

What Context does the Asia-Pacific Economic Cooperation Forum (APEC) Provide for Employment Relations?

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ABSTRACT

This paper discusses the question: what influence will the context of the Asia-Pacific Economic Cooperation Forum (APEC) have for the practice employment relations in the Asia-Pacific region in the years ahead? The paper draws comparisons between APEC and other supra-national associations: the European Union (EU), in particular, but to a lesser extent also with the North American Free Trade Agreement (NAFTA).

Keywords: Asia-Pacific Economic Cooperation, employment relations, labour markets, unions

INTRODUCTION

The theme of the 2005 ANZAM Conference encourages researchers to take into account the contexts in which various aspects of management are practised. The European Union (EU) has a major influence on the practice of management in Europe, including employment relations. What influence does the context of the Asia-Pacific Economic Cooperation Forum (APEC) have for the practice of employment relations in the Asia-Pacific region?

APEC was established in 1989 to promote economic growth in the region and to strengthen the Asia-Pacific community. It was formed against the background of increasingly protectionist sentiment around the world, in particular, in the USA and the EU. APEC exemplifies growing interdependence among Asia-Pacific economies. Australia was a founding member of APEC, which enjoys bipartisan political support. Moreover, in 2007 the APEC Leaders' Meeting and a range of other official APEC meetings will take place in various places around Australia. Nonetheless, there is relatively little awareness of APEC among Australian managers and union practitioners.

¹ This is the 26 October 2005 Version. Any comments would be welcome. Thanks

What is APEC? Unlike the EU and the North American Free Trade Agreement (NAFTA), APEC is not a trade bloc (Yeh, 2002: 283), but includes three trade blocs: 1. the Association of South East Asian Nations +3 (ASEAN's 10 members plus China, Japan and South Korea); 2. NAFTA (Canada, Mexico and the USA); 3. Closer Economic Relations (CER) Free Trade Agreement between Australia and New Zealand. APEC is a loosely coupled economic community, but it is the largest of its type in the world. It currently has 21 members: Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Taiwan, Thailand, USA and Vietnam. APEC members - referred to as 'member economies' - account for more than 2.5 billion people (60 per cent of the world's population) and 47 per cent of world trade. APEC represents the most dynamic economic region in the world, having generated nearly 70 per cent of global economic growth in its first 10 years (APEC Chile, 2005).

APEC began as a relatively informal group of government officials; mainly from departments of trade or the equivalent. It claims to be the only inter-governmental group in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. By contrast with the World Trade Organisation (WTO) and other multilateral trade bodies, APEC does not require treaty obligations of its participants; members make commitments only on a consensual and voluntary basis. This explains why many of APEC's goals are expressed in vague terms, which are more practicable for national governments' diplomats to agree on, for instance: advancing Asia-Pacific economic dynamism and sense of community (for APEC goals, see www.apec.org)

APEC has become a vehicle for promoting the liberalisation of trade and investment around the Pacific Rim. This includes promoting free trade agreements (FTAs) and other forms of practical economic cooperation such as: facilitating economic development, the growth of small and medium sized enterprises (SMEs), the mobility of businesspeople, and more equitable participation by women and young people in the labour market. At the 1994 annual meeting in Bogor, APEC adopted the goals of achieving free trade among its developed economies by 2010 and among its developing economies by 2020 (APEC, 1994). APEC has expanded its agenda to include other issues such as:

telecommunications, the environment and health. Since 9/11, the USA has put security issues and counter-terrorism on to APEC's agenda. This further extended APEC's focus beyond economics to include political issues (Aparicio-Valdez, 2004: xix).

HOW IMPORTANT IS APEC FOR ITS MEMBERS?

Could APEC succeed in achieving an Asia-Pacific FTA among all its members? This does not seem likely in the near future, considering the difference in value that individual members place on APEC. For instance, key East Asian nations, such as China, Indonesia, Malaysia, Thailand, Japan, South Korea and Singapore are also members of ASEAN +3. These nations have a closer bond with each other, due to their geographical proximity and their membership of a potential Asian community. This bond has led to proposals for several intra-Asia FTAs, exclusive of other Pacific Rim nations. ASEAN +3, then, provides an alternative trading community for its members, but hitherto, it has been most concerned with mutual security issues and has generally excluded Australia and New Zealand from its deliberations. However, ASEAN +3 and Australia and New Zealand have started talking about an FTA between them, though such an FTA does seem to be imminent.

Until 1973, when the UK joined the European Economic Community (a forerunner to the EU), much of Australia and New Zealand's trade was with the UK. Since then, however, Australia and New Zealand have taken steps (sometimes only falteringly) to build closer trade links with their Asia-Pacific neighbours. The Australian and New Zealand governments probably see APEC as more important than most ASEAN governments do. This is partly because Australia and New Zealand see APEC as a means of promoting closer relations with their Asian neighbours. Nevertheless, in the early part of the twenty-first century Australia and New Zealand appear to be developing closer relations with ASEAN also.

APEC's North American members tend to see APEC as less significant for them, as they have a more immediate interest in NAFTA. Nonetheless, the USA has demonstrated a growing interest in APEC as a possible means of extending US trade and influence in Asia, and, in particular, as a mechanism for confronting the increasing role of China and other Asian countries on the world stage. Fukuyama

(2005) argues that 'there are other long-term developments taking place that will change the political landscape of Asia in ways that will ultimately weaken US influence'. He refers to the intra-Asia FTAs that exclude non-Asian nations. Such FTAs would strengthen links and increase trade between Asian nations, and would probably have a detrimental effect on the economies and the power of those excluded, including the USA. It would be easier to achieve an intra-Asia FTA, due to the smaller number of participating economies and their geographical proximity, than an FTA comprising all of the 21 APEC nations.

APEC has been subject to criticism, for instance, that it does not have inclusive forms of governance and it lacks a social and political agenda. Such criticisms are especially obvious in comparison with the EU. At APEC meetings, for members' leaders, much of the focus is on bilateral side meetings between individual members rather than on the APEC agenda itself. 'There is concern that APEC has become too much like a ritual rather than addressing the issues of real concern to leaders' (Morrison, La Croix and McNally, 2003)

Could APEC develop to play an important role, comparable to that of the EU? At present this does not seem imminent for at least two reasons. Firstly, APEC was established only as a narrowly conceived economic community and, secondly, APEC covers a much larger and more diverse and inter-continental region compared with the EU, which includes countries on only one continent. In terms of its scope, the EU is a much more ambitious project than APEC. The EU has an elected parliament and a substantial infrastructure of its own public servants. By contrast with the EU's vast bureaucratic apparatus,² APEC has only a tiny infrastructure (a secretariat, of two dozen diplomats seconded from APEC members, and about 20 local staff, with no elected governance structures).

Several inter-governmental organisations formally recognise input from the *social partners*: employers and employees and their representatives. This is the case with the EU, NAFTA, International Labour Organisation (ILO), and Organisation of Economic Cooperation and Development (OECD). APEC

² EU members are bound by 350 000 pages of treaties

recognises input from *employers*, via the APEC Business Advisory Council (ABEC), but APEC does not formally recognise input from *employees* and their representatives (unions). By contrast, the European Trades Union Congress (ETUC) exerts considerable influence in the EU, especially with regard to social, employment and labour issues. The International Confederation of Free Trade Unions/Asia Pacific Labour Network (ICFTU/APLN) has been much less successful in its efforts to achieve recognition of a union role in APEC. To promote such recognition, by 2003 all ICFTU affiliates in APEC economies had agreed to form an APEC Labour Forum. Also, the ICFTU has applied for 'non-member participant' status in APEC's Human Resource Development Working Group (HRDWG), but APEC rejected the application.

APEC had established the HRDWG in 1990, which has since met once or twice per annum. It aims to develop human resources through the establishment of three networks: the Labor and Social Protection Network (LSPN); the Education Network; and the Capacity Building Network. In practice the HRDWG's main preoccupation has been how to improve training in developing countries. However, APEC also established a labour market information database, which is currently managed by Australia. 'Despite different economic situations in each economy, labor concerns ranging from shortages in highly skilled workers to combating high unemployment are dominant issues' (APEC Secretariat, 2004).

In 2004, the ICFTU reiterated that establishing common labour standards, a decent work agenda and creating an institutional space for unions to participate in APEC would benefit not only workers but also APEC as a whole, chiefly by ensuring a fair distribution of the benefits of globalization. The APEC secretariat reply was that APEC did pay special attention to improving employment, labour market and HRD policies through the work of the HRD Working Group. Further that governments should cooperate with the 'social partners'. However, all APEC decisions are reached by consensus (which means that any one member, such as China, can veto them) and there has not yet been any consensus on labour standards or on creating an institutional space for unions within the APEC structure. As some governments were sympathetic to union participation in APEC, it could be feasible

for union representatives to take part in national delegations to APEC meetings. However, working conditions, including pay levels, would still be addressed in each individual economy, rather than by APEC. Consequently it has not been feasible to establish common labour standards in the APEC region. The ICFTU proposed to proceed to establish an APEC Labour Forum in 2005, regardless of its lack of recognition by APEC.

The leader of the host government has usually met with an ICFTU delegation a few days prior to APEC meetings. Typically the host leaders undertake to take up issues raised at the forthcoming APEC meetings. However, in most cases there is hardly any reference to labour issues in any subsequent communiqué. For example, an international union delegation met Chile's President, Ricardo Lagos, before the 2004 APEC meetings in Chile. After the meeting, *El Mercurio*, a Chilean newspaper, reported (17 November) that the President said: 'I will mediate between APEC and trade unions so that APEC could ensure that workers' voices are heard'. The President conveyed union views in a personal letter to fellow APEC leaders. In spite of this, APEC's 2004 statement merely reaffirmed the agreement made in the Bangkok Declaration of 2003 on the need to make APEC 'more efficient and responsive to all stakeholders'. Nevertheless, the 2004 APEC Ministerial Meeting for the first time established a specific reference to dialogue with a 'labour representative' in the formal APEC structure. Ministers noted the reforms for immediate implementation, including the one proposed by New Zealand, to 'contribute towards making APEC more focused and policy-oriented, ensuring that APEC's work responds directly to the instructions of Ministers and Leaders, and streamlining meeting arrangements and other processes, improving coordination between fora, and improving dialogue with the business community and other stakeholders, including labour representatives' (ICFTU, 2005).

WILL APEC DEVELOP TO INFLUENCE LABOUR MARKETS?

In the continuing absence of formal union input, to what extent is APEC likely to develop to influence labour markets, thereby complementing its initial focus on product markets? The EU began in the period of reconstruction after the Second World War as a 'common market' and it has developed from there. In 2004, ABEC proposed that APEC should emulate the EU by forging a single market and

removing such hidden barriers to trade as different product standards, professional and vocational qualifications, investment restrictions and licensing rules. The statement from APEC's 2004 Economic Leaders' Meeting (APEC, 2005) does not include a commitment to the proposal, and some Leaders were said to be cautious about developing the proposal, saying that it would be more important to advance the existing Bogor goals (ICFTU, 2005). Furthermore, it is unlikely that APEC could maintain a focus only on product markets, for in most cases they are closely connected to labour markets. This is illustrated by arguments about human rights and 'labour standards'. The USA, Canada and the EU have sought to link trading arrangements with human rights issues. There has been increasing US-led pressure for the inclusion of labour standards, in particular, in trade-related international forums. In 1999, the US took a firm line in the third APEC (HRD) ministerial meeting in Washington, promoting a range of initiatives that appeared to be reflecting US union lobbying. However, the pressure exerted by the US in APEC on such issues was less forceful than its support for a trade-labour standards link in the much-publicised 1999 WTO meeting in Seattle. (It seems that US insistence on a trade-labour standards link contributed significantly to the collapse of that meeting.) In light of the Seattle WTO meeting, it can be inferred that the focus on such issues in APEC is part of a larger US agenda on trade.

The USA claims to be concerned for the wellbeing of workers in China and other 'low-wage' economies. Also, US government trade officials are concerned about what US-based manufacturing companies claim is 'unfair competition' by manufacturers in China and elsewhere. Their assumption is that if workers' terms and conditions were improved in China, Chinese labour costs would increase as a result, which would, in turn, make it easier for US-based manufacturers to compete with those based in China. Such pressures tend to be viewed with suspicion by the Chinese and other governments in the region, at best as meddling in their internal affairs and at worst as opportunistically forcing the Chinese to make their exports less competitive (Gilley, 1998). The current difficulties, for example, of textile manufacturers producing in the EU, USA, Japan, Australia and New Zealand reflect the large wage gap between such developed market economies (DMEs) and China. The Japanese textile manufacturers mostly gave up trying to compete with Chinese producers and shifted a substantial part

of their capacity to China and other Asian countries. The Japanese assumed that it would have been too difficult to cope with the competitive situation, for instance, by promoting labour standards in China, because the wage differences were extremely large (e.g., in at least a ratio of Japan = 50 versus China = 1). It may take decades before Chinese labour costs are increased to levels that compare with those prevailing in DMEs.

When he was Prime Minister, Bob Hawke had played a leading role in founding APEC. Hawke was a former president of the Australian Council of Trade Unions (ACTU). Nevertheless, APEC has generally not focussed directly on employment relations or union-related issues. This is understandable because it is difficult to achieve intergovernmental consensus on such issues (Haworth and Hughes, 2000). Nevertheless unions and other representatives of workers' interests are voicing increasing demands for more labour-related issues to be taken into account in APEC

CONCLUSIONS

Could APEC develop to become a form of an Asia-Pacific Union, with some parallels with the EU?

This is conceivable, however, there are at least three major hurdles to such a development. First, APEC covers a much larger terrain and includes more diversity than the EU, for instance, in terms of: geography, culture, religions, races, income levels, systems of political economy and stages of economic development. Stages of economic development reflect their differences in GDP per capita. For example, a most-developed stage includes Japan, New Zealand and Australia. It enjoys significantly higher levels of GDP per capita than the other stages (see Table 1, row 2). Recent reforms or structural adjustment programs in the countries in this stage are in part a response to the increasing industrialisation of other countries of the region. An intermediate stage includes the newly industrialised economies (NIEs) of South Korea and Taiwan. The NIEs are distinctive as post-Japan industrialisers. They boast levels of GDP per capita that are much higher than a third stage, but are still clearly less than the most-developed stage. A less-developed stage comprises the next generation of industrialisers and includes the People's Republic of China (PRC) and Indonesia. Their levels of GDP per capita are significantly lower than the other stages. Following its rapid economic growth in recent years, parts of the PRC are attaining NIE status. However, economic development in the PRC has

been uneven, with growth rates in the special economic zones (SEZs) greatly outstripping those of more isolated regions. Indonesia also achieved relatively high growth rates during the early to mid-1990s but had been expected to reach a higher stage of industrial development by the early twenty-first century.

TABLE 1: Selected APEC Member Economies' Key Statistics and Other Indicators

	Stage 1: Developed Market Economies			Stage 2: Newly Industrialised Economies		Stage 3: Less- Developed Economies	
	Japan	Australia	New Zealand	Korea	Taiwan	China	Indonesia
1. Population (millions)	128	20	4	48	23	1292	215
2. GDP Per Capita US\$ (thousands)	36	31	23	14	14	1	1
3. Average Economic Growth 1997-1999 (%)	-3.9	4.5	2.0	7.7	5.6	7.9	1.2
4. Average Economic Growth 2000-2003 (%)	4.4	3.2	3.6	4.9	2.7	8.1	1.3
5. Labour Force 2003 (millions)	68	10	2	25	9.5 ³	773	107
6. Unemployment Rate 2005 (%)	4.7	5.4	3.9 ⁴	3.4 ⁵	4.5 ⁶	9.2	9.4
7. Union Density (%)	20 ⁷	23 ⁸	18 ⁹	12 ¹⁰	38 ¹¹	90 ¹²	5 ¹³

Sources: Unless otherwise noted, 1, 3 and 4: APEC, 2004. 2: APEC, 2005. 5: World Bank, 2005. 6: DFAT, 2005. 7: See notes

Second, despite the increasing role of China, which has a Communist government, there is usually a greater propensity for there to be right-of-centre governments in most of the other Asia-Pacific economies than in Europe. Social-democratic/Labour politicians and unions have driven the EU's social chapter. As a generalisation, moreover, unions are weaker and more fragmented in APEC than they are in the EU. For example, in two of APEC's most highly populated members, neither the All

Notes

³ Labour Force in 1998. MOM, 1999

⁴ The Treasury, 2005.

⁵ NSO, 2005

⁶ Unemployment Rate in 2004.

⁷ MIC, 2003.

⁸ ABS, 2003.

⁹ Crawford, 1998

¹⁰ NSO, 2002.

¹¹ COLA, 2003

¹² NBS, 2000.

¹³ ILO, 2005

China Federation of Trade Unions (ACFTU), nor the Indonesian Trade Union Congress (ITUC) are affiliated to the ICFTU. Although the ICFTU invites such confederations to participate in some ICFTU/APLN activities, unions in APEC economies are not well positioned to press for the inclusion of an EU-style social chapter in APEC. Concerted union action is constrained by a legacy of cold-war divisions between union confederations in the Asia-Pacific region, especially between the ICFTU and the ACFTU (Haworth and Hughes, 2002).

Third, employers' interests have strong influences on most governments of APEC members and such interests generally do not agree that APEC or other international inter-governmental groups should focus on the contested terrain of employment relations. Employers' interests usually prefer that such matters should be covered by managerial prerogatives if practicable. Employers' interests oppose any notion that APEC might follow the EU's lead in fostering a social chapter. Therefore, an EU-style Asia-Pacific Union would confront even greater obstacles than the EU social chapter. Hence the notion of Asia-Pacific community remains more of an aspiration than a reality. Nonetheless, it seems likely that APEC will continue to develop more influences in labour markets, though such influences will be constrained by prevailing attitudes, ideologies and political-economy realities.

In terms of its economic power and its dynamism and diversity, the Asia-Pacific is one of the world's most important regions. If APEC were to pursue even part of the trajectory which the EU has followed, APEC's influence on economic, political and social relations between and within the Asia-Pacific nations could become much more significant. The political economy of the Asia-Pacific region is worthy of more research, especially as a context for the practice of employment relations. In addition, it is vital for policy-makers, practitioners and academics to pay more attention to this region and to its principal supra-national forum: APEC.

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