures:

- (a) review and modernization of the work of the labour inspectorate to include the promotion of equal opportunity (eg. the training programme for inspectors in Chile and Uruguay);⁵
- (b) modernization of labour court procedures and study of the possibility of reversing the burden of proof in cases of labour discrimination (an aspect which so far has been little discussed in the region);
- (c) strengthening of collective bargaining as an important means of promoting equal opportunity at the enterprise level, including positive action – a few isolated examples of collective agreements with clauses of this kind can be found in all countries;
- (d) adoption of plans to promote equal opportunity and treatment at the level of government, in the public administration and State enterprises (eg. the Ministry of Public Administration and a project of the National Council on Women in Argentina);
- (e) establishment or strengthening of tripartite commissions on equal opportunity in employment. (In Chile a tripartite commission was set up by decree of the Minister of Labour; the same is true in Brazil, where emphasis is on the fight against discrimination based on gender and race; in Uruguay, a committee has been set up under an Agreement of the Minister of Labour; and in Paraguay a tripartite liaison group has been established.)

3. *Employment and human resource development policies:* The basic components of an active labour market policy with regard to gender should be strengthened. Such a policy should focus its action on target groups of the female population, based on updated information disaggregated by sex and taking into account the following considerations:

- (a) labour information, counselling and placement campaigns or programmes; and unemployment benefit comprising an offer of retraining; systems for monitoring measures introduced so as to assess their impact on women's integration into employment once they have been coun-

selled and trained (e.g. Employment programme for female heads of households, National Directorate of Employment of the Ministry of Labour of Uruguay; Manual for Job-seeking by Women in Chile, prepared and applied by the Ministry of Labour and the National Service for Women of Chile; Labour Counselling Services for Women, of the Council on Women and the Ministry of Labour of Argentina; Agreement between the Women's Secretariat of the Presidency and the National Service for Occupational Promotion, Paraguay);

- (b) linking these programmes with the entrepreneurial sector to stimulate the recruitment of women either through agreements or arrangements for in-plant training or State subsidies (e.g. Employment Act in Argentina);
- (c) information, counselling and training programmes for women entrepreneurs and heads of micro-enterprises; specific credit lines (examples of which can be found in all countries).

4. *Support systems for men and women workers with family responsibilities:* Three countries have ratified the Workers with Family Responsibilities Convention, 1981 (No. 156): Argentina, Chile and Uruguay. The Convention refers to the adoption of a national policy comprising measures to facilitate the harmonization of family life with work, mainly as regards three aspects:

- (a) innovative forms of child-caring facilities, shared between various bodies of civil society, the State, local governments and fathers and mothers concerned;
- (b) legal provisions establishing parental leave for parents on the occasion of the birth or adoption of a child, the sickness of a young child, and a certain amount of "leave" for parents to bring up their young children;
- (c) new arrangements for the flexibilization of working time (day, week, period of the year or stage in working life), not only for women but for men.

Some final observations

The examples indicated above highlight two aspects: first, serious efforts are being made in all member countries of Mercosur and Chile to eliminate discrimination and create conditions

which foster equal opportunity in the world of work. Depending on the specific socio-cultural and political situation of each country, the measures introduced for this purpose are being carried out at a different pace, placing stress on different areas. The second observation is that certain similarities have all the same been noted in the measures being taken in these countries as regards the selection of issues and the methods used. The economic integration process will strengthen these similarities since it will facilitate the exchange of information and experiences in this respect.

Still "a women's issue"

However, it appears difficult to ensure that account is taken of gender in the discussions and representation bodies of Mercosur dealing with labour and social issues. One of the reasons for this could be that equality between men and women is still perceived by a large part of society as "a women's issue". As a result, it is considered separate from economic and labour matters rather than an intrinsic part of the development paradigm and hence a matter of concern for society as a whole. How can this widespread view be changed – a view which in some cases is deeply rooted in many trade union organizations?

Inequalities threaten the economic scales

A starting-point would undoubtedly be the systematic compilation of information and statistics disaggregated by sex. The availability of data not only on the situation of "workers" or "the labour force" as a whole but which highlight differences between the situation of men and that of women would allow irregularities and inequalities to be detected which could well disrupt not only the social but economic equilibrium of the respective country.

A voice in decision-making

Secondly, the women concerned should themselves be better informed and organized so that they can propose and negotiate changes which strengthen their position in work and in society. In particular the women organized in trade unions and those who are members of employers' associations should act as protagonists in this respect. They should strengthen their search for allies in implementing their

empowerment strategies to achieve a more equitable participation in decision-making bodies, both within their own organizations and outside.

Legal recognition of tripartite bodies

Thirdly, the tripartite bodies for equal opportunity established between the social actors of both sexes should be strengthened. How can this end be achieved? Efforts should be made to consolidate their existence and ensure their legal recognition: their members should be trained and their skills developed to enable them to carry out gender-based analysis and the planning of activities from a gender-related standpoint; work plans should be drawn up which are coordinated and monitored by women but carried out by the competent bodies existing in the respective country. The tripartite commissions could contribute to ensuring that the principle of equal opportunity in employment becomes part and parcel of the daily practice of labour relations (Márquez 1997). Furthermore, coordination bodies could be established to strengthen initiatives on the part of the government sector and the social actors, for example with the assistance of labour judges, parliamentarians, officials of the vocational training institutions and the media.

Fourthly, human resource entrepreneurial policies should be developed on the basis of a new vision of gender by eliminating prejudices about the productive capacity of women and creating a sense of diversity among the workforce inspired by the criteria of efficiency and quality.

Finally, mention may be made of the experience of the European Union which focuses its Fourth Programme of Action on Equal Opportunities for Women and Men (1996-2000) on the need for "mainstreaming"⁶. This concept calls for the design of a new social and economic policy which takes account of gender. Mainstreaming means the systematic consideration of the differences between the conditions, situations and needs of women and men in all Community policies at the planning, implementation and evaluation stages, and the application of such policies to Europe, the industrialized countries and the developing countries (European Commission 1997). An in-depth discussion of the application of this approach to the countries of Mercosur would appear to be relevant.

Notes

¹ Data taken from the following studies prepared by ILO consultants within the framework of a subregional programme of support for the promotion of tripartite equal opportunity policies: C. Berra/S. Mariani/N. Raimundo/M.J. Rodríguez (1997), for Argentina; M. Toledo (1996), for Brazil; S. Galilea (1996), for Chile; M.V. Heikel (1996), for Paraguay and A. Santistevan (1996), for Uruguay. For Brazil, see also: M.E. Valenzuela (1997).

² See works by M. Márquez Garmendia (1997). Several of the examples quoted can be found in the studies mentioned in note.

³ The ILO is carrying out a series of studies on the situation of women home workers in Argentina, Brazil, Chile and Paraguay on the basis of consultancies. These documents will be published in 1998.

⁴ Discussion of the relevance and legality of positive action is a relatively recent phenomenon in the countries of

the Southern Cone. The application of positive action in Europe has been seriously questioned in a number of rulings (see European Commission, 1997). Despite the different application in the countries of the European Union, the debate continues, since positive action is considered an effective instrument for creating an awareness of the existence of labour discrimination and may thus help change attitudes.

⁵ The ILO is currently carrying out a programme of action on gender in labour administration in several countries, including Chile. A comparative study on the situation and progress in the countries covered by this programme is expected to be published in 1998.

⁶ The European Council declared at its meeting in Essen, Germany, in 1994, that the promotion of equal opportunities for women and men is a priority for the European Union and its member countries on a par with the fight against unemployment.

Bibliography

- ABRAMO, L.: *Oportunidades y nuevas experiencias de trabajo para la mujer en el contexto de la reestructuración productiva y de la integración regional*, paper prepared for the Second Seminar on Women and Mercosur, UNICEF/National Council on Women's Rights of Brazil, São Paulo, 29-30 April 1997 (Santiago).
- BERRA, C; MARIANI, S; RAIMUNDO, N; RODRÍGUEZ, M.J.: *Argentina: Acción nacional en favor de los derechos de las mujeres trabajadores*, (Buenos Aires, Working paper, 1997).
- EUROPEAN COMMISSION: *Equal opportunities for women and men in the European Union. Annual Report 1996*, Directorate-General for Employment, Industrial Relations and Social Affairs, Unit V/D/5, (Brussels/Luxembourg, 1997).
- FROHMANN, A; ROMAGUERA, P.: *Implicancias del acuerdo de libre comercio de América del Norte para las mujeres de Chile*, Report prepared for the National Service for Women (Santiago 1996).
- GALILEA, S.: *Chile: Acción nacional en pro de los derechos de las mujeres en el trabajo* (Santiago, Working paper, 1996).
- HEIKEL, M.V.: *Paraguay: Acción nacional en pro de los derechos de las mujeres en el trabajo* (Asunción, Working paper, 1996).
- ILO: *Employment policies in a global context*, Report V, 83rd Session of the International Labour Conference (Geneva, ILO, 1996a).
- . *OIT Informa. Panorama Laboral 1969, No. 3* (Lima, ILO), Publications of the Regional Office for Latin America and the Caribbean.
- MÁRQUEZ GARMENDIA, M.: *Legislación laboral relativa a la mujer en los países del MERCOSUR y Chile. Un estudio comparativo*, Report prepared for the Second Seminar on Women and Mercosur, UNICEF/National Council on the Rights of Women of Brazil, São Paulo, 29-30 April 1997 (Montevideo, Working paper).
- PARDO, L.: "Efecto de los acuerdos comerciales en la pequeña y mediana empresa, en particular en las trabajadoras del sector", in *Importancia de los acuerdos comerciales en el trabajo de las mujeres*, Working documents prepared for the Meeting of Experts on the Impact of Trade Agreements on Women's Work in Chile, organized by the Ministry of Labour and Social Insurance and the National Service for Women in Chile, 4 June 1996 (Santiago, Working paper, 1996).
- SANTISTEVAN, A.: *Uruguay: Acción nacional en favor de la igualdad de oportunidades en el trabajo* (Montevideo, Working document, 1996).
- TOLEDO, M.: *Brasil: Ação nacional em prol dos direitos das trabalhadoras* (São Paulo, Working document, 1996).
- VALENZUELA, M.E.: *Discriminación y el mercado de trabajo en Brasil*, consultancy study for the ILO (Santiago, Working document, 1997).
- YÁÑEZ, S; TODARO, R.: "Globalización, reestructuración competitiva y empleo femenino en Chile. Elementos para el debate", in *Sobre mujeres y globalización*, Centre for Women's Studies (Santiago, 1997).

Mercosur and vocational training

Pedro Daniel Weinberg

Director
CINTERFOR/ILO

Attention must be given to the social and labour aspects of Mercosur... to ensure that the integration process is accompanied by a real improvement in working conditions in the countries which sign the Treaty.

The various countries will provide one another with all the necessary cooperation for the mutual recognition of their own systems relating to employment, social security, vocational training and individual and collective labour relations.

Extracts from the Declaration by the Ministers of Labour of Argentina, Brazil, Paraguay and Uruguay, Montevideo, 9 May 1991.

More than six years have elapsed since the date of this Declaration. Issued during an early stage in the transition towards the Common Market defined by the Treaty of Asunción, the Declaration highlights the idea that the integration process must be accompanied by a set of social measures. In particular – and this was reflected in the establishment of specialized bodies within the organic structure of Mercosur – attention would have to be given to the search for ways to coordinate human resource development policies.

It was precisely the recommendations made at the meetings of Ministers of Labour – along with proposals made by the social sectors – that led to the establishment of Working Subgroup (WSG) No. 11 on labour questions, a title which was subsequently changed to labour relations, employment and social security. In turn, this WSG organized its work on the basis of eight technical committees. From this initial structure, vocational training (VT) was included on the agenda, assigned as it was to Technical Committee No. 4.

A novelty

The manner in which the subject of VT was introduced into the discussions at Mercosur illustrates one of the major new developments in the field at the regional level: the role which Ministries of Labour (ML) are beginning to play in the sphere of training. To explain the changes occurring in VT in the region as regards the relevant actors, the concept of training and its institutional nature requires consideration of some of the developments affecting the economies in the present historical context. Since an in-depth

analysis can be found in other articles published in this issue, it can be said in synthesis that the region has begun to merge decisively into the global dynamics of production, trade and finance. As a result, productivity, quality and competitiveness appear as key aspects for the successful integration of the nations into this new context.

Adapt forms of work organization

As a result, the capacity to meet the challenge of technological progress is one of the keys to dynamic economic growth. In addition to this challenge, there is a need for adaptation and innovation in the forms of work organization. These demands necessarily affect the role to be played by human resources in this new scenario. Thus, training will be required to renovate its traditional strategies and orientations.

The multiskilled worker

The new kind of worker required will no longer be defined in terms of his or her specialization in carrying out a set of more or less specific tasks determined according to the characteristics of a given workplace. Some of the new demands will include the capacity to transfer knowledge at least within a family of occupations, to adapt to the rapid change of technology and, in particular, the new methods of organizing production.

In such a panorama, training requirements are undergoing major changes, with a move from the specialized towards the multiskilled worker, from a capacity to work in a stable workplace – on a lifelong basis – towards employability.

Skills development part of labour policies

In addition to this set of global dynamics, there is in the case of Argentina, Brazil, Paraguay and Uruguay, an overlapping factor: the process of integration resulting from the implementation of Mercosur. Accompanying these changes in the training sphere are a series of new factors or factors which have appeared only as isolated experiences in the past. They include the establishment of new links between the labour relations system and vocational training. It is becoming increasingly clear that training is now part of labour policies. This relocation of VT within the sphere of public policies, in contrast to the relative autonomy with which it had been developed in the past, is another of the new features characterizing training. New institutional scenarios are emerging, training is becoming a central feature of the bargaining agenda, and is increasingly being seen as an issue to be addressed by labour legislation.

The social partners heard at higher levels

Within the new institutional arrangements which are emerging, the tendency towards the decentralization of application and, sometimes, of the decisions taken on training policies are opening up new avenues of participation by society. From being a task carried out almost exclusively by the State, training policies are increasingly involving the participation of the social actors. This is particularly the case of workers' and employers' organizations.

The following paragraphs examine these points in greater detail.

Vocational training within the framework of Mercosur

As noted in the introduction, the subject of VT, within the framework of the social or more specifically social and labour aspects of integration, appeared early on in the discussion agenda. However, this was to a large extent due to proposals which had been made by the social sectors (with the trade union organizations playing a leading role) as well as the Ministries of Labour. The structure established in the Treaty of Asunción for the transitional period towards the Customs' Union provided for the setting up of ten WSG; WSG No. 11 (labour questions) was subsequently estab-

lished by the Common Market Group (CMG) as a result of the recommendations made by the Meeting of Ministers of Labour.

Following the CMG meeting in Las Leñas, Argentina, in June 1992, the title and mandate of WSG No. 11 were broadened, and it was henceforth responsible for labour relations, employment and social security. With its tripartite structure, WSG No. 11 set up eight technical committees (TC) to examine all the subjects falling within the subgroup's mandate. These included VT, for which TC No. 4 was set up (Santos, 1994).

Retraining and equivalent qualifications

In the initial chronogram, this TC was responsible for vocational retraining, the presentation of retraining proposals, the analysis of equivalencies for the recognition of occupational qualifications and the presentation of proposals on occupational equivalencies.

As established for all the WSGs set up for the transition period towards the Customs Union, WSG No. 11 and its TCs were to function until 1994. Although TC No. 4 presented to the CMG a proposal for the establishment of a system of horizontal cooperation on VT in Mercosur, neither this proposal nor other subjects falling within the mandate of WSG No. 11 were the subject of decisions by the Council of the Common Market or the CMG (Alonso et al, 1996).

A part of the new structures

Following the redefinition of Mercosur's structures under the Protocol of Ouro Preto, the institutional treatment of social and labour matters was consolidated by the establishment of WSG No. 10, which inherited the name and mandate of the previous WSG No. 11.

Within the organization defined for this new period at the WSG No. 10 level, three TCs were integrated. The subject of VT continues to be addressed at the level of TC II (in charge of employment, migration, skills development and vocational training). Within this framework and as regards VT, attention has continued to be given to the initiatives raised earlier: the establishment of a system of occupational certification for the recognition and equivalence of occupational certificates; the establishment of a VT information system; and the development of technical cooperation programmes among VT institutes.

Social partners in the spotlight

As regards the impetus given to the establishment and permanent nature of the fora for discussing social and labour proposals – including VT – mention must be made of the fundamental role played by the social partners. Through their links with the meetings of the Labour Ministers and, in the case of the Mercosur Committee of the Trade Unions' Coordinating Body of the South through its successive letters to the Presidents of the four governments, precious support was provided for the establishment of these specific bodies.

Workers and employers represented

The inroads made in terms of addressing social questions within Mercosur became evident on the establishment of the Economic and Social Advisory Forum (ESAF). This body, which is part of the Mercosur structure defined in the Protocol of Ouro Preto, is a body representing the social and economic sectors, in which recognized workers' and employers' organizations play a special role. The issues which have been placed before the ESAF include the promotion of employment. Because of the work methods adopted, the issues raised in the Forum are taken up in turn by the national sections which in turn bring before the plenary questions to be dealt with at the regional level.

Workers have a say in definition

Along with WSG No. 10 – which is tripartite in composition – the ESAF provides workers' organizations with a useful platform enabling them to help shape the policies adopted within Mercosur concerning labour and training. This is of special importance at a time when impetus is being given to the establishment of regional mechanisms such as employment observatories and systems for the certification of skills.

New forms of state action: Vocational training in the active employment policies of the Ministries of Labour

Today, in Latin America and the Caribbean, and particularly in the Mercosur countries, vocational training institutions have ceased to be the virtually sole agents they were in the past. Even in those cases in which these institutions have survived and remained closer to

the original model, they have become immersed in a veritable “explosion” in the supply of training. By way of example, in almost all these countries the following kinds of training and vocational training measures are provided and which are no longer confined – at least totally – to these institutions:

- the increasingly active role of Ministries of Labour through various forms of action;
- training activities/skills development in the enterprise;
- special projects for specific groups and sectors financed from the public budget and international funds;
- employer or trade union training/vocational training foundations and bodies;
- training/vocational training measures carried out by NGOs, churches, community organizations, etc.;
- private training academies and institutes.

More dynamic interaction

This new panorama is, however, much more complex and rich in innovative experience than simply one of greater competition between bodies offering training. On the contrary, a scenario is emerging which is much more conducive to the taking on of training responsibilities by more actors than the traditional institutions and, therefore, one likely to encourage the establishment of closer, more dynamic and functional collaboration and relationships.

The Ministries of Labour (MLs) in the region are playing an increasingly leading role in the vocational training scene, mainly as regards the definition of policy guidelines. From the old role of mediation in the capital-labour relationship, focused on such matters as remuneration, stability and conditions of work, these ministries are broadening their competence by addressing training from the perspective of active employment policies. This is expressed both in standard setting as well as in the institutional structure itself, through the creation and development of secretariats, departments or services which specifically address vocational training and its relationship with other aspects of labour. This increasingly marked phenomenon can be traced back to the time when the MLs realized that vocational training is a key element in the formulation and implementation of active labour policies.

Vocational training generates jobs

As a result of the many changes which have been occurring in this sphere since the mid-1970s in Chile, some ten years later in Mexico and since the beginning of the present decade in Argentina, Brazil and Uruguay, the MLs are developing ambitious projects aimed at assigning them a greater role in the generation of public employment policies. These programmes, financed with national resources in almost all cases, backed up in others by credits from the international banks, have not only acknowledged the relevance of VT in achieving results, but are leading to a reformulation of their traditional institutional nature: the training systems which are beginning to emerge are designed to give greater attention to the demand for training from the production process itself. This objective is to overcome, to some extent, the rigidity characteristic of some national institutions which had retained an organizational and programmatic structure that closely reflected the available training supply.

A role involving policy design and strategies

It can therefore be said that training is a central component of the active employment policies which are beginning to be promoted by the MLs and which focus on the design of policies and strategies, the development of financing and supervisory machinery, the monitoring and evaluation of training measures, with the responsibility for implementing these actions being left to other public and private agents.

High-level structures and tripartite bodies

This results in a re-arrangement of the institutional organizational charts of the ministries which, within the trend towards the establishment of "lean" public structures, reflect the emergence of top hierarchical units in this sphere. Examples include the Secretariat for Employment and Labour Training and the National Directorate of Vocational Training in Argentina; the National Secretariat for Development and Vocational Training in Brazil and the National Directorate of Employment in Uruguay. In the same way, an important role is being played by tripartite bodies which, coordinated by the ministries, involve employers and workers in the discussion and taking of

decisions on the policies under consideration. (The most recent cases concern the establishment of the National Employment Board in Uruguay and the Council on Employment and Wages in Argentina.)

Flow of funds from different sources

The importance attached to these policies can be seen in the large amounts of financial resources allocated to implementing the various programmes and projects. These funds come from different sources: public funds for training as established by law, extraordinary resources from the public treasury, unemployment funds, as well as through the capacity of the MLs to take over the public debt in the VT sphere (projects in conjunction with IDB and the World Bank, among others), etc. Mention may also be made of the following examples: in Brazil, the National Secretariat of Training and Vocational Development (SEFOR) has a Worker Assistance Fund (FAT) administered by an Advisory Council (CODEFAT), a tripartite body. In the same way, activities are carried out in Uruguay through the National Directorate of Employment (DINAE) and the tripartite National Employment Board (JUNAE), which are responsible for the allocation of funds from the Labour Retraining Fund.

The preceding paragraphs clearly highlight the important role now being played in all countries of the region by MLs in the VT sphere. The following paragraphs briefly analyse some of the developments under way in this respect.

The State: multiple roles and regulatory functions

The very establishment of the above-mentioned bodies is symptomatic of the change in the role of the State as regards vocational training: from direct participation as the implementing agent towards a standard-setting role and the financing of measures carried out by bodies contracted for this purpose, as well as by enterprises themselves. However, subject to differences according to the respective national case, this new role by the State has been broadened towards regulating the market for the vocational training supply and demand market.

Develop a "training culture"

This structural change – from that of a national institution acting as sole agent in this sphere in an approach basically determined by

supply, to the present situation has led to a number of dysfunctional aspects in the new model which have subsequently been transformed into areas of regulatory action by the State in general and by the ministries in particular. First of all, if the objective is to ensure that training is more firmly based on demand in the production sector, enterprises and production units must have both a "training culture" and a capacity to formulate their demands at this level. Thus, several ministries are currently engaged in programmes which are designed to generate and develop this demand, either through training subsidies (such as tax relief determined by training expenditure) or through integrated measures to develop productivity and competitiveness, with the appropriate adaptation of the training supply to the objective requirements of production units and technology transfer processes.

A scarcity of methodologies and teaching staff

Another aspect in which the MLs are developing their standard-setting and regulatory role concerns the growth of the training supply, along with its diversification and adaptation according to quality standards. Although the character of an institution can be changed by legal measures and even made to disappear, the process for accumulating infrastructure, methodologies or qualified teaching staff characteristic of the historical institutions cannot be achieved with the same speed. Most of the new training offered is not only in short supply but also weak on each of these points. This causes difficulties, not only in ensuring minimum quality levels but in the actual implementation of the prescribed programmes, in terms of territorial and sectoral coverage.

Training with the production process in mind

All these measures are of special importance at a time when reforms are being undertaken in the sphere of formal education and, in particular, technical education, which, although necessary, risk devaluating the role of vocational training in our societies. Indeed, many of the educational reforms are tending towards making technical education correspond to that of any secondary school, very similar in content to that of general formal secondary education. It is undeniable that without measures such as those being carried out

by the ministers along with other parties, there would be a void as regards training designed and delivered according to the needs of the world of production.

Decisive steps in tune with the integration process

The MLs in the region are thus proposing to act decisively in the sphere of VT and to foster its integration in the light of national strategies related to the transformation of production, increasing productivity and competitiveness of enterprises and the economies, with a view to ensuring economic growth which is socially and environmentally sustainable.

Undeniably there remains much to be done and the challenges themselves are changing from day to day. To give just one example of a new area in which MLs are acting, mention can be made of their role in synchronizing and adapting the changes affecting labour markets and VT as a result of the process of regional integration now underway.

Changes in the vocational training approach

In the introduction to this article, mention was made of the context in which changes in the approaches to human resource development are being handled. The following paragraphs examine some aspects of training measures themselves which are beginning to reflect transformations in this respect.

(i) Training and its link with the labour relations system

Under the earlier development model, the function of human resource training for industry was in the hands of the national VT institutions. It was therefore a responsibility of the State, like so many others.

Stability of sources of employment

The labour relations system which was consolidated under the developmental model was characterized, among other aspects, by the establishment of bargaining machinery, in most cases of a tripartite kind, sometimes by branch of activity, sometimes at the enterprise level, in which discussions focused basically on the stability of the sources of employment, the regularity and amounts of increases in remuneration, and coverage by the social security services

(health and employment insurance, family allowances, etc.). The changes resulting from the forms of integration of national economies into world trade and within Mercosur, the growing importance of the factors of know-how and technology in production processes and the change in the roles of the various labour actors, have profoundly affected each of the elements involved in labour relations.

Bargaining depends on product behaviour

The concept of job stability is beginning to be replaced by a concern to find workers who are flexible, more skilled and capable of undergoing rapid retraining, thus ensuring their own stability within the labour market. Without prejudice to the maintenance of social services, the systems supporting it are in a crisis in many cases, resulting in a process of reformulation, and whatever the forms and methods adopted in each country, what is undeniable is that solid training appears to be the best form of protection against unemployment. Similarly, discussion on the amounts and methods of wage increases, though not ceasing to be regulated by various collective bargaining mechanisms, is placing the various actors before the challenge of linking such increases to productivity growth, with less attention being now given to such aspects as seniority and occupational careers within the enterprise, in favour of an emphasis on the variables which make up the skills of a worker, such as experience and the levels and kinds of training.

Employer-worker joint structures

In accordance with these changes, the training and development of human resources have ceased to be functions *delegated in* and *assumed* by the State. Both employers and workers, through their representative organizations, are becoming increasingly interested in the subject, proposing initiatives to the State and training institutions, creating their own structures and engaging in the design and application of policies in this sphere.

Training and skills development a bargaining issue

As a result of its growing central importance, training is beginning to appear as a fundamental aspect in collective bargaining and relations. In the same way, there is an increas-

ing volume of labour legislation on the subject and standards are becoming more elaborate than in the past – a trend evident not only in the region but throughout the world. Collective bargaining mechanisms, whether tripartite or bipartite, at the branch or enterprise level, are increasingly including training and vocational training alongside the “historic” subjects.

(ii) Training as part of the technology transfer process

In its classical, traditional form, training is seen as the ordered and systematic transmission of a body of knowledge, skills and aptitudes, enabling a worker to increase his or her personal qualifications. This view has now become obsolete, mainly because it is based on an isolated concept of training, decontextualized from the environment and time in which it is carried out; in this self-contained approach, training is not necessarily related to the work processes for which it should, in principle, be conceived.

Situate training within the framework of the productive process

When we look at the way in which the most innovative training institutions, technical schools or technical education units are now proceeding, we can see that training is increasingly being based on work processes and technical innovation. Some of the bodies now understand that training should be seen as part of a process through which production units and workers receive an accumulated set of scientific and technological knowledge linked to the production process. These educational institutions and units establish a relationship between the training component and the process of integrated assistance and advisory services provided to enterprises: in this way, human resource training is part of a series of measures involving the transfer of technology as regards work, production, adaptation and innovation.

Lifelong learning

From a complementary standpoint, the transfer of technology is a permanent process and education/training needs should be understood in the same way. In other words, the view that training is something to be provided at a specific time, normally before a person enters the employment market, has been superseded by the realization that it is a constant need

which can be addressed in various ways, through initial training, in-plant training, sandwich training, on-the-job training, etc. In its turn, this concept of lifelong learning restores the labour mobility potential to training and allows it to be linked to technical and production changes under way in the world of work.

(iii) Training as an educational phenomenon linked to production processes

Some of the most successful experiments seek to establish a close relationship between training and production through programmes catering to the needs of enterprises (assistance and technical advisory services, technological information, applied research, etc.). In these new services provided by institutions and schools, there is active participation by students and teachers; the objective is not just to provide an additional service, but to create feedback mechanisms enabling the content of programmes, training methodologies and forms of service to be adapted; in other words, to improve the teaching-learning processes.

A bridge between the school and the workplace

When these centres see themselves as the promoters of state of the art technologies, meeting the production and technical needs of the industrial sector, they do so on the understanding that in the final analysis they will be strengthening their own training capacity and encouraging the provision of high-quality and relevant instruction. In other words, despite their investments and their new and enthusiastic commitment to technology, these units see themselves in the end as training and teaching agents. Thus the sales of services are not basically conceived as a new source of financing; on the contrary, they are methods being tried out to bring the realities of the production world closer to the schools and training centres. Furthermore, helping enterprises to resolve their problems is not only beneficial to the production units but also increases the base of scientific and technical knowledge, the critical mass.

Joint ministerial action and coordination

It must be emphasized that it is the role of the MLs to promote programmes which stimulate the development of a "training culture" at the level of the various production units (espe-

cially those with greater difficulties in gaining access to information and training services) and, vice versa, by promoting the development of a "work culture" in the various educational bodies. Clearly, these tasks imply greater coordination and joint action between the MLs and other state bodies, and in particular the Ministries of Education.

(iv) Vocational training for competencies

Vocational training programmes were traditionally conceived on the basis of workers' skills; in general, training programmes have a behavioural bias in so far as they are purely instrumental and, at best, restricted to a purely intellectual proposal. On the other hand, the training provided by training institutions and many technical schools take account of other aspects. They do not transmit only knowledge and manual skills but attempt to address the cultural, social and attitude-related aspects which are linked to a person's individual capacity.

A new work culture

The culture of productive modernization, based on the criteria of quality, productivity, efficiency and competitiveness, cannot be developed by training programmes which are so rigidly focused on training for specific work places. The contribution to the development of a new work and production culture made by these bodies is crucial; it is being achieved not only through explicit training instruments – courses, programmes, curricula, methodologies – but through the productive environment and climate established by the centres and schools.

Steeped in the workplace atmosphere

In other words, schools and agencies which reflect the old scheme of Fordist and Taylorist organization of work are not in a position to develop the new competencies required by an economy which has been opened up to the currents of international trade, which is highly competitive; the reductionist approach based on training for qualifications is being superseded by an approach which is being spear-headed by innovative institutions and schools. The reason for this is simple: "modern" competencies cannot be taught in an isolated course but are the reflection of a production environment, the enterprise environment, the codes of conduct and practice which operate in reality, and the patterns of work and production.

Quality control mechanisms

It is only through the articulation of education and training with work and technology within an appropriate environment that a mechanism can be found for transmitting the values, practices and modes of conduct which are inherent to the modern competencies required from workers, technicians and professional staff in the present historical circumstances. Here again the MLs have a role to play, particularly as regards the establishment and development of systems for the standardization and certification of occupational competencies, the certification of training programmes and institutions, together with mechanisms to ensure the quality of the training supply.

Defining occupational profiles

In the same way, the Mercosur Treaty explicitly establishes the goal of promoting the free circulation of persons, which means that the workers of the signatory countries will have the same opportunities and working conditions in any of the member countries of the group. Thus, the move towards an integrated subregional labour market means that account must be taken of aspects relating to the labour legislation in force, as well as the curricula content of technical education and vocational training. In this respect, the determination of consensus-based occupational profiles and the adoption of systems for the certification of labour competencies, among other matters, are necessary steps along the path towards the proposed objective.

Active participation of social partners

Although the equivalence and certification of labour competencies require highly technical methodologies and procedures, their recognition and credibility also require dialogue, negotiation and active participation, at the national and subregional levels, between employers' and workers' organizations, and the regulatory role of governments. To this end, the TC II WSG No. 10 of Mercosur has included on its VT agenda the establishment of an occupational certification system for the granting of occupational certifications in the different countries of the group. This proposal reflects the work of its predecessor, TC No. 4 (Vocational Training) of the former WSG No. 11, as well as the Regional Coordinating Committee of Mercosur responsible for education.

Double standards

Because of the multiple consequences which such a certification system might have on VT systems, vocational training is a subject of special importance, both as regards the integration of labour markets and the actual evolution of national training systems. The potential of this tool is clear if we look at the changes under way in the approach to VT. The availability of qualification standards, such as those provided by a certification system, will allow action to be taken both in the design of curricula and in the labour market itself.

Bibliography

ALONSO, J.M.; ESPINO, A; KAPLUN, M.; MAZZUCHI, G.: *Se nos vino el Mercosur... Los trabajadores en el proceso de integración*. Second edition, updated and enlarged, CIEDUR-DATES, FESUR, Montevideo, 1996.

CINTERFOR/ILO: "Los Ministerios de Trabajo y la Formación Profesional. Reflexiones iniciales para una discusión". Document presented at the Meeting of Working Group IV of the Interamerican Conference of Ministers of Labour, Ministry of Labour and Social Security and the National Apprenticeship

Institute of Costa Rica, OAS, Cinterfor/ILO, San José, Costa Rica, August 1996.

—. "Formación Profesional y diálogo social. Una perspectiva regional". Document presented at the Subregional Seminar "Reconversión y capacitación laboral para el siglo XXI: Países Andinos", ILO Regional Office for Latin America and the Caribbean, Lima, October 1996.

RELASUR: *Revista de Relaciones Laborales en América Latina - Cono Sur*: several issues. RELASUR/ILO, Montevideo, 1993-95.

SANTOS, R.: "Introdução ao estudo do Mercosul e sua questão trabalhista". Document presented at the National Tripartite Seminar RELASUL/ILO, Brasília, August 1993, in *Rivista de RELASUR*, No. 2, Montevideo, 1994.

WEINBERG, P. D., ed.: *Integración y formación: lecciones de la experiencia comunitaria europea y las perspectivas para el Mercosur*. Cinterfor/ILO, Montevideo, 1992.

Monitor compliance

Labour inspection is an institutional and generally administrative system responsible for monitoring compliance with the legal provisions respecting conditions of work and the protection of workers in the exercise of their occupation. A commonly shared economic area, trade, competition, conditions of work and compliance with labour standards are the keys which link economic integration to labour inspection. This link exists because, in the first place, economic treaties usually have social effects relating to matters such as employment, migration, wages and social security, among other matters. These aspects are frequently the subject of sectoral policies and are subject to comprehensive and complex regulation. The application of social standards is to a large extent the responsibility of public labour administration, the labour inspection service its instrument for ensuring application.

Rules of the game

Secondly, to establish a common economic area, certain ground rules are necessary. This may imply setting standards which, whether directly or indirectly, give the same value to some of the components of the production costs of goods and services. It is generally accepted, in Europe for example⁵⁶ mme pu i r

the protection of workers while engaged in their work, as well as supplying technical information and advice to employers and workers concerning the most effective means of complying with the legal provisions.²

Four different systems

If we speak of an inspection system rather than an organ or body, this is because there occur instances where it is neither structured as a single body nor within the organization of a single ministerial entity, but consists of a number of tasks carried out by different administrative bodies. The four countries are equipped with labour inspection systems and have ratified Convention No. 81, but the organization and functioning of the system are quite different. Organization depends on various factors ranging from political to economic considerations as well as geography and history. Furthermore, their functioning also depends on the management, quantity and quality of the resources available to the administration.

The Constitutions of two of the Mercosur countries, Brazil and Paraguay, contain references to this function.³ This is also the case with some of the provincial Constitutions of the Republic of Argentina.

In Argentina, under the federal organization of the country, responsibility for the inspection system is vested in the provincial authorities. The national Government, as the central authority, exercises supervisory authority over the system and performs the ordinary functions of inspection in the federal capital. However, in Brazil, a federative republic, labour inspection is the responsibility of the federal Government, no powers whatsoever vested in the States (with the exception of the State of São Paulo where, in addition to the federal authorities, there is a body of occupational safety officials). In Paraguay and Uruguay, unitary countries, labour inspection is carried out by bodies of the central authority.

Two distinct components

A common characteristic of the four countries is the specialization of inspection by function, although in each case the system is organized differently. In Argentina, there is a clear split into two functional areas: labour in general and safety and health. At both the federal and provincial levels, these two spheres operate as separate components within the inspection system.

In Brazil, standards and labour relations are the responsibility of the *Fiscais do trabalho* (labour inspectors), while occupational safety and health fall within the competence of engineers and occupational physicians. Two Secretariats of the Ministry of Labour run the labour and the safety and health divisions, while state activities are coordinated through the regional delegations (*Delegacias Regionais*). In Paraguay, a distinction is made between labour inspectors and safety inspectors, with two separate directorates existing within the Ministry of Justice and Labour. In Uruguay, as part of the same administrative division, there are specialized units dealing with general conditions of work and the working environment.

Another feature common to Mercosur members is that due to the immense size of their territory and population differences, while the capitals and major cities enjoy an acceptable level of inspection services, such services in the provinces are poor and their activities few and far between in the agricultural sphere.

How does Mercosur's experience compare with that of other integration processes in terms of social repercussions or other features?

According to the treaty which set up Mercosur, the extension of the current dimensions of its national markets is the prime condition for speeding up the processes of economic development with social justice in mind, with the States Parties undertaking to set similar target levels in their legislation in the relevant spheres in order to consolidate the integration process. Article 1 of the Treaty establishes the free circulation of goods, services and factors of production, as well as the coordination of macroeconomic and sectoral policies regarding foreign and agricultural trade. It does not expressly mention social policy but adds "and others as agreed", "with a view to providing adequate conditions of competition among the States Parties".

Coordinate social policies

In the light of the Treaty of Asunción it is possible to propose the coordination of social policies and setting similar target levels of social legislation with a view to consolidating integration and providing adequate conditions

of competition. The text was interpreted in this way from the beginning, and such an interpretation was even requested by major trade union organizations. The question immediately arises of whether it will be really appropriate or necessary, for the purposes of the Treaty, to pursue coordination and similar targets at the social level. If the reply is affirmative, another question arises: which methods and means will be used to achieve these ends? A third question concerns the role to be played by labour administration and, more specifically, labour inspection.

Coordination and similar targets at the social level

The reply to the first question can be found in certain declarations and events which took place subsequent to the signing of the Treaty, including the Declaration of the Ministers of Labour of 9 May 1991, in which they pronounced the need to ensure that the integration process was accompanied by an effective improvement and relative equality in the conditions of work of the countries signing the Treaty.⁴ Following promptly as an immediate consequence of this was the establishment of Working subgroup No. 11 on labour issues, which was to bring an institutional dimension to the content of the earlier declaration since the subgroup began an analysis of the problems of employment, labour relations and social security related to integration.

Another significant declaration was the Joint Communiqué of the Presidents of 17 January 1994 (Colonia, Uruguay) in which they threw into focus issues relevant to the establishment of the Common Market, such as employment, migration, the protection of workers and the pursuit of similar target levels of the labour legislations of the States Parties.

Ways and means to coordinate policy and set standards for achieving similar target levels – how other integration processes have dealt with these matters and implications for labour administrations.

Different methods are used in the range of integration processes which we have taken as examples. The North American Free Trade Agreement (Nafta) establishes among its objectives certain goals of a social bearing such

as the creation of new job opportunities, the improvement of conditions of work, and the protection, extension of scope and effective application of workers' basic rights. In the North American Agreement on Labour Cooperation of 1993, which supplements the Nafta, the States Parties undertake to promote, within the framework of their own laws, economic development based on high levels of training and productivity.

Comply with each country's laws

The various measures on which these goals depend include the encouragement given to employers and workers in each country to comply with labour legislation and to work together to maintain a progressive, just, safe and healthy working environment. To this end, support will be sought from the existing machinery and institutions in the three countries to achieve the economic and social goals of the Treaty. Two objectives of the Agreement are to promote both the observance of effective application of the legislation of each of the parties and transparency in the administration of labour legislation.⁵

Minimum provisions

In the European Union, apart from the wealth of standards produced over the years on migration and social security, Article 118A of the Treaty requires the establishment, within the Community sphere, of minimum provisions to promote improvements in the work environment. As a result of the activity of the different Community institutions, the European Commission was entrusted with the preparation of a Framework Directive which would serve as the basis for specific directives covering all the risks relating to safety and health at the workplace.

To sum up, Nafta opts for stricter application of internal legislation, whereas the EU prefers common standard setting. Thus the Nafta countries will use their labour administrations to develop a policy for optimal compliance with standards rather than strive towards similar target levels of bringing their legislative provisions closer together. The fifteen countries of the European Union will use their labour administration services to draft new standards and adapt existing standards to Community regulations and directives.

What repercussions have the economic integration treaties of other territorial spheres and the ensuing legislation had on labour inspection?

The obligations established in the Nafta labour agreement include promotion of the observance of national labour legislation and its effective application through appropriate government measures, several of which affect labour inspection, such as:

- the appointment and training of inspectors;
- monitoring compliance with the laws and investigating alleged infringements, resorting to on the spot inspection visits as may be necessary;
- the timely initiation of proceedings for finding a remedy or applying appropriate sanctions in respect of infringements of their labour legislation and guaranteeing the investigation of alleged infringements when requested to do so by interested parties;
- promoting public awareness of labour legislation by guaranteeing in particular the availability of public information relating to labour legislation and procedures for its application and enforcement.⁶

Labour principles to be promoted

Finally, the Labour Principles are guidelines which the parties undertake to promote under the conditions established in their internal legislation, the majority of which fall within the typical and usual range of labour inspection activities – the prohibition of forced labour, the prohibition of child labour, minimum conditions of work and the prevention of occupational injuries and diseases.

Equally falling under the authority of labour inspection is responsibility for monitoring or promoting freedom of association and the right to organize, the right to collective bargaining, the right to strike, the elimination of discrimination in employment, equal pay for men and women and the protection of migrant workers.

In the European Union, Framework Directive 89/391/CEE, to which reference was made earlier, establishes among its general provisions that member States shall guarantee in particular appropriate supervision and inspection.

The specific directives deriving from the Framework Directive usually carry an article on the defence of rights, such as Directive 92/85/CEE respecting the application of measures to promote improvements in the safety and health at the workplace of pregnant workers. It establishes measures respecting protection against hazards, night work, maternity leave and prohibition against dismissal, making it obligatory for member States to incorporate measures within their legal framework to ensure that women workers can seek the enforcement of their rights through the courts and/or in accordance with national law and practice, through recourse to other competent bodies, which are none other than the bodies responsible for labour inspection.

Mercosur labour inspectorates: the unity and diversity of their institutions, their cooperation and common strategies

Within Mercosur, the involvement of the labour inspectorate has not been very evident to date. The economic repercussion of conditions of work and social protection in trade flows has been the subject of concern on the part of governments and the social actors of Mercosur, giving rise to speculation, discussion and studies. The uneven levels in legislation and labour relation systems could well give rise to comparative advantages or disadvantages among the countries. Joint or individual declarations by Ministers and action at the national level, as well as a few isolated joint activities by the national officials of the labour inspection systems will serve as points of reference in establishing the importance given to this administrative instrument.

Clear objectives

Matters of common interest have been considered: the fight against labour fraud in all its forms; optimizing the use of human resources and materials with a view to establishing an effective service to monitor compliance with labour standards throughout the national territories, encouraging, promoting and prioritizing the preventive and educational aspects of labour inspection activities; and promoting lifelong training and skills development for staff in the different areas of labour inspection.⁷ Several of these issues of common interest have been selected and targeted as clear objectives of the national inspectorates.

No social dumping

In Argentina, two steps merit special attention: firstly, the programmes of action to combat clandestine work and social insurance evasion, in accordance with the principle that non-registered work is in fact a form of social dumping between internal or international production zones and, in both cases, inadmissible;⁸ secondly, the process of reform of the labour inspection system, under the impetus of the Framework Agreement on Employment, Productivity and Social Equity, calling for supervision and training of the provincial labour inspection services through coordination and collaboration – functions which are now carried out through the Directorate of Inspection and Individual Employment Relationships.

No forced or child labour

In Brazil, the *Secretarias de Fiscalização do Trabalho y de Segurança e Saúde do Trabalho* (Secretariats of Labour Inspection and Occupational Safety and Health) are higher management bodies. But it is particularly significant that the Ministry of Labour, following a declaration that its strategic objectives include “ensuring compliance with legislation to protect workers”,⁹ has launched measures to combat work performed in slave-like and degrading conditions and child labour. To this end it has extended its mobile inspection services and launched inspection campaigns focused on achieving specific results of a social kind, such as the registration of employees, the regularization of the payment of wages and contributions to the FGTS.¹⁰

Clandestine work and accidents

In Paraguay, where the development of the institution is less advanced than that of the other Mercosur countries, labour inspection has been actively involved in controlling clandestine workshops as a form of support for enterprises in the formal sector of the economy.¹¹ In Uruguay, two of the Government's concerns revolve around the clandestine employment of foreigners and occupational safety. As regards the former, inspection plans have been developed to place foreign workers in the same situation as national workers,¹² beginning with the rice plantations where Brazilian workers are employed illegally. The problem of occupational accidents, particu-

larly in the construction sector, has required a long process of consultation with the social partners in the sector and intense training activities for inspectors.

Joint inspection visits

The officials of the labour inspectorates of the member States have held meetings to discuss matters of common interest and to improve their knowledge of the functioning of their institutions. They have agreed to carry out joint inspection visits by officials from the four countries (an initial experiment has already taken place in Uruguay) and have encouraged studies on the establishment of some kind of common report form.

In conclusion, the labour inspectorates continue to address national priorities and although at the institutional level no similar target levels have been fixed, as in the European Union, action has however been taken to promote the application of national law but without imposing obligations for member States as in the Nafta. If harmonization of legislation were to be pursued, the next step would be the requirement of its effective application which would pose a major challenge to the national labour administrations, particularly if they were required to report to some supervisory body.

At all events, the improvements in the organization and efficiency of labour inspection are not unrelated to the phenomenon of integration, but are gaining impetus through the existence of Mercosur and may contribute to the objective of economic development with social justice in mind, a condition which lies at the basis of the Treaty.

Notes

¹ *Derecho Social Comunitario*, by M. Colina, J.M. Ramírez and J. Sala, Valencia, 1991.

² Article 3.1 (a) and (b) of Convention No.81.

³ *Brazil*, Constitution of 1988 – Article 21: “It is the responsibility of the Union XXIV – to organize, maintain and perform the labour inspection”. *Paraguay*, Constitution of 1992 – Article 99: “Compliance with labour standards and occupational safety and health shall remain subject to inspection by the authorities established by the law, which shall establish the sanctions to be applied in the event of infringement”.

⁴ Point II of the Declaration of Montevideo of 9 May 1991.

⁵ North American Agreement on Labour Cooperation, Article 1 (f) and (g).

⁶ *ibid*, Article 3.1 (a), (b), (g).

⁷ Proceedings of the Preliminary Meeting of 25 April 1996 to launch the first technical seminar on labour inspection in the Mercosur countries.

⁸ A. Caro Figueroa: *La urgente reforma de la inspección del trabajo*, Ministry of Labour and Social Security, Buenos Aires, April 1996.

⁹ *Plano de Ação. Um compromisso com a mudança*, Ministry of Labour, 1996.

¹⁰ Standard-setting Directive No. 01/196, 25 March 1996.

¹¹ *Las relaciones laborales en Paraguay*, RELASUR report, ILO, Madrid, 1996, p. 134.

¹² A. Piñeyrúa, Ministry of Labour of Uruguay. Statements made to *El País*, Montevideo, 25 July 1996.

Social security and integration processes in Mercosur

Alfredo H. Conte-Grand

Senior Specialist in Social Security
ILO Regional Office for the Americas

This article is a follow-up to a paper entitled "Social security in Mercosur", prepared by the same author in connection with the activities of the Technical Committee of Working subgroup No. 11 responsible for questions of social security, which will form the basis of this analysis. It addresses the specific subject of social security in integration processes both from a theoretical perspective within the context of the progress made in Mercosur. It refers to the part the ILO has played and concludes with some observations on the Multilateral Agreement now in the process of adoption in the subregion.

General concepts

The free circulation of labour

All civilizations, throughout history, have witnessed migratory phenomena. It is well known that migrations have not always been a negative occurrence but in many cases have contributed to the construction and renewal of societies. They are usually divided into two major groups: migrations due to political reasons and those resulting from economic situations; the former are generally the result of a forced decision rather than an individual desire, whereas the latter may be a free expression of a person's wish to seek opportunities and better his or her condition.

The right to migrate is recognized in the national constitutions of many countries and is part of the Universal Declaration of Human Rights proclaimed by the United Nations in 1948 (art. 13.2). However, it must be recognized that even today there are administrative provisions which restrict both the entry and departure of persons.

Integration processes are being promoted on the basis of specific objectives such as the establishment of "customs unions" followed by common markets with common policies. However, the fundamental goal is to improve the well-being of populations through the

greater political and economic security of each inhabitant and each family, for which end the free mobility of the factors of production is not only of economic importance but a social matter of high priority.

On this account the decisions of countries engaged in integration processes normally from the outset include regulations on social aspects among which social security plays a decisive role.¹ In the case of Mercosur, the economist's approach has not stood in the way of attaching importance to the social questions dealt with on a tripartite basis by Subgroup No. 11 and its technical committees and currently by Subgroup No. 10 and the other competent bodies of the new structure.

Protection of migrant workers by social security

In the social security sphere, the economic integration processes include the objectives of harmonization and coordination, the principal characteristics of which are examined below.

(a) The harmonization of social security policy and legislation

In the early stages of integration processes, the systems providing protection against social contingencies are different from one another and harmonization goals must be established with a view to reducing these differences, a task which implies changes and reforms in national legislation in terms of matters such as coverage of protection schemes; conditions and levels of benefits; methods of funding; proper accounting; fixing ceilings to ensure fair treatment; and management methods. Achieving an even pattern is therefore a very complex task and is further compounded by differences in the demographic and social structures of each country which have a direct impact on the cost of programmes which in turn depends on demographic variables, levels of remuneration, and employment and

conditions of work and health in general of the populations covered.

The first challenge would therefore involve defining the scope to be given in pursuing similar target levels of coverage, which can range from the most rigid – in which harmonization is tantamount to unification – to the most flexible, in which harmonization implies only a concordance between systems which are different in their general principles (Tamburi, 1992). It is clearly not possible to apply any kind of force in bringing about the unification of schemes whose development in each case is related to the lives and work of population groups which are very often characterized by marked differences even within the same countries. Furthermore, it must be decided whether the objective of achieving similar target levels of pensions or social security schemes should assign priority to the economic or to the social aspects. In the former case where the objective is to guard against unfair competition within a single market, pursuing even levels should be oriented, for example, towards the sources and levels of social contributions which are added to the wage cost of labour, in particular the level of employer contributions, and the impact of such contributions and benefits on consumption. If, as in the latter case, the objective is to set similar target levels in the conditions of life and work in the respective countries, the process should preferably be geared towards similar levels of benefits and closing the gap between such benefits and social contingencies.

Another challenge for all countries consists of pursuing the common goal of achieving an average level or engaging in a process of upward levelling out, taking as a reference either the most developed country or external criteria such as those established in ILO Conventions and other instruments. A recognition of how the different protection systems have evolved in the countries concerned would seem to point the way, since it would hardly be wise to try to reconstruct the past: much more essential is the task of constructing the future (Tamburi, 1992).

The difficulties involved in achieving similar target levels seem to have been accepted in the integration process which has had the greatest experience, namely that of the European Union, and it has probably embarked on a clean course, making a distinction between the convergence of policies (objectives) and the convergence of social security systems as such (i.e. ways and means to achieve the objectives).

Same political concepts and criteria

Another criterion, somewhat geared to economic aspects, would be to launch agreements precisely when social issues have a direct impact on the development of the integration process, to allow each country its freedom, as it were, as long as its social protection schemes do not constitute an obstacle to the development of the common market. Countries could spearhead firmer and/or stricter agreements as to the protection goals to be achieved and leave more flexibility to the actual methods to be used to achieve those objectives. In the same way, analytical methods should be established to identify the need for convergence measures if the uneven levels which prevail have a negative impact on the development of the major economic and social objectives of integration. In other words, the criterion may well be one of acceptance of the models developed in each of the countries since their compulsory replacement would seem to enjoy little chance of success. However, there should at the same time be some degree of standardization in political concepts and criteria in the area so that the same thrust be provided for future changes to be channelled in the same direction on the basis of principles shared by the group of countries being integrated or trying to integrate.

Determining factors

As regards the economic aspect of pursuing similar target levels of social security, discussion has been bearing on the issue of the so-called social contributions. This involves not only determining the amounts of payroll taxes, but the real question of determining the impact of social security financing on the competitive capacity of enterprises. At all events, it must be recognized that it is very difficult – if not impossible – to arrive at a valid and useful comparison of social contributions. To achieve the purpose the analysis must be much more complete, particularly if account is taken of the experience of the European Union where, as many economic studies have shown, differences in social security contributions between the countries have historically played a very minor role in distorting competition, encouraging outsourcing or the disruption of investment flows (Van Raepenbusch, 1992).

However, the real effects stem from the differences in productivity rates; levels of technological innovation; the countless other burdens which weigh heavily on enterprises (taxes,

transport costs, etc.); differences in social security financing sources and their real impact as well as enterprise strategies; the positions adopted by trade union organizations; and the degree of government intervention in the "market".

In conclusion, as has come to pass in the European Union, which has amassed a wealth of experience in the process of integration and has left no stone unturned with the issue in question, it is very difficult to move forward: to do so requires an ongoing process of research and studies to identify all possible measures which could serve to promote convergence and reduce to a minimum those factors which may have a negative effect on free competition in the community market.

(b) Coordinating social security legislation in terms of protection for migrant workers

The difficulties involved in this coordination process do not seem to be as complex as those involved in pursuing similar levels of protection. The maintenance of coverage in the case of displacements requires coordination in terms of the different legislative provisions through coordination agreements (bilateral or multilateral) which involve no changes in national legislation. The coordination of social security legislative provisions has been an issue of long-standing concern which first arose as a result of the major migratory flows in Europe from the beginning of the century, and the search for solutions is deeply embedded in the standard-setting activity of the ILO ever since this Organization came into being in 1919.²

Social security agreements or pacts (whether bilateral or multilateral) generally seek to ensure the application of the following four basic principles:

- Equal treatment between nationals and non-nationals in terms of social security;
- the need to determine formally which social security legislative provisions are applicable;
- the maintenance of acquired rights or rights in the process of being acquired; and
- the possibility of disbursing benefits in a foreign territory.

(i) *Equal treatment.* This consists of the legal provision that migrant workers be included within the scope of social security legislative

provisions and receive benefits on the same terms as those of national workers in the host country. Major strides have been made in this sphere and as a result of bilateral or multilateral agreements concluded between and among countries, this principle has been considerably extended to include refugees as well as migrant workers.³

(ii) *Determining which legislation is applicable.* This involves the guarantee that the legislation applicable to the insured persons will have been determined in advance, both as regards workers who work in a country which is not their own, as well as special cases such as workers employed temporarily in another country or those who travel through different territories for the purpose of transporting goods or other activities, as well as seafarers.

Such provisions make it possible to clarify and guarantee the application of a single legislation, thereby avoiding disputes and legal discrepancies which may arise between the various legislative provisions of the different countries.

In general, the applicable legislation is that of the country on whose territory the activities are carried out, but further solutions have to be found for special cases such as workers who travel or for the very special case of seafarers. In this latter case the determining factor is either the headquarters of the enterprise, the place of residence of the seafarers, the flag country or the country of registration of the vessel.

Whatever the characteristics of the job, the objective is very precise: to guarantee protection to migrant workers and ensure that only a specific legislation regulates the rights and obligations of each worker.

(iii) *Maintenance of acquired rights or rights in the process of being acquired.* The criterion of allocating rights to citizens on grounds of their effective residence in a country, i.e. based on "territoriality", has been replaced in modern social security schemes by a "personal" right based on various factors which draw on fundamental concepts from the legislation referred to earlier, financial organization and the right to benefits.

This issue has different connotations according to the branch of benefits concerned and depending on whether it concerns the worker or his or her family, in which case it is often more important to resolve the problems of "territoriality".

The adding up method must ensure that all the services provided by the worker are taken into account, in particular as regards retirement and pensions; it is sometimes also used to share out the financial burden between the different schemes involved in the granting of rights.

(iv) *Payment of benefits abroad.* This consists of eliminating any condition of territoriality imposed by social security legislation and concerns not only the worker but his or her family when they reside temporarily in a country which is different from that where the benefits are granted. The importance of this principle first arose in the pensions branch but has recently also come to the fore in other social security branches. The methods used for payments vary, although recently greater facilities have appeared as a result of changes in the international handling of financial flows. Account should be taken not only of these developments but of the administrative and, in some cases, medical supervisory procedures to which beneficiaries are subject.

The ILO's action and standards

The protection of workers employed in a country which is not their country of origin has played an important role in the ILO's activities. The preamble to the ILO's Constitution refers to the defence of the interests of migrant workers as one of the priority objectives of the ILO. Article 427 of the Treaty of Versailles, which sets forth the general principles included in the initial text of the Constitution, added that "the standard set by law in each country with respect to the conditions of labour should have due regard to the equitable economic treatment of all workers lawfully resident therein". The ILO's concern about migrant workers has resulted, in particular, in the adoption of Conventions and Recommendations on the subject and in the promotion of debates and exchanges of experience.⁴

More freedom in the circulation of labour

The process of modifying and updating the standards concerning the social security of migrant workers has been stimulated by a number of factors. Apart from how the doctrine has itself been evolving, there have been changes in the direction and volume of migratory flows and the establishment of economic

communities of countries in specific regions, communities which proclaim greater freedom in the circulation of labour within the community areas as part of their own objectives.

A dynamic network of legislative provisions

The multilateral instruments of this kind which have been adopted in Europe as well as in other regions and subregions, including Latin America and Africa, carry provisions inspired to a large extent by the ILO standards and complement or accompany the numerous bilateral agreements and pacts concluded between countries which export and import labour. The overall result is a dynamic network of provisions for the coordination of social security legislation which is becoming more comprehensive each year.

The Equality of Treatment (Social Security) Convention, 1962 (No. 118), satisfies the requirements of States in this respect, but the new standard-setting model appears to have achieved its full expression only with the adoption in 1982 by the International Labour Conference of the Maintenance of Social Security Rights Convention (No. 157). This instrument does not contain any specific standards to ensure the provision of equal treatment, since the principle was established and transposed into international standards by Convention No. 118; the new instrument therefore focuses on standards relating to the maintenance of acquired rights or rights in the course of acquisition and the provision of benefits abroad.

This new instrument applies to the nine branches of social security already included in the Social Security (Minimum Standards) Convention, 1952 (No. 102), and the scope of persons covered does not contain any limitations, in line with the criterion that all migrants moving from one country to another should be protected.

The system for the maintenance of rights proposed by the new Convention contains standards respecting the maintenance of the right to benefits, including provisions which should be contained in bilateral or multilateral agreements, such as:

- Determining to which branch they will apply. In this sense it is broad and encompasses all the branches recognized in ILO standards as well as the benefits and rehabilitation measures included in them.
- The category of persons covered, which includes, in addition to wage earners, fron-

tier workers and seasonal workers, their families and refugees or stateless persons.

- Agreements should establish methods for the reimbursement of benefits and the rules prohibiting the undue cumulation of benefits.

Convention No. 157 was supplemented in 1983 with the adoption of the Maintenance of Social Security Rights Recommendation (No. 167) concerning the establishment of an international system for the maintenance of rights in social security, the objective of which is to specify the models of technical application provisions; it includes an annex with model provisions for the conclusion of bilateral or multilateral social security instruments and another with a model agreement for the coordination of bilateral or multilateral social security instruments.⁵

The ILO has collaborated with its member States in the preparation or further development of agreements for the coordination of social security programmes. This cooperation has frequently been developed through support to regional or subregional bodies such as the Central Commission for the Navigation of the Rhine; the Council of Europe; the European Communities; the Organization of Central American States (the name was changed to "Central American Integration System" by the Tegucigalpa Protocol of 1991, set in operation on 1 February 1993); Mercosur; the Common African and Mauritian Organization; the Cartagena Agreement; the Economic Community of the Great Lakes Countries; the West African Economic Community; and the Central African Customs and Economic Union. Furthermore, resear

place the results before Subgroup No. 10 at the meeting held in Brasilia in September of the same year. The draft agreement was submitted to that meeting although it did not lead to adoption due to Paraguay's reservations with regard to the clauses respecting disability pensions, although the adoption of the agreement remained a priority issue on the work agenda.

At the fifth meeting of Subgroup No. 10, held in Montevideo in August 1997, it was decided to recommend to the Common Market Group, and indirectly to the Common Market Council, to adopt at its next meeting the "Multilateral Social Security Agreement and its Administrative Regulations", and that following adoption the subgroup would implement the methodology for following up the Convention and its application.⁷

Unresolved matters in Mercosur

The free circulation within the territory of the countries which are signatories to the Treaty of Asunción means finding solutions to all the questions related to the world of work as well as to others which concern workers' families, all of which revolve around the essential ingredient of social protection. This right to social protection must be embodied in a process which clearly reflects developments in the respective countries as regards their own citizens. In other words, the integration process will stride ahead to the extent that progress is made in the countries in terms of conditions of life and work. If the objective is to ensure equality of treatment between nationals and foreigners, it will not be possible to provide for foreigners what does not exist for nationals.

Clear goals and common targets

In this connection, it is essential that within the idea of fixing similar target levels in the search for convergence, goals should be established in terms of the coverage of social contingencies which are clear, accessible and based on common objectives. The discussions now underway to promote the ratification of ILO Conventions suggest that the objectives of such international instruments could be adopted and goals could be defined along the very lines of the "Social Charter or Charter of Basic Rights" being discussed.

Modest objectives and a follow-up system

In short, the process of fixing similar target levels could be seen as a set of steps and measures which strive to bring social protection schemes as close together as possible. It must be recognized that certain difficulties will arise and that modest objectives must be set with regard to this issue, as much in terms of goals as in terms of methodology.

In the same way, a follow-up system will have to be set up not only to evaluate in the future the necessary measures to be taken now in terms of fixing similar target levels and proposing solutions, but also to identify in the case of each measure related to social protection in the respective countries the extent to which it will bring target levels closer or the contrary effect which might be produced by their adoption. In other words, future reforms cannot be designed solely with a national objective but must be envisaged with Mercosur in mind.⁸

Private insurance and retirement schemes

There are other issues which need to be mentioned, such as reviewing supplementary pension schemes, their target levels and coordination, or the different role in each country of profit-making insurance schemes in the protection of social contingencies. The Multilateral Agreement contains provisions applying to pension schemes and plans based on individual capitalization and a clause which makes compliance with the Agreement obligatory on the part of private bodies participating in such schemes.

Fine-tuning

Finally, it must be emphasised that the free movement of labour in this process is conditional on the adequate coordination of social protection programmes, which in the Mercosur countries already finds a basis in the bilateral agreements in force but which will be taken a step further with the Multilateral Agreement now in the process of adoption. The former normally covered the economic benefits of pension schemes while the latter Agreement will extend and develop the system to include other branches of benefits such as health insurance for workers transferred on a temporary basis and who are now covered

by the Agreement. The Agreement determines the legislation which will be applicable, stipulates that all periods of contribution will be counted for the purposes of entitlement to economic benefits and establishes the necessary procedures for its operation which, together with the Administrative Agreement for its application, will allow it to come into force as soon as it has been adopted.

Constant follow-up

A flexible approach has been used in the multilateral agreement in order to provide coverage as far as possible for those population groups which are at present not covered even in their own countries until such time as programmes are extended and become universal. The complexity and importance of these processes, in no way diminished by considering the specific cases involved, require constant efforts towards achieving the dual goal of setting similar target levels and coordinating social security schemes, both essential components of the social dimension of Mercosur.

Notes

¹ The Treaty of Rome, in articles 117 and 118, lays down the broad lines of the European Union's social policy.

² For further information readers may refer to ILO (1977), a well documented historical overview on the origins and development of international law in this field. ILO (1981) may also be consulted.

³ For further information concerning agreements signed between countries, see ILO titles indicated 1974, 1984 and recently 1992b.

⁴ See ILO/CIDSEP(1992).

⁵ For more information on this question see ILO/CIDSEP (1993); Elkin (1994); ILO-RELASUR (1994), ILO (1996). A host of other papers issued nationally and internationally such as proceedings of meetings and seminars as well as in the form of studies may be consulted, among which may be mentioned the following: CARI (Council of Argentina for International Relations) and Konrad Adenauer Foundation 1993; Ackerman (1995); MPAS (Ministry of Insurance and Social Assistance) and ECLAC (Economic Commission for Latin America and the Caribbean), 1996.

⁶ The ILO supported this process by taking charge of different drafts of the comparative analysis of which the final edition is entitled *Social Security in Mercosur*, May 1994.

⁷ Mercosur/GMC/SGT-10/Record of Proceedings No. 2/97.

⁸ This suggestion was followed up in studies which formed the basis of *Social Security in Mercosur* (1994) and no evidence is available as to whether the reforms undertaken subsequently were considered in the light of their impact on the overall integration process.

Bibliography

ACKERMAN, M.: "Integración regional, seguridad social y libre circulación de trabajadores" in *Relaciones Laborales y Seguridad*

Mercosur – Economic performance and prospects

Beethoven Herrera Valencia

ILO Consultant

After several years during which Brazil and Argentina signed agreements to further the integration process of both their economies, the Act of Buenos Aires was signed in 1990 laying the foundations for the establishment of the Common Market. It was institutionalized in March 1991 with the signing of the Treaty of Asunción, providing for the establishment of a common market between Brazil and Argentina that was also to include Paraguay and Uruguay, called the Common Market of the Southern Cone (Mercosur) which was to have taken shape by 31 December 1994. The integration Agreement embraces the full range of objectives involved in building a Common Market, as listed in Article 1 of the Treaty. After 1995, Mercosur began to function as an imperfect customs union which would gradually converge to form a Common Market by the year 2000.

The founding treaty of Mercosur was validated by the General Agreement on Tariffs and Trade (GATT) since its objectives were fully in line with the latter's mandate: "...the expansion of their domestic markets,... is a vital prerequisite for accelerating their processes of economic development with social justice bearing in mind international trends, particularly the integration of large economic areas and the importance of securing their countries a proper place in the international economy."¹

Difficulties encountered: can they be overcome?

If the future of Mercosur were to be foretold on the basis of the repeated reports in the press concerning disagreements, principally between the two main member States, the conclusion might be drawn that the process is very likely to drag to a standstill. However, an in-depth examination of the strategy adopted by all its member States reveals that they have decided to keep the process afloat, notwithstanding the evident difficulties encountered.

Settled after lengthy negotiations

In 1992, Argentina levied tariffs on all imports with the result that Brazil threatened reprisals, although it was ultimately to accept the measure. In June 1994, the Brazilian government protested because President Menem of Argentina had stated that Brazilian workers earned half the amount earned by Argentinian workers. In June 1995, the Brazilian government imposed quotas on automobile imports, specifying that during the second half of the year, only half the number of cars sold during the first half would be admitted, with no exemption from this measure either for Mercosur or for Argentina in particular. The matter was eventually settled after lengthy negotiations.

Sources of conflict

In late 1995, Argentina lodged a complaint regarding the generous subsidies which Brazil granted to attract foreign investment, to which the latter responded that these incentives were offered by the provinces and not by the central government. In April 1997, in response to its balance of trade difficulties, Brazil applied a cutback in the financing of its imports, requiring either immediate payment or deferral of financing to over one year, thereby increasing its cost. In connection with this measure, the Argentinian ambassador in Brazil took issue with the President of the Brazilian Central Bank. Brazil subsequently agreed to lighten these restrictions for the benefit of its Mercosur partners, although the term of exception expires on 1 November 1997 and an anxious climate reigns, inspired by the ill feeling which might set in were the process not extended.

Tit for tat

The latest incident was provoked when the Argentinian Congress passed a law restricting the entry of Brazilian sugar, with the argument that the product benefits from the earlier sub-

sides which were introduced to encourage the production of alcohol for use as automobile fuel. In response, Brazil threatened to impose a similar restriction on the entry of Argentinian wheat and complained about the fact that the Argentinian executive was not over-eager to block the law, despite the fact that it held a majority in Congress. President Menem refused to recognize the law and promised to take steps to introduce a new law revoking the earlier one, but only at the end of the electoral process in October. In the meantime, the Argentinian Attorney-General has declared that the Treaty of Asunción which founded Mercosur prevailed over national laws.

Free trade zones in Paraguay

While differences between Brazil and Argentina give cause for the greatest concern in view of their relative share in total Mercosur trade, other members also contribute their share of anxiety. Paraguay has passed a *Maquilas* (Free Trade Zone) Law. Although enabling legislation has not yet been passed, and despite Paraguay's promise that its Mercosur partners will not be among the recipients of the goods produced by the plants, Paraguay's partners have stated that if the promise is not honoured, Paraguay might be required to withdraw from Mercosur, which is an entirely different issue.

To the foregoing let it be added that one of the presidential candidates focused his campaign on warnings about the supposed damage Mercosur could inflict on his country.

In addition to purely economic differences, political problems have emerged on account of Brazil's explicitly repeated aspiration to occupy the new permanent seat on the United Nations Security Council to be granted to Latin America, to which Argentina has countered that this is a decision to be taken jointly by the members of the region and should perhaps rotate among countries. Moreover, the United States' offer to include Argentina as an observer in NATO has annoyed not only Chile, its erstwhile antagonist in the region, but has also prompted some of its partners to suspect that the Argentinian government is conniving in a United States ploy to erode the formerly united front presented by Mercosur in discussions on the initiation of negotiations regarding the American Free Trade Area (AFTA), which was particularly apparent in the Summit of Foreign Ministers held in May 1997 in Belo Horizonte (Brazil).

The performance of the players

In 1996, the macroeconomic performance of the Mercosur member States revealed, on the one hand, an improvement in terms of growth and inflation in a context of relative weakness in external and fiscal terms and, on the other, a reduction in the disparities in growth and inflation in the context of a relative stabilization of real parities. The increased synchrony in the national economic cycles of the two largest economies contrasts with the situation between 1991 and 1992, and 1995. It may therefore be anticipated that, in the immediate future, the trade figures will be less influenced by macroeconomic disparities in the short term than in the past; although it is impossible to anticipate how long this trend will last.²

Positive growth rates

In 1996, the regional GDP of Mercosur grew at an estimated rate of 3.2 per cent, considerably in excess of the 1.1 per cent reported in 1995, and is expected to reach 3.7 per cent in 1997. This may be attributed to the recovery of economic activity in Argentina (which accounts for one-third of regional products) and Uruguay following the severe recession experienced by both economies in 1995. Meanwhile, the economic activity of Brazil (which accounts for approximately two-thirds of regional GDP) and of Paraguay dropped off slightly, although maintaining positive growth rates throughout the year.

The increased pace of economic activity in the region went hand in hand with lower inflation, which at the end of the year stood at an estimated annual rate of 7.6 per cent. The reduction of inflation to below the international rate in a context of fixed exchange rates allowed a slight improvement in the real exchange rate for Argentina. Meanwhile, more flexible exchange policy served to slow down the real appreciation of the domestic currencies of Brazil and Paraguay and to stabilize the real exchange rate in Uruguay.

The surge in real growth was accompanied by a more marked disequilibrium in the foreign accounts of the region, influenced as they were by how the two larger economies were evolving. Brazil's US\$4 billion trade deficit in 1996 was higher than in the previous year, and its negative current account balance was above the US\$21 billion, which is equivalent to over 3 per cent of GDP. Meanwhile, in 1996,

Graph A. Rates of growth of GDP

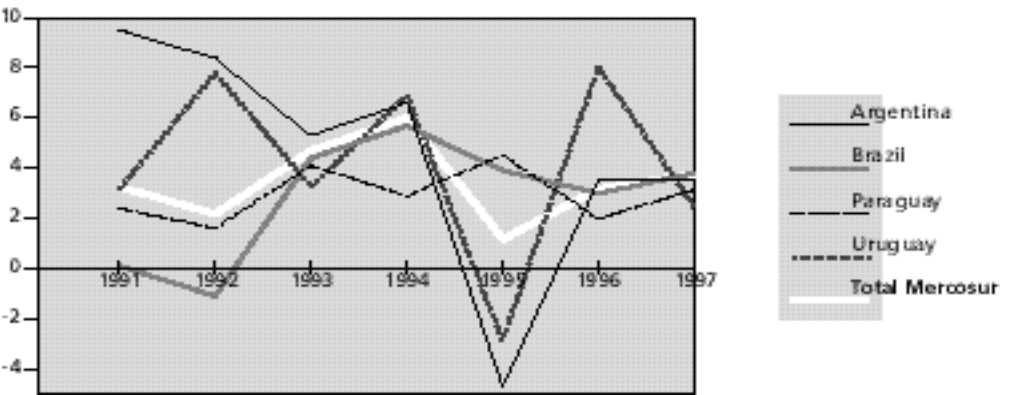


Table 1. Mercosur: Indicators of macroeconomic growth (%)

Rate of growth									
Real GDP	Breakdown for 1991	1991	1992	1993	1994	1995	1996	1997	
Argentina	32.04	9.5	8.4	5.3	6.7	-4.6	3.5	3.5	
Brazil	65.23	0.1	-1.1	4.4	5.7	3.9	3.0	3.8	
Paraguay	1.05	2.4	1.6	4.1	2.9	4.5	2.0	3.1	
Uruguay	1.69	3.2	7.8	3.3	6.9	-2.8	5.0	2.5	
Total Mercosur	100.00	3.2	2.1	4.7	6.0	1.1	3.2	3.7	

Graph B. Rates of inflation

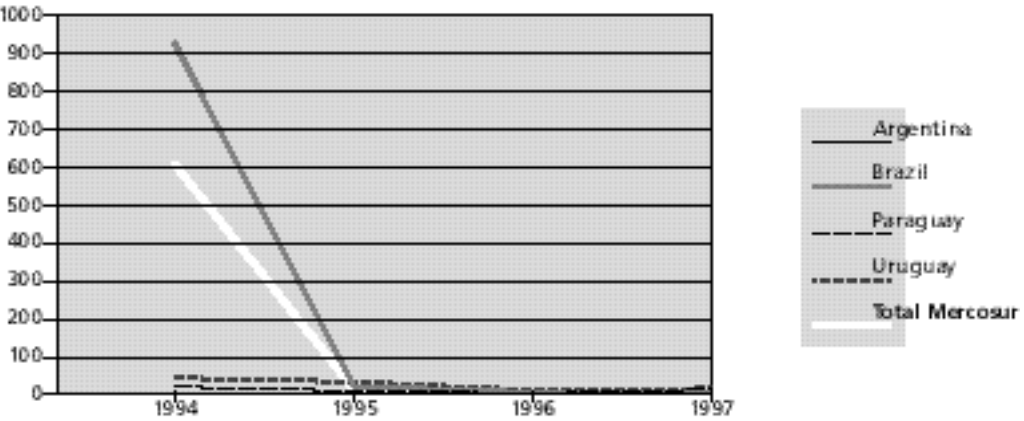


Table 2. Mercosur: Indicators of macroeconomic development (%)

Annual rate of growth									
Inflation IPC		1991	1992	1993	1994	1995	1996	1997	
Argentina		84.0	17.5	7.4	3.9	1.6	0.4 ¹	1.7	
Brazil		475.8	1 149.1	2 489.1	929.3	22.0	10.6 ¹	10.0	
Paraguay		11.8	17.8	20.4	18.3	10.5	8.8 ¹	15.0	
Uruguay		81.3	59.0	52.9	44.1	35.4	25.5 ¹	18.0	
Total Mercosur		338.8	756.3	1 627.0	608.3	15.6	7.6 ¹	7.5	

¹ November 1996/97.

Source: ECLAC

Argentina posted a current account deficit of US\$4.2 billion, while Uruguay's current account balance also deteriorated in 1996, which seriously undermined its competitiveness. Only Paraguay achieved a slight improvement.

The overall macroeconomic performance for 1996 revealed more rapid growth and a lower rate of inflation, together with a reduction in the disparities in the economic performance of member States. Such reduced disparities were apparent both in the rate of expansion of production and of prices, as demonstrated in Graphs A and B. Indeed, it would appear that, for the first time since the Treaty of Asunción was signed, the largest economies of Mercosur have entered a period of synchrony of their domestic economic cycles.

A dual pattern

The composition of the imports and exports of the largest Mercosur countries clearly reveals substantial diversification, although some analysts of the specialization pattern from the Argentinian side maintain that a dual pattern is emerging which favours the primary sector, products of agricultural origin and the energy sector in Argentina, with clear comparative advantages, while the products of industrial origin reveal a high level of comparative disadvantage. While the bulk of advantages for primary goods is concentrated in cereals and oleaginous crops, for goods of agricultural origin, the lead is taken by animal feeds, oils and fats. For Argentinian products of industrial origin, the greatest disadvantage is concentrated in machinery and appliances, the chemical industry and transport material. Bekerman and Sirlin argue that, for Argentina, the low labour-intensive sectors reveal a comparative advantage, while the high and intermediate labour-intensive sectors demonstrate clear disadvantages.³

The theoretical debate: diversion or creation of trade?

The optimistic assessments which view Mercosur as a successful process have been countered by critical appraisals on the part of experts of multilateral bodies who maintain that Mercosur has managed to create an artificial world of economic growth in which inefficient industries profit from protection behind a wall of trade barriers. Within the logic of these analyses, the regional integration agreements hinder the task of achieving world free trade.

World Bank: free trade entails great dangers

The chief economist at the World Bank, Alexander Yeats, considers that Mercosur generates substantial trade and investment, but in the wrong places. Trade between member countries grew from US\$4.2 billion in 1990 to US\$12.3 billion in 1994, with the most rapid growth recorded for motor vehicles, buses, agricultural machinery and other capital goods which are produced, in Yeats' view, in a relatively inefficient manner in member countries. Member States, who are isolated from outside competition, invest in factories which manufacture over-priced products to sell on other markets outside the group and may find themselves unable to compete at the world level once external trade barriers are dismantled, unless they start to invest in more efficient companies. The study concludes that the most dynamic products for internal trade between Mercosur countries are, for the most part, the capital goods that they have not been able to export competitively to other markets. This would appear to have an adverse impact on third-party countries.⁴

Although the World Bank claimed to support Mercosur and explained that the study was merely an iconoclastic exercise, its central arguments are in line with the widely held view in the Bank that general free trade generates greater wealth than regional trade agreements and that, although it is easy to be enthusiastic about them and although they do generate profits, nonetheless they also represent a considerable threat.⁵ In any event, it is rumoured that the United States may lodge a complaint before the World Trade Organization (WTO) regarding the tariffs imposed by Argentina and Brazil on automobile imports. Regional covenants may provide the enterprises and workers with endless arguments for continuing to protect markets, but efforts to liberalize trade throughout the world may be undermined if too many people grow rich by diverting trade. This view is held by the economist Jagdish Bhagwati of Columbia University. Bhagwati draws attention to the fact that, following the collapse of the Mexican peso in 1994, Mexico was prevented under the terms of the Nafta from imposing tariffs on imports of products from Canada and the United States. Consequently, the Mexican government came under enormous pressure by the threatened companies to raise the tariff levied on imports of 502 products from countries that did not belong to the Free Trade Agreement.⁶

A quota system

The main criticisms levelled at Mercosur are related to the automobile sector in which intraregional trade rose from US\$207 million in 1988 to US\$2.1 billion in 1994. Although Mercosur aims to impose common tariffs on products from third countries, member States still practise separate tariffs for many products, including motor vehicles. Brazil, for instance, levies tariffs of up to 70 per cent on imported vehicles, although foreign companies with local manufacturing operations pay only 35 per cent. In turn, Argentina has a system of quotas for imports of vehicles, as does Uruguay, where companies with local plants are granted a larger share.

Tariff barriers influence investment decisions

Foreign motor vehicle companies have made substantial investments in Mercosur countries, particularly in the huge Brazilian market. General Motors plans to invest up to US\$3 billion by 1999, while the Ford Motor Company intends to invest US\$2.5 billion over

the same period. Both companies insist that they would manufacture motor vehicles in Brazil even if the market were completely open to imports of finished vehicles, but both agree that Mercosur's tariff barriers influenced their original investment decisions. General Motors, for example, is considering the construction of an automobile parts plant in Uruguay, since it would thereby be permitted to import more finished vehicles into the country.

In discussing whether trade is being diverted rather than increased, as Mercosur critics claim, the sources of imports should be studied. As revealed in Graph C, the relative changes in the origin of imports before and after the establishment of Mercosur have been limited and have often totally contradicted the trade diversion hypothesis.

There is no correlation between the fluctuations in imports and the level of preference for products. In addition, while imports within Mercosur increased from 15 per cent to 19 per cent of total imports between 1990 and 1995, a simultaneous increase of over 22 per cent was recorded in the group's total imports over the same period. The obvious conclusion is therefore that the increased intraregional trade did

Graph C. Mercosur: Origin of imports

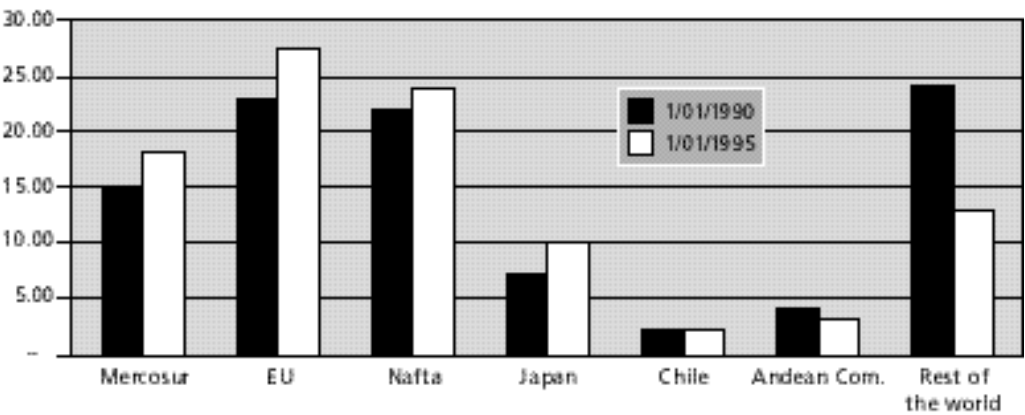
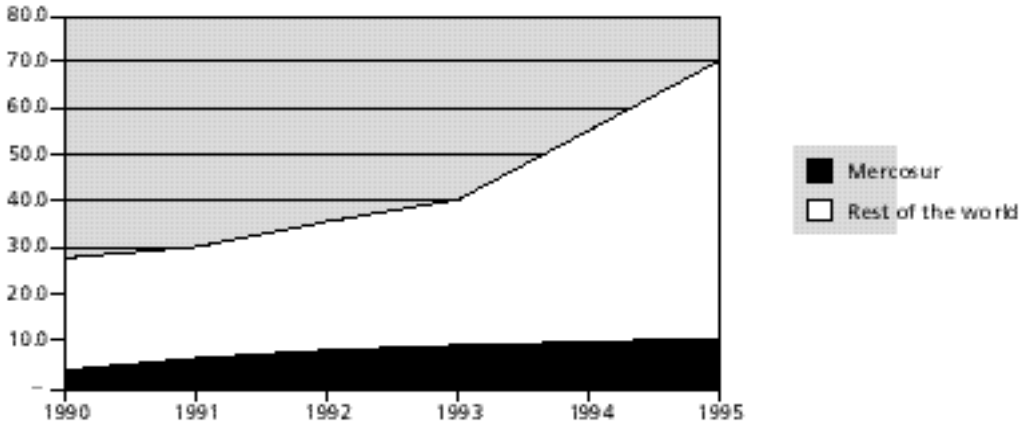


Table 3. Mercosur: Indicators of macroeconomic development (millions of dollars)

Current bank balance	1991	1992	1993	1994	1995	1996	1997
Argentina	-809	-5 403	-7 047	-9 363	-2 390	-4 200	-6 000
Brazil	-1 450	6 089	19	-1 153	-18 136	-20 300	-26 500
Paraguay	-327	-626	-526	-754	-1 060	-540	-545
Uruguay	42	-9	-244	-439	-359	-535	-343
Total Mercosur	-2 544	51	-7 798	-11 709	-21 945	-25 575	-33 388

Graph D. Mercosur: Imports 1990-95 (%)



Source: Inter-American Development Bank. *Integration and trade in the Americas: A preliminary estimate of 1996 trade*, Periodic note, Washington, December 1996.

not occur at the expense of the industrialized economies of the European Union, Nafta and Japan and the newly industrialized countries of Asia. While these regions increased their share in the total Mercosur imports, the share during this same period of the “rest of the world” and the Andean Community fell from 28 per cent to 15 per cent between 1990 and 1995.

It should be emphasized, in addition, that the value of total Mercosur imports in 1995 was three times that recorded five years earlier. Graph C demonstrates that imports from all regions increased, with the result that the increase in imports from one region of origin did not imply a drop in absolute terms for other regions. Undoubtedly, trade is created which, for products other than oil, demonstrates increases of 220 per cent over five years.⁷

The geopolitics of integration: A choice of scenarios

An intense discussion rages regarding the future of the different integration processes and, more particularly, the prospects for the consolidation of Mercosur as an independent market, or its eventual dissolution in a continent-wide free trade area. The following trends may be identified in this connection:

(a) Chile and Colombia considered that they would definitely and promptly be admitted to Nafta, on their own merit as individual

countries. This somewhat explains Chile’s earlier reticence regarding accession to Mercosur, whose founding text includes an express invitation to the said country, leading the latter to show no interest in negotiations with the Southern Cone countries, with the result that Bolivia and Venezuela, who are partners in the Andean Group, concluded different levels of agreements with Mercosur. It is obvious therefore that if the government of the United States is unable to obtain the approval of Parliament for fast-track access, the admittance of countries and the negotiations of the AFTA will not be viable.

(b) The United States government has expressly and repeatedly stated its desire to promote the AFTA and assumes that an agreement will be reached in this regard during the presidential summit to be held in Santiago de Chile in 1998. Meanwhile, Mercosur wishes to guarantee the consolidation of its own process in order to be in a position to compete more effectively in the future. Some consider that the AFTA will be composed of the combined regional “building blocks”, while others assume that these trade blocks will have to be dissolved into a continent-wide area.

(c) The idea of establishing a South American trade zone has been reinforced by the partial scope agreements concluded by Merco-

sur with Chile and Bolivia. The idea is being developed through group negotiations between Mercosur and the Andean Group of Nations.

- (d) The agreement concluded between Mercosur and the European Union expresses the latter's desire to be involved in the Southern Cone process, and has revealed the diverging perceptions held by Europe and the United States regarding the Mercosur process. In the recent World Economic Forum in São Paulo, the Vice-President of the European Commission, Manuel Marín, proposed that an agreement should be signed by 1999 between the regions. Not only does this proposal call for a date which precedes the dates stipulated for the signature of the AFTA but the express intention was stated that "Mercosur should not be dissolved in the Free Trade Area of the Americas" as appeared to be suggested by the speaker of the United States at the same event, Thomas McLarty.
- (e) Some believe that, at the end of the day, the different integration processes will coexist and overlap.⁸

Prospects and conclusions

The Mercosur process has not only achieved positive results, but its main members are committed to going further afield, and no serious risks appear to stand in the way of its steady progress.

The fact that the institutional process is poorly developed has meant that negotiations with Bolivia, Chile, the Andean Group of Nations, the Latin American Integration Association (ALCA), the AFTA and the WTO have had to be conducted with scant resources, and suggests that the organic bodies require further consolidation. Although the Argentinian authorities have guaranteed that the law restricting the entry of Brazilian sugar will not be implemented, and despite assurances fr

INTERNATIONAL LABOUR OFFICE GENEVA

FREEDOM OF ASSOCIATION

A workers' education manual



Social security



A workers' education guide



International Labour Office Geneva