

doc  
CA1  
EA533  
94P02  
ENG

. 62541567 (E)

UNCLASSIFIED

***Department of Foreign Affairs  
and International Trade***

**POLICY STAFF PAPER**

**NO. 94/02**

---

**The New Jerusalem:  
Globalization, Trade Liberalization, and Some Implications for Canadian  
Labour Policy**

by

**Robert T. Stranks  
Policy Analyst  
Economic and Trade Policy (CPE)  
Policy Staff**

**(February 1994)**

---

**Policy Staff papers are intended to foster discussion of international trends and issues by foreign policy officials. The opinions expressed are not necessarily those of the Government of Canada.**

**Please address any comments and questions concerning this paper to Policy Staff (CPB), Foreign Affairs and International Trade, 125 Sussex Drive, Ottawa, Ontario K1A 0G2. (Tel.: (613) 944-0367; fax: (613) 944-0375.) For copies of this paper, please contact the Department's Info Export centre (BPTE) (fax: (613) 996-9709) and indicate Code SP37A.**

**Ce document est également disponible en français.**

## POLICY STAFF PAPERS/DOCUMENTS DU GROUPE DES POLITIQUES

Recent Papers on Economic and Trade Policy Issues/Récents documents sur des questions économiques et de politique commerciale:

### A) TRADE POLICY SERIES

1. Globalization and Public Policy in Canada: In Search of a Paradigm, by Keith H. Christie. 93/01 (January 1993) \*
2. Trade and the Environment: Dialogue of the Deaf or Scope for Cooperation?, by Michael Hart and Sushma Gera. 92/11 (June 1992)
3. Globalization: The Impact on the Trade and Investment Dynamic, by Dennis Seebach. 93/07 (June 1993) \*
4. Merger Control Under Trade Liberalization: Convergence or Cooperation? by Nicolas Dimic. 93/09 (August 1993) \*
5. Technology Consortia: A Prisoner's Dilemma? by Rhoda Caldwell. 93/10 (August 1993) \*
6. Optimal Patent Term and Trade: Some Considerations on the Road Ahead by I. Prakash Sharma. 93/12 (October 1993) \*
7. And the Devil Take the Hindmost: The Emergence of Strategic Trade Policy by I. Prakash Sharma and Keith H. Christie. 93/14 (December 1993)
8. Stacking the Deck: Compliance and Dispute Settlement in International Environmental Agreements by Keith H. Christie. 93/15 (December 1993)
9. Japan Trading Corp.: Getting the Fundamentals Right by I. Prakash Sharma. 93/16 (December 1993)
10. Financial Market Integration: The Effects on Trade and the Responses of Trade Policy, by James McCormack. 94/01 (February 1994)
11. The New Jerusalem: Globalization, Trade Liberalization, and Some Implications for Canadian Labour Policy, by Rob Stranks. 94/02 (February 1994)
12. Competition Policy Convergence: The Case of Export Cartels, by William Ehrlich. (forthcoming)
13. The Day After: An Agenda for Diversifying Free Trade, by Keith H. Christie. 94/04 (January 1994)
14. Global Strategies and Foreign Direct Investment: Implications for Trade and the Canadian Economy, by Julie Fujimura. 94/07 (February 1994)
15. Competition Policy Convergence: Abuse of Dominant Position, by Nicolas Dimic. (forthcoming)

UNCLASSIFIED

***Department of Foreign Affairs  
and International Trade***

**POLICY STAFF PAPER**

**NO. 94/02**

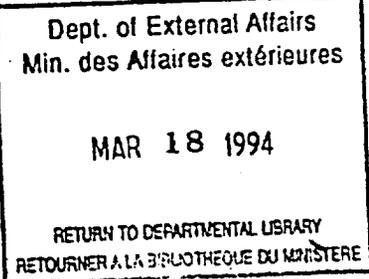
---

**The New Jerusalem:  
Globalization, Trade Liberalization, and Some Implications for Canadian  
Labour Policy**

by

**Robert T. Stranks  
Policy Analyst  
Economic and Trade Policy (CPE)  
Policy Staff**

**(February 1994)**



---

Policy Staff papers are intended to foster discussion of international trends and issues by foreign policy officials. The opinions expressed are not necessarily those of the Government of Canada.

Please address any comments and questions concerning this paper to Policy Staff (CPB), Foreign Affairs and International Trade, 125 Sussex Drive, Ottawa, Ontario K1A 0G2. (Tel.: (613) 944-0367; fax: (613) 944-0375.) For copies of this paper, please contact the Department's Info Export centre (BPTE) (fax: (613) 996-9709) and indicate Code SP37A.

Ce document est également disponible en français.

43-207-314

**THE NEW JERUSALEM: GLOBALIZATION, TRADE LIBERALIZATION, AND SOME  
IMPLICATIONS FOR CANADIAN LABOUR POLICY**

Executive Summary	3
Résumé	5
1. Introduction	10
2. Globalization	10
2.1 What is Globalization	10
2.2 Globalization and Trade	11
2.3 Foreign Direct Investment and The Global Firm	13
3. Trade Liberalization	15
3.1 The Economic Benefits of Trade Liberalization	15
3.2 Labour Adjustment	16
3.3 Disciplines on Traditional Policy Response Instruments	17
4. Canada: A Small, Open, Trade Dependent Economy	18
4.1 Canada and Trade	18
4.2 Canada and Inward and Outward Direct Investment	20
4.3 An Overview of Canadian Labour Law	23
4.4 The North American Agreement on Labour Co-operation	24
4.5 External Pressures for Labour Adjustment in Canada	25
5. The Great Debate: Low Wages and Social Dumping/Countervail	26
5.1 Introduction	26
5.2 Low-wages	27
5.3 "Social Dumping" and "Social Countervail"	31
5.4 Problems with Enforcement	33

6.	Labour Strategies for a Global Economy	34
6.1	The International Arena: The GATT, and the Need for an International Dialogue	35
6.2	The U.S. Policy Approach to Trade and Labour	37
6.3	An Approach for Multilateral Negotiations	39
6.4	The Domestic Arena: Domestic Labour Adjustment	42
7.	Some Conclusions and Observations	45
	Annex	49

## EXECUTIVE SUMMARY

It is widely recognized that national economies are becoming more interdependent and integrated. With this development, the distinction between domestic and international policies is becoming increasingly blurred. What has traditionally been considered "trade policy," such as issues associated with tariffs, industrial policy, voluntary export restraints, government procurement and trade remedy law, will constitute only a part of the post-MTN agenda. In the future, if the current high level of political interest continues, multilateral negotiations will encompass trade-environment linkages, trade-competition linkages and trade-labour issues.

The growing interdependence and integration of the world's economies require governments to give greater recognition to the global economy's implications for labour policies. Globalization and trade liberalization do not imply governments should take a laissez-faire approach. Rather, strategic refocussing is called for. With increased competition, and restrictions on the use of traditional instruments to ease adjustment, governments have an increasingly important role in promoting human skill development.

The key conclusions and observations to be drawn from this Paper are:

- In respect of labour rights and standards, concepts such as "social dumping" and "social countervail" should be approached very cautiously. Given the lack of evidence on the effects of labour rights on wage costs, productivity differentials, and the risk of expanding the definition of a subsidy to include almost any differences in economic or social policies, Canada should oppose the introduction of such trade remedy mechanisms.
- If no workable multilateral understanding on trade-labour linkages is reached, there is a risk that unilateral trade measures will be used. In particular, it appears that the political climate in the U.S. is such that the U.S. could be prone to use unilateral measures if a multilateral mechanism is not available. As with its traditional approach to subsidization and other "unfair" trade practices, the U.S. is likely to be much more concerned with the "level" of its trading partners' labour laws and practices, rather than its own, such as "right to work" legislation in many U.S. States. "Right-to-work" legislation allows individual States to prohibit agreements requiring membership in a labour organization as a condition of employment.

- Canada should support further work internationally on labour rights and standards and their link to trade, primarily for three reasons: Canadian values favour the promotion of at least certain labour rights, including the prohibition of child or forced labour and the implementation of high work place safety standards; the failure to enforce labour rights and standards can have an impact on production costs - although the extent of the impact is not at all clear; and the blocking of work internationally that could lead to at least limited negotiations will only encourage the U.S. and the European Union to act unilaterally.
- Multilateral negotiations of trade-labour rights and standards along the lines of the North American Agreement on Labour Co-operation, i.e., the enforcement of each country's own domestic laws, is the most practical approach to the issue. Agreement on a set of minimal rights and standards, or their harmonization, would be more challenging to negotiate. The best prospects for setting minimal labour rights may be in the areas of health and safety regulations, and the use of child or forced labour. The establishment of an effective and timely dispute settlement mechanism in such an agreement should be mandatory.
- Trade measures are not the only sanctions that a country could use in response to another country's "low", or failure to enforce, labour rights or standards. Another option is conditioning aid on the basis of a country's performance in the labour rights area. This could be coupled with a fines-based system as introduced in the North American Agreement on Labour Cooperation.
- There is a clear need for more empirical research on the issue, which only an international institution has the resources and multi-country contacts to undertake. A likely candidate to conduct such work would be a joint OECD committee bringing together the Directorate for Social Affairs, Manpower and Education, and the Trade Directorate. In January 1994, the U.S. began to explore and promote this option. It would be in the Canadian interest to generally support OECD analytical work on the issue. In the longer term, once the OECD has made progress on the analytical work, consideration should be given to the establishment of a GATT Working Group or a joint ILO/GATT Secretariat study group, in order to have broad developing country participation in the trade-labour dialogue.

- Within Canada, because of the Constitutional division of legislative authority, there is a need for intergovernmental dialogue and cooperation. To facilitate Canada's possible participation in a multilateral dialogue, a joint federal-provincial task force to examine labour policies to address the adjustment pressures of globalization and global competition may be warranted. It is not too soon for trade and labour policymakers to start developing the appropriate expertise, implementing mechanisms for policy integration, and planning for the challenge of a future multilateral negotiation which encompasses labour issues.
- Canada has taken steps to improve the system of training and adjustment programs available for Canadian labour. The pressure of globalization and trade liberalization are such that this type of strategy needs to continue. However, adjustment pressures due to foreign competition as a result of globalization and trade liberalization should not be seen as fundamentally different from adjustment pressures arising from other reasons, such as shifts in consumer tastes, technological change, or firms going out of business or reducing their labour force for any other reason.

## RÉSUMÉ

L'interdépendance et l'intégration de plus en plus marquées des économies nationales rend encore plus difficile la distinction entre politiques nationales et internationales. La «politique commerciale» traditionnelle — questions tarifaires, politique industrielle, restrictions volontaires à l'exportation, marchés publics, législation commerciale sur les recours, etc. — ne composera qu'une partie de l'ordre du jour post-NCM. Si le fort niveau d'intérêt politique actuellement observé se maintient, les futures négociations multilatérales engloberont les rapports entre le commerce et l'environnement, le commerce et la concurrence, ainsi que le commerce et le travail.

L'interdépendance et l'intégration croissantes des économies nationales exigent que les gouvernements reconnaissent davantage les répercussions de l'économie planétaire pour les politiques du travail. La mondialisation et la libéralisation du commerce n'impliquent pas que les gouvernements devraient adopter une approche de laissez-faire. Elles supposent plutôt une refocalisation stratégique. Étant donné l'intensification de la concurrence et les restrictions posées à l'utilisation d'instruments traditionnels pour faciliter l'ajustement, les gouvernements ont un rôle de plus en plus important à jouer dans la promotion du perfectionnement.

On peut tirer de ce document les grandes conclusions et observations suivantes :

- Pour ce qui concerne les droits des travailleurs et les normes du travail, des concepts comme le «dumping social» et la « compensation sociale» devraient être abordés avec beaucoup de prudence. Comme l'effet des droits des travailleurs sur les coûts salariaux n'a jamais été prouvé et étant donné les écarts de productivité et le risque qu'il y a à élargir la définition de la subvention pour y englober presque toutes les différences observées dans les politiques économiques ou sociales, le Canada devrait s'opposer à tout mécanisme de recours commercial de cette nature.
- L'absence d'entente multilatérale viable sur les aspects des questions de travail liés au commerce risque d'entraîner l'imposition de mesures commerciales unilatérales. Le climat politique aux États-Unis semble inciter le pays à recourir aux mesures unilatérales s'il n'y a pas de mécanisme multilatéral. Comme dans leur approche traditionnelle du subventionnement et des autres pratiques commerciales «déloyales», les États-Unis vont probablement s'intéresser bien plus au «niveau» des lois et pratiques de leurs partenaires commerciaux en matière de travail qu'à la législation sur «le droit au travail» introduite dans plusieurs états de l'Union et permettant à ceux-ci d'interdire les ententes qui exigent l'adhésion à une organisation syndicale comme condition d'emploi.
- Le Canada devrait appuyer la poursuite des études internationales sur les droits des travailleurs et les normes du travail ainsi que sur leur lien avec le commerce et ce, pour les trois raisons principales suivantes : les valeurs canadiennes favorisent la promotion de certains droits minimaux en matière de travail, y compris l'interdiction du travail des enfants ou du travail forcé et l'application de normes élevées de sécurité en milieu de travail; le refus de faire respecter les droits des travailleurs et les normes du travail peut avoir un impact - non précisé - sur les coûts de production; et tout blocage du travail à l'étranger visant l'engagement de négociations même limitées ne fera qu'encourager les États-Unis et l'Union européenne à agir unilatéralement.
- L'approche la plus pragmatique de cette question consiste à engager des négociations multilatérales sur les aspects des droits des travailleurs et des normes du travail qui touchent au commerce pour amener chaque pays à appliquer ses propres lois, comme il est prévu dans l'Accord nord-américain de coopération dans le domaine du travail. Il serait plus difficile de négocier un accord sur un ensemble de droits et de normes minimaux ou sur leur

harmonisation. Les meilleures chances d'établir des droits minimaux en matière de travail pourraient se situer dans les domaines de la réglementation sur la santé et la sécurité et du recours au travail des enfants ou au travail forcé. Tout accord sur ces questions devrait prévoir un mécanisme permettant de régler efficacement et rapidement les différends.

- Les mesures commerciales ne sont pas les seules sanctions qu'un pays pourrait utiliser pour contrer la réticence ou le refus d'un autre pays de faire respecter les droits des travailleurs ou les normes du travail. On pourrait aussi assujettir l'aide à la performance d'un pays dans le domaine des droits des travailleurs. En même temps, on pourrait utiliser un système d'amendes comme celui introduit dans l'Accord nord-américain de coopération dans le domaine du travail.
- Il faut nettement poursuivre les recherches empiriques sur la question. Seule une institution internationale a les ressources et les contacts multinationaux nécessaires pour entreprendre de telles recherches, qui pourraient être menées par un comité conjoint de l'OCDE représentant le secteur Affaires sociales, main-d'oeuvre et éducation et le secteur Échanges. En janvier 1994, les États-Unis ont commencé à explorer et à promouvoir cette option; le Canada aurait intérêt à appuyer généralement le travail analytique de l'OCDE sur la question. Lorsque ce travail aura progressé, il faudrait songer à établir un Groupe de travail du GATT ou un groupe d'étude conjoint OIT/GATT pour favoriser la participation des pays en développement à un dialogue sur les rapports entre les questions de commerce et de main-d'oeuvre.
- Le maintien, dans les pays développés, de bonnes politiques d'adaptation qui favorisent l'acquisition de compétences et la mobilité de la main-d'oeuvre atténuerait probablement les préoccupations du public et des travailleurs devant la libéralisation du commerce et la mondialisation.
- Au Canada, en raison du partage des pouvoirs législatifs prévu par la Constitution, il nous faut entretenir un dialogue et une coopération au niveau intergouvernemental. Pour faciliter la participation éventuelle du Canada à un dialogue multilatéral, il serait peut-être utile d'établir un groupe de travail fédéral-provincial chargé d'examiner les politiques du travail sous l'angle des pressions à l'adaptation engagées par la mondialisation et la concurrence internationale. Les responsables des politiques touchant le commerce et le travail doivent dès maintenant commencer à développer l'expertise nécessaire, à introduire des mécanismes pour l'intégration des politiques, et à préparer le

pays au défi posé par une future négociation multilatérale qui engloberait les questions de travail et de main-d'oeuvre.

- Le Canada a pris des mesures pour améliorer le système de programmes de formation et d'adaptation offerts aux travailleurs canadiens. Les pressions exercées par la mondialisation et la libéralisation du commerce sont telles que ce type de stratégie doit être maintenu. Mais l'adaptation imposée par la concurrence étrangère sous l'effet de la mondialisation et de la libéralisation du commerce ne devrait pas être considérée comme fondamentalement différente de l'adaptation imposée par d'autres facteurs comme l'évolution des préférences des consommateurs, le changement technologique, la fermeture d'entreprises ou la réduction de leurs effectifs pour toute autre raison.

*" ... the concept of the determinant socio-economic environment injects a completely new and much more comprehensive dimension into policy-making, emphasizing the need to take into consideration a broader spectrum of policy domains and to implement cross-disciplinary approaches."<sup>1</sup>*

*"The issue is not only one of wages, but how far Canadian attempts to improve working conditions more generally will be constrained or even undone by the increasing competition with the U.S. and other countries for investment and sales."<sup>2</sup>*

*"The Canadian economy is undergoing profound and continuous structural changes that are likely to intensify in the remainder of the 1990s. These changes are re-ordering the basis of economic activity across a range of industries. Our economic future increasingly will be enhanced by our ability to develop our knowledge and skills to generate new ideas and to transform these ideas into new products and processes."<sup>3</sup>*

---

<sup>1</sup> Wolfgang Michalski, "Support Policies for Strategic Industries: An Introduction to the Main Issues," in OECD, Strategic Industries in a Global Economy: Policy Issues For The 1990's, Paris 1991, p.13.

<sup>2</sup> A. Weston, Ada Piazza-McMahon, and Ed Dosman, "Free Trade with a Human Face? The Social Dimensions of CUSFTA and the Proposed NAFTA", The North-South Institute, Ottawa 1992, p.16.

<sup>3</sup> Canadian Labour Market and Productivity Centre. Canada: Meeting the Challenge of Change, A Statement by the Economic Restructuring Committee of the CLMPC, Ottawa:CLMPC 1993, p.1.

## 1. INTRODUCTION

It is widely recognized that national economies are becoming more interdependent and integrated. With this development, the distinction between domestic and international policies is becoming increasingly blurred. In all likelihood, the post-Uruguay Round international trade policy agenda will be extremely complex and broad in scope. What has traditionally been considered "trade policy," such as issues associated with tariffs, industrial policy, voluntary export restraints, government procurement and trade remedy law, will constitute only a part of the post-Round agenda. The Uruguay Round's agenda broke from the past by considering such issues as trade in services, trade-related investment measures, and trade-related intellectual property rights. In the future, if the current high level of political interest continues, multilateral negotiations will encompass trade-environment linkages, trade-competition linkages and trade-labour issues. The fundamental reason for the broadening of the trade policy mandate is the global move toward more market-oriented economies, and the growing realization that domestic policies may affect trade.

This paper is concerned with the trade and foreign direct investment dimension of globalization and its implications for Canadian labour policies, principally in the manufacturing sector. In particular, it briefly considers what pressure globalization may bring to bear on labour market adjustment, and how labour rights are addressed in the North American Agreement on Labour Co-operation between the Canada, the U.S. and Mexico. The paper then considers if there is a need to address labour and trade issues in a broader international context, and how a multilateral dialogue or negotiation might begin to approach the issue.

## 2. GLOBALIZATION<sup>4</sup>

### 2.1 What is Globalization

"Globalization" was first referred to by Theodore Levitt as the emergence of global markets for standardized consumer products with global firms producing for these markets.<sup>5</sup> The term has now taken on a broader meaning and refers to

---

<sup>4</sup> The information and analysis presented in Sections 2 and 3 may be familiar to a number of readers, hence these readers may wish to proceed directly to the section 4.

<sup>5</sup> Theodore Levitt, "The Globalization of Markets", Harvard Business Review, May-June 1983.

increasing levels of economic interdependence and integration. Globalization is now understood to mean a process that involves the increasing cross-national spread of products, markets, firms, and production factors.<sup>6</sup> In the globalization process, national boundaries are becoming less relevant to the conduct of business. Globalization is not confined to export industries. Import-competing industries are equally, although perhaps less obviously, a part of the global marketplace. International trade flows and foreign direct investment are indicators of globalization.

## 2.2 Globalization and Trade

Increased economic interdependence is reflected in the annual growth in the volume of world trade. Increases in the volume of world merchandise trade have outpaced the growth of world output in goods (Chart 1).<sup>7</sup> Firms are exporting an increasing share of their production to foreign markets. There is also evidence to suggest that international trade in services has at least kept pace with growth in trade in goods and, therefore, has also outpaced growth rates of world output in goods. Trade in services is also contributing to a more interdependent global economy.<sup>8</sup>

The geographic pattern of trade highlights some broad features of interdependence. The largest part of the OECD countries' exports, approximately 74 percent, is amongst themselves, rather than between these countries and the developing countries.<sup>9</sup> Intraregional exports are also important, with trade within Western Europe accounting for 72 percent of its total exports in 1991 (Table 1).<sup>10</sup> On balance, the traditional pattern of developed countries exporting manufactured goods to the developed countries, and the developing countries exporting primary products is still evident. Nonetheless, the developing countries' exports of manufactured goods are a fast-growing part of world trade. Yet the distribution of developing country exports remains skewed. Most of the developing countries' growth in manufactured goods is accounted for by the newly industrializing economies (NIEs), especially those in East Asia, as well as Mexico.

---

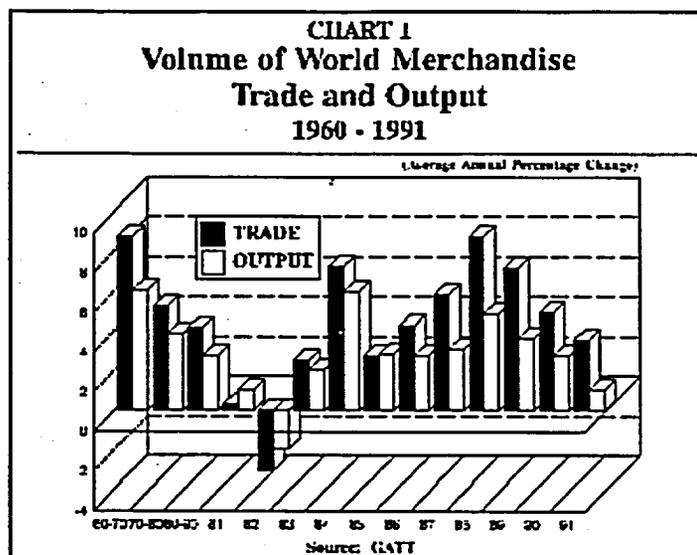
<sup>6</sup>OECD, "Globalization Framework", TD/TC/WP(92)72, October 1992.

<sup>7</sup> GATT, International Trade 91-92, Vol.II, p.1.

<sup>8</sup> Keith Christie, Globalization and Public Policy in Canada: In Search of a Paradigm, DFAIT, Policy Staff Paper 93/01, January 1993, p.10.

<sup>9</sup> IMF, Direction of Trade Yearbook .

<sup>10</sup> GATT, International Trade 91-92, Vol.II, p.6.



**TABLE 1**  
**Shares of Intra-regional exports in total merchandise exports of regions, 1986-91**  
**(Percentage)**

	1986	1987	1988	1989	1990	1991*
North America	39.1	37.8	35.4	34.2	34.3	33.0
Latin America	14.0	13.8	13.4	14.1	13.4	16.0
Western Europe	68.4	70.5	70.6	70.7	72.2	72.4
C./E. Europe and former USSR	53.3	52.7	52.0	48.5	42.8	22.4
Africa	5.9	6.7	7.0	6.6	5.9	6.6
Middle East	7.7	6.9	6.9	6.3	5.8	5.1
Asia	37.0	38.8	41.8	44.1	44.8	46.7

\* Intra-regional shares are affected by the unification of Germany and major changes in the valuation of the trade of Central and Eastern Europe and the former USSR. Source: GATT

## 2.3 Foreign Direct Investment and The Global Firm

A second key indicator of globalization is private sector direct investment. While governments may facilitate or hinder globalization, the global firm is the key player in the globalization process. Foreign direct investment (FDI) is not simply an international transfer of capital, it is also an extension of a firm, including some degree of its entrepreneurial and management skills, into a foreign country. Global firms are enterprises that have adopted global corporate strategies to increase their efficiency. Global firms establish production facilities on an international basis, pursue strategic alliances with foreign firms, and obtain inputs for production internationally. The degree to which firms have become "stateless", however, can easily be exaggerated.<sup>11</sup> Much research and development is done in the home country, and consortia are often established among firms from the same region. Needless to say, there is a trend toward a greater level of cross-border business activities, but the "stateless" firm is more of a myth than a reality, at least to date.

An important aspect of the global and regional pattern of production is foreign direct investment. Growth in the stock of FDI was exceptionally strong in the 1985-1990 period, increasing at an average rate of 19.4 percent. This slowed in 1991 to 11.2 percent.<sup>12</sup> From 1985 to 1991, the world stock of FDI increased from US \$733 billion to US \$1,882 billion. An interesting and important feature of FDI is that most of the investment occurs within the developed countries. In 1967, the developed countries accounted for 69.4 per cent of the world stock of inward direct investment, and 76.6 per cent in 1991 (Table 2).<sup>13</sup> The perception that most FDI, or even an increasing proportion, is flowing from the developed to the developing countries is incorrect. On a regional basis, however, the Asian developing countries have seen a remarkable increase in foreign inward investment during the 1980-91 period, increasing from 7.1 percent to 14.3 percent of the global total.

---

<sup>11</sup> Keith Christie, Globalization and Public Policy in Canada: In Search of a Paradigm, DFAIT, Policy Staff Paper 93/01, January 1993, pp. 22-5.

<sup>12</sup> John Rutter, "Recent Trends in International Direct Investment: The Boom Years Fade", U.S. Department of Commerce, August 1993.

<sup>13</sup> Ibid. Appendix Table 6.

TABLE 2

**World Stock of Inward Direct Investment in Major Host Countries or Regions,  
Selected Years, 1967-91**  
(Billions of Dollars or Percentage)

	Amount				Percent Distribution			
	1967	1973	1980	1991	1967	1973	1980	1991
All Countries	105.5	208.1	505.3	1,882.7	100.0	100.0	100.0	100.0
Developed Countries	73.2	153.7	394.1	1,442.7	69.4	73.9	78.0	76.6
United States	9.9	20.6	83.0	414.4	9.4	9.9	16.4	22.0
Europe	31.4	79.9	211.6	807.5	29.8	38.4	41.9	42.9
EC(12)	24.8	68.0	186.9	714.2	23.5	32.7	37.0	37.9
Other Europe	6.6	12.0	24.7	93.2	6.3	5.8	4.9	5.0
Sweden	0.5	1.0	1.7	15.8	0.5	0.5	0.3	0.8
Switzerland	2.1	4.3	14.3	44.2	2.0	2.1	2.8	2.3
Other European Countries	4.0	6.7	8.7	33.2	3.8	3.2	1.7	1.8
CANADA	19.2	33.0	51.6	113.9	18.2	15.9	10.2	6.0
Australia and New Zealand	4.9	10.5	28.1	83.7	4.6	5.0	5.6	4.4
South Africa	7.2	8.1	16.5	11.1	6.8	3.9	3.3	0.6
Japan	0.6	1.6	3.3	12.3	0.6	0.8	0.7	0.7
Developing Countries	32.3	54.4	111.2	440.0	30.6	26.1	22.0	23.4
Western Hemisphere	18.5	28.9	62.3	132.1	17.5	13.9	12.3	7.0
Africa	5.6	10.2	13.1	38.8	5.3	4.9	2.6	2.1
Asia	8.3	15.3	35.8	269.1	7.9	7.4	7.1	14.3
Middle East	3.2	4.3	4.3	12.3	3.0	2.1	0.9	0.7
Other Asian Countries	5.1	11.0	31.5	256.7	4.8	5.3	6.2	13.6
<b>Addenda:</b>								
Outward Stock	112.3	211.1	516.9	1,836.5				
Inward Stock	105.5	208.1	505.3	1,882.7				
Difference	6.8	3.0	11.6	-46.2				
OPEC Countries	8.2	13.8	10.8	31.9	7.8	6.6	2.1	1.7

NOTE: Detail may not add to totals because of rounding. End of year exchange rates were used to convert stocks valued in local currencies to U.S. dollars.  
Source: John Rutter, "Recent Trends in International Direct Investment: The Boom Years Fade", U.S. Department of Commerce, August 1993.

Foreign direct investment is undertaken for a number of reasons. Graham Vickery<sup>14</sup> has set out five major objectives motivating FDI. These are: to facilitate the penetration of foreign markets, to take advantage of the opportunities provided by technological change, to secure a presence in all major centres of production and consumption, to keep costs down, and to increase global flexibility in production and distribution. In deciding where to locate new investment, these motivating objectives, as well as a number of related factors such as the reliability of transportation and communications networks, political stability and social considerations, are taken into account by firms. For the purpose of this Paper, it is worth noting that labour, or access to low cost labour, is but one of a number of factors influencing a firm's decision to undertake FDI in any particular location.

While the benefits of foreign direct investment for host countries, such as employment, enhanced access to technology, and intensified competition, are widely recognized, it is less often recognized that foreign direct investment by domestic firms, i.e., outward direct investment, may also have positive effects on domestic employment. Foreign investment by domestic firms can create employment by raising exports of capital goods, and, in the long run, by influencing demand for domestic produced intermediate components, replacement parts, and associated goods and services.<sup>15</sup> Economic growth in the recipient country may also increase the demand for products from the FDI source country.

### **3. TRADE LIBERALIZATION**

#### **3.1 The Economic Benefits of Trade Liberalization**

The economic benefits of trade liberalization are widely recognized, whether carried out unilaterally, bilaterally or multilaterally. By allowing the optimal allocation of factors of production, trade is an important contributor to economic growth. Trade allows countries to move beyond their national production possibility frontiers, and in so doing to enjoy a higher standard of living than would otherwise have been the case.

The benefits derived from trade liberalization arise from several sources. The reduction or elimination of barriers to trade encourages countries to produce and trade

---

<sup>14</sup> Graham Vickery, "Global Industries and National Policies", in the OECD Observer 179, December 1992/January 1993.

<sup>15</sup> Gary Clyde Hufbauer and Jeffrey Schott, NAFTA An Assessment, Institute for International Economics, 1993, p.19.

goods in which they have a comparative advantage. Trade liberalization also allows for the greater exploitation of economies of scale. By allowing domestic producers greater market access opportunities, the freer market conditions allow firms to undertake greater specialized production runs that reduce the unit costs of production. For countries with small domestic markets, economies of scale may be extremely important.

Trade liberalization also increases competition, in both the foreign and domestic markets. This implies that firms will need to respond faster to changing market conditions. Greater competition is likely to provide an incentive for firms to increase their economic performance through cost-saving innovations and to enhance the quality of their products. Trade liberalization undertaken in a bilateral or multilateral context and which establishes clear trading rules will reduce uncertainty. Without such rules, a country may face unilateral actions from its trade partners. The reduction of uncertainty, while providing more stable access, will also allow firms to make more informed business decisions.

### 3.2 Labour Adjustment

The economic benefits stemming from trade liberalization require adjustment, including labour market adjustment. The OECD has summarized the empirical results of a number of studies conducted on the employment effects of trade liberalization.<sup>16</sup> The OECD concluded that the net impact of trade liberalization on employment is in general small at the aggregate level of the overall economy. The labour adjustment required is also likely to be small with respect to changes occurring for other reasons, such as technological change or the emergence of new products. In an average year, in the developed countries 20 percent of the work force will change jobs. The OECD report concluded that "the number of additional workers who would have to change jobs as a result of trade liberalization would be likely to be only a fraction of the normal rate of labour turnover, particularly if the trade liberalization were spread over a number of years."<sup>17</sup>

The employment effect is more important, however, at the sectoral level, although smaller than employment changes due to other causes, such as large exchange rate movements and technological developments. The OECD has found that trade liberalization and increased trade in goods, especially with developing

---

<sup>16</sup> OECD, "Trade and Employment", C(89)42, 1989.

<sup>17</sup> OECD, "Trade and Employment", C(89)42, Annex Summary Report, 1989, p.4.

countries, tends to intensify structural change in the OECD countries through a labour-saving effect that reduces demand for unskilled workers, while stimulating demand for skilled workers. On a sectoral basis, employment in low-wage and low-technology industries in the OECD countries in general is adversely affected by imports, while high-wage and high-technology industries experience gains in employment.<sup>18</sup> The OECD also noted that social "problems may arise if the job displacements tend to concentrate on groups of the labour force who are disadvantaged anyway, e.g., unskilled labour."<sup>19</sup> From a political perspective, highly visible and concentrated sectoral job losses may not offset the more diffuse job gains.

### 3.3 Disciplines on Traditional Policy Response Instruments

Since the establishment of the GATT, tariffs in the developed countries have fallen greatly. Their unweighted averages, which was around 40 per cent, is now 5 per cent, or lower.<sup>20</sup> The conclusion of the Uruguay Round, where the participants have agreed to more than a one-third cut in tariffs, will further reduce the level of protection of both the developed and developing countries. In the case of the European Union (EU), intra-EU tariffs have been eliminated, and for Canada and the U.S. tariff reductions are proceeding under the tiered phase-out of the Canada-United States Free Trade Agreement (FTA). The North American Free Trade Agreement will also reduce and eventually eliminate tariffs vis-a-vis Mexico. Progress has also been made on reducing non-tariff barriers, such as government procurement policies that treat domestic suppliers preferentially. Multilaterally or regionally agreed to reductions in non-tariff measures and the tightening of trade rules, such as new disciplines on the use of countervailing and anti-dumping measures, will further promote cross-border flows of goods and services.

While trade liberalization promotes competition, increased integration also creates adjustment pressures. This has implications for domestic labour policies. With integration, the use of trade policy instruments and trade distorting domestic measures, such as subsidization, while not prohibited, is constrained.

---

<sup>18</sup> OECD, "Symposium on Globalization of Industry: Government and Corporate Issues", DSTI/IND(93)29/Rev2, November 1993.

<sup>19</sup> OECD, "Trade and Employment", C(89)42, 1989, p. 29.

<sup>20</sup> OECD, "Trade and Employment", C(89)42, Annex Summary Report, p.1.

Protectionist trade policy instruments and subsidization have the effect of raising the relative price of imports in order to reduce competitive pressure on import-competing domestic firms. Progressive trade liberalization, such as the binding and reductions of tariffs in successive GATT rounds, has reduced the ability of countries to protect domestic producers. With bound tariffs, firms have much less political leverage to pressure governments into raising tariffs in response to foreign competition. With increased levels of integration, i.e., fewer tariff and non-tariff barriers, labour adjustment policies in response to increased competition take on greater importance. Countries no longer have the same range of policy options to delay or avoid adjustment. This is true for all countries participating in economic integration. For Canada, it is important to realize that authorities in Canada's export markets are also constrained from mobilizing the full range of measures previously available to protect their local producers from Canadian competitors.

The successful conclusion of the Uruguay Round includes new disciplines on trade-related intellectual property (TRIPS), such as patents, copyrights and trademarks, and trade-related investment measures (TRIMS). TRIMS include such measures as local content requirements that specify that the production process must use a certain proportion of inputs that are produced in the host country, and export performance requirements that specify that a firm must maintain a minimum volume or value of exports. Multilateral discipline on TRIMS in particular will influence business decisions on the location of investment and production. The prohibition of several TRIMS removes certain government imposed constraints that may negatively affect investment. Consequently, by establishing effective multilateral rules on TRIPS and TRIMS within a trade agreement, policy flexibility in these areas is reduced in both import and export markets.

#### **4. CANADA: A SMALL, OPEN, TRADE DEPENDENT ECONOMY**

##### **4.1 Canada and Trade**

The cornerstone of Canadian trade policy has been active support for the liberalization of the international trading system via rulemaking, most particularly through the establishment of the GATT and successive GATT rounds, as well as regionally through the FTA and the North American Free Trade Agreement (NAFTA). Canada has a relatively small domestic market. Maintaining and enhancing access to foreign markets is vital to the Canadian economy and improving Canadian living standards. Exports are one of the main sources of economic growth and job creation

in Canada. Canadian exports of C\$ 156 billion<sup>21</sup> in 1992 are equivalent to roughly 25 percent of GDP. This is over twice the percentage of the U.S. and Japan.<sup>22</sup>

Canada's trade relations with the U.S. are particularly important. Roughly 75 percent of Canadian exports are destined for the U.S. market, while imports from the U.S. account for about 70 percent of all Canadian imports. The Canada-United States Free Trade Agreement lowered barriers to trade between the two countries, extended trade liberalization to areas such as services, which did not fall within the mandate of the GATT and was before the Uruguay Round's decision to create a World Trade Organization, and established a more effective dispute settlement mechanism. While arguably the FTA did not increase Canada's economic interdependence on a global basis, it did increase the level of regional economic integration.

For Canada, the NAFTA increased market access opportunities in Mexico and the U.S., and prevented a hub-and-spoke model of regional trade arrangements from developing. In a hub-and-spoke model, the U.S. would negotiate free trade agreements with other countries or groups of countries separately. In such an environment, investment would tend to flow to the U.S. from where firms could trade freely with all the U.S. bilateral trading partners. The NAFTA ensures Canada remains an attractive location for foreign and domestic investment, but the prospect of a hub-and-spoke model developing with the U.S. at the center will arise in the context of how free trade arrangements evolve in the Western Hemisphere. In this regard, an important element of the NAFTA is its provision that other countries may become parties to the free trade area, an important feature proposed by Canada.

Analytical research suggests that the NAFTA has three main implications for Canadian labour.<sup>23</sup> These are broadly consistent with the nature of the findings of the OECD study discussed earlier in this Paper.

- The aggregate number of jobs created or lost are likely to be relatively small, at least for the foreseeable future.

---

<sup>21</sup> Statistics Canada, Preliminary Statement of Canadian International Trade October 1993, Statistics Canada: 65-001 p. Vol. 9, No. 10, December 1993.

<sup>22</sup> IMF, Financial Statistics Yearbook.

<sup>23</sup> Gordon Betcherman, "Labour in a More Global Economy", a paper prepared for the Office of International Affairs, Human Resources and Labour Canada, 1993.

- Even if the net employment effect is not large, there will be employment loss in some sectors. Job loss will pose adjustment problems for Canadians whose skills, age and educational levels mismatch them for emerging employment opportunities in more highly skilled areas.
- The overall employment effect could lead to some intensification of wage polarization, unless worker retraining programmes are appropriately modernized and given a clearer focus. Canadians best situated to benefit from the increased market access to Mexico will be highly-skilled and highly-paid "knowledge" workers.

#### 4.2 Canada and Inward and Outward Direct Investment<sup>24</sup>

Canada has an open policy towards inward foreign direct investment. The total stock of foreign direct investment in Canada in 1992 was C\$ 136.6 billion (Table 3).<sup>25</sup> Canada's sources of foreign direct investment are becoming more diversified. During the early 1950s, the U.S. accounted for 86 percent of Canada's total stock of foreign direct investment. This figure has gradually decreased. Since 1990, the U.S. has accounted for approximately 64 per cent of the total stock. During the past ten years, the United Kingdom, France, Germany, Japan, and Hong Kong have increased their shares.

Canada has an open policy for investing abroad. The stock of direct Canadian investment abroad in 1992 was C\$ 99 billion (Table 4).<sup>26</sup> Changes in Canadian direct investment abroad has not been as pronounced as changes in foreign direct investment in Canada. The U.S. remains the major destination of Canadian investment abroad, accounting for about 58 percent of total investment abroad as of 1992. On the other hand, the United Kingdom, France, and Japan have increased in their share of total Canadian investment abroad since 1984. For Canada, the relatively high-wage developed countries, remain the major source and destination of direct investment.

---

<sup>24</sup> Direct investment (assets and liabilities), as defined by Statistics Canada, represents the investment which allows an investor to influence or to have a voice in the management of an enterprise. For operational purposes, a direct investor usually has the ownership of at least 10 percent of the equity in an enterprise; all long-term claims of the enterprise with the direct investor are classified as direct investment. Direct investment reflect the values measured from the books of the issuing companies. Statistics Canada, Canada's International Investment Position, Statistics Canada: 67-202,1993, p.41.

<sup>25</sup> Dennis Seebach, Globalization: The Impact on the Trade and Investment Dynamic, DFAIT, Policy Staff Paper 93/07, June 1993, p.37.

<sup>26</sup> Ibid. p. 41.

Table 3

## Foreign Direct Investment in Canada by Selected Countries

Year	United States	United Kingdom	Germany	France	Other Europe	Japan	Hong Kong	Other Countries	Total
(\$ Billions)									
1960	11.2	1.6	0.1	0.1	0.5	—	—	0.1	13.6
1970	22.1	2.6	0.4	0.5	1.4	0.1	—	0.3	27.4
1980	50.4	5.8	1.8	1.3	3.5	0.6	0.1	1.2	64.7
1981	53.8	6.6	2.0	1.3	4.2	1.0	0.1	1.3	70.3
1982	54.5	7.1	2.0	1.4	4.9	1.3	0.1	1.5	72.8
1983	58.4	7.8	1.9	1.3	4.1	1.6	0.1	2.2	77.4
1984	63.4	8.2	2.1	1.3	4.6	1.8	0.2	1.8	83.4
1985	66.0	8.5	2.2	1.5	5.0	1.9	0.2	1.9	87.2
1986	67.0	11.2	2.5	1.7	4.8	2.3	0.4	2.5	92.4
1987	71.8	12.7	3.1	1.8	5.5	2.5	0.6	3.8	101.8
1988	73.7	16.1	3.4	2.2	6.9	3.1	1.0	4.1	110.5
1989	78.2	16.4	3.6	3.5	8.3	4.1	1.1	3.8	119.0
1990	80.9	18.0	4.9	3.9	9.3	4.1	1.3	4.2	126.6
1991	83.8	17.1	5.2	3.9	10.3	5.3	2.3	3.7	131.6
1992	87.3	17.1	N/A	N/A	N/A	5.6	N/A	N/A	136.6
(% of Total)									
1960	82.3	11.7	0.7	0.7	3.9	—	—	0.7	100.0
1970	80.7	9.5	1.5	1.8	5.1	0.4	—	1.0	100.0
1980	77.9	9.0	2.8	2.0	5.4	0.9	0.2	1.8	100.0
1981	76.5	9.4	2.8	1.8	6.0	1.4	0.1	2.0	100.0
1982	74.9	9.8	2.7	1.9	6.7	1.8	0.1	2.1	100.0
1983	75.5	10.1	2.5	1.7	5.3	2.1	0.1	2.8	100.0
1984	76.0	9.8	2.5	1.6	5.5	2.2	0.2	2.2	100.0
1985	75.7	9.7	2.5	1.7	5.7	2.2	0.2	2.2	100.0
1986	73.1	12.1	2.7	1.8	5.2	2.5	0.4	2.7	100.0
1987	70.5	12.5	3.0	1.8	5.4	2.5	0.6	3.7	100.0
1988	66.7	14.6	3.1	2.0	6.2	2.8	0.9	3.7	100.0
1989	65.7	13.8	3.0	2.9	7.0	3.4	0.9	3.2	100.0
1990	63.9	14.2	3.9	3.1	7.3	3.2	1.0	3.3	100.0
1991	63.7	13.0	4.0	3.0	7.8	4.0	1.7	2.8	100.0
1992	63.9	12.5	N/A	N/A	N/A	4.1	N/A	N/A	100.0

N/A - Not Available

Source: Statistics Canada

Table 4

## Canadian Direct Investment Abroad by Selected Countries

Year	United States	United Kingdom	Germany	France	Other Europe	Japan	Australia	Other Countries	Total
(\$ Billions)									
1960	1.6	0.3	--	--	--	--	0.1	0.4	2.4
1970	3.3	0.6	0.1	0.1	0.3	--	0.2	1.6	6.2
1980	16.8	2.9	0.3	0.3	1.3	0.1	0.7	4.6	27.0
1981	22.4	3.0	0.3	0.3	1.7	0.1	1.0	5.0	33.8
1982	23.8	2.8	0.3	0.2	1.9	0.1	1.0	5.5	35.6
1983	26.6	3.0	0.3	0.2	2.1	0.2	1.0	6.5	39.9
1984	32.2	3.4	0.4	0.1	2.5	0.2	1.0	7.6	47.4
1985	37.1	4.0	0.5	0.2	3.1	0.2	1.0	8.0	54.1
1986	39.4	4.6	0.6	0.4	3.1	0.2	1.1	9.1	58.5
1987	43.4	6.2	0.7	0.6	3.7	0.2	1.3	10.7	66.8
1988	46.5	7.1	0.7	1.5	3.2	0.4	1.8	10.9	72.1
1989	50.3	9.3	0.8	1.7	4.5	0.4	2.1	11.7	80.8
1990	52.8	11.3	0.8	1.7	5.6	0.8	2.3	12.6	87.9
1991	54.6	12.3	0.9	1.7	6.4	1.7	2.1	14.7	94.4
1992	57.8	10.9	N/A	N/A	N/A	1.8	N/A	N/A	99.0
(% of Total)									
1960	66.7	12.5	--	--	--	--	4.2	16.6	100.0
1970	53.2	9.7	1.6	1.6	4.8	--	3.2	25.9	100.0
1980	62.2	10.7	1.1	1.1	4.8	0.4	2.6	17.1	100.0
1981	66.3	8.9	0.9	0.9	5.0	0.3	3.0	14.7	100.0
1982	66.9	7.9	0.8	0.6	5.3	0.3	2.8	15.4	100.0
1983	66.7	7.5	0.8	0.5	5.2	0.5	2.5	16.3	100.0
1984	67.9	7.2	0.8	0.2	5.2	0.4	2.1	16.2	100.0
1985	68.6	7.4	0.9	0.4	5.7	0.4	1.8	14.8	100.0
1986	67.3	7.9	1.0	0.7	5.3	0.3	1.9	15.6	100.0
1987	65.0	9.3	1.0	0.9	5.5	0.3	1.9	16.1	100.0
1988	64.4	9.8	1.1	2.0	4.4	0.6	2.5	15.2	100.0
1989	62.2	11.5	1.0	2.1	5.6	0.5	2.6	14.5	100.0
1990	60.1	12.9	1.0	1.9	6.4	0.9	2.6	14.2	100.0
1991	57.8	13.0	1.0	1.8	6.8	1.8	2.2	15.6	100.0
1992	58.4	11.0	N/A	N/A	N/A	1.8	N/A	N/A	100.0

N/A - Not Available

Source: Statistics Canada

### 4.3 An Overview of Canadian Labour Law

Canadian labour policy is covered by a wide range of labour laws. The major fields are industrial relations, employment standards, occupational health and safety, and workers' compensation. Yet it is an over-simplification to speak of Canadian labour law or policies. In Canada, the provinces have extensive constitutional responsibilities for labour legislation. The jurisdiction of the federal and provincial governments arise from the Constitution Act, 1987, Sections 91 and 92. Judicial interpretation of these sections gives provincial legislatures major jurisdiction, while the federal government is responsible for labour affairs with respect to a much more limited range of industries, such as air transport and the banks. The complexity of Canadian labour law is further exacerbated by the many differences among the provinces' labour laws. The provinces are far from having harmonized labour standards.<sup>27</sup>

The following gives some appreciation of the range of issues dealt with in each of the labour-related fields.

- Industrial relations are concerned with the acquisition of bargaining rights by trade unions, the conditions for exercising the right to strike, strike replacements and reinstatement of striking employees, and union security.
- Employment standards are concerned with minimum wages, hours of work and overtime pay, general holidays with pay, annual paid vacations, maternity pay and equal pay.
- Occupational health and safety obligations, rights and standards refer to the right to refuse dangerous work, regulations for health and safety committees, and the right to know of physical or health safety hazards.
- Workers' compensation addresses compensation for workers or their dependents in respect of occupational accidents or diseases.<sup>28</sup>

---

<sup>27</sup> Government of Canada, Employment Standards Legislation in Canada, Minister of Supply and Services Canada, 1991.

<sup>28</sup> Labour Canada, "Comparison of Labour Legislation Of General Application In Canada, the United States and Mexico", 1991.

#### 4.4 The North American Agreement on Labour Co-operation

The overall objective of the North American Agreement on Labour Co-operation (NAALC)<sup>29</sup> is to give effect to the labour related commitments expressed in the Preamble of the NAFTA: to "improve working conditions and living standards in their respective territories", and to "protect, enhance and enforce basic workers' rights".<sup>30</sup> An important dimension of the NAALC is that it increases cooperation and will promote greater understanding among the three countries on a range of labour issues. The objectives of the agreement are to: improve working conditions and living standards in each country; encourage cooperation to promote innovation and rising levels of productivity and quality; promote publication and exchange of information to enhance mutual understanding of each country's laws; oversee cooperative labour-related activities; promote compliance and the effective enforcement by each country of its labour laws; foster transparency in the administration of labour law; and to promote a number of key labour principles.

The labour principles that Canada, Mexico and the U.S are to promote, subject to each country's specific domestic laws, are set out in an annex to the agreement. The NAALC does not establish common minimum standards. The following are the guiding principles:

1. Freedom of association and protection of the right to organize.
2. The right to bargain collectively.
3. The right to strike.
4. Prohibition of forced labour.
5. Labour protection for children and young persons.
6. Minimum employment standards.
7. Elimination of employment discrimination.
8. Equal pay for women and men.

---

<sup>29</sup> The Agreement came into effect on the same day as the NAFTA, 1 January 1994.

<sup>30</sup> Preamble to the North American Free Trade Agreement.

9. Prevention of occupational injuries and illnesses.
10. Compensation in cases of occupational injuries and illnesses.
11. Protection of migrant workers.

The North American Agreement on Labour Co-operation contains an enforcement mechanism without creating new trade barriers for Canada. The agreement is based on the domestic enforcement of domestic law, and respects each country's sovereignty as well as provincial jurisdiction. The agreement aims to settle disputes through co-operation, but where countries fail to enforce their own domestic labour standards and do not correct the problem, they may be subject to a fine paid into a special labour fund.

If a country fails to pay the fine, it is liable to ongoing enforcement action. In Canada's case, fines will be enforced by domestic courts. This reflects the view of the provinces, the federal government and business, who believed that trade sanctions are not needed to ensure the enforcement of labour standards in Canada. In the case of Mexico and the United States, the country or countries raising the dispute may suspend NAFTA benefits equivalent to the amount of the fine.

#### **4.5 External Pressures for Labour Adjustment in Canada**

Globalization and trade liberalization are changing the international economic environment. Canadian labour and firms will need to adjust to the changing environment if Canada is to prosper.<sup>31</sup> External pressures on Canadian firms and labour include:

- Trade liberalization commitments under the Canada-US Free-Trade Agreement and the North American Free Trade Agreement.
- The decline in tariffs and greater openness of markets that will result from the successful conclusion of the Uruguay Round.

---

<sup>31</sup> This section is based on the Economic Council of Canada, Adjustment Policies for Trade-Sensitive Industries, Economic Council of Canada, 1988.

- The pace of technological change, which has forced Canadian firms to adopt new technologies to remain competitive, and has forced workers to acquire new skills. Technological change may also reduce the number of employees needed to produce more.
- Continued competition from highly developed, high income areas, including Japan and the European Union member states.
- The decline in transportation costs, combined with easier access to labour in developing countries, and improvements in telecommunications, which has provided opportunities for Canadian firms to locate production facilities abroad or to subcontract operations to foreign firms.
- The rise of new competitors, particularly the newly industrialized economies such as South Korea, Hong Kong and Taiwan.
- The movement of the newly industrialized economies out of labour-intensive products and into more skill-and capital-intensive products, and their replacement in labour-intensive production by such countries as Malaysia, Thailand, Indonesia and the PRC.

## **5. THE GREAT DEBATE: LOW WAGES AND SOCIAL DUMPING/COUNTERVAIL**

### **5.1 Introduction**

In Canada, labour unions, some political parties, and the public at large have articulated interest in the relative labour conditions in Canada's trading partners and their possible influences on the level and quality of domestic employment. The Canadian Federation of Labour (CFL) and the Canadian Labour Congress (CLC) are both concerned that low standards of labour rights or the lax enforcement of labour rights in foreign countries grant foreign producers an "unfair" commercial advantage. They also believe that low standards of labour rights are undesirable on moral grounds.<sup>32</sup>

---

<sup>32</sup> Canadian Labour Congress, "Submission by the Canadian Labour Congress on the North American Free Trade Agreement to the Sub-Committee on International Trade of the Standing Committee on External Affairs and International Trade," 26 January 1993.

The most direct expression of the labour movement's concern about the impact of trade liberalization on labour conditions first appeared in respect of the FTA. During the debate over freer trade with the U.S., Canadians were particularly interested in the competitive challenge posed by producers in U.S. States with "right-to-work" legislation. "Right-to-work" legislation allows individual States to prohibit agreements requiring membership in a labour organization as a condition of employment.<sup>33</sup> With the negotiation of a North American Free Trade Agreement, the Canadian interest shifted in part from U.S. to Mexican labour conditions. More generally, there has been a growing interest in the labour conditions in developing countries, principally the newly industrialized economies and Eastern Europe, and what this may mean for Canadian producers. The labour movement and parts of the Democratic and Republican parties in the U.S. have expressed similar concerns, as did labour activists in Europe at the time of Spanish and Portuguese accessions to the European Community and more recently in connection with EU efforts to expand economic relations with Eastern Europe.

## 5.2 Low-wages

The labour movement's concern with NAFTA was largely centred on relative wage rates and the possible implications this could have for Canadian workers. Wage differentials between Mexico and Canada are large, with Mexican wages about one-sixth or one-seventh of Canadian levels in comparable industries.<sup>34</sup> Interest in low wages in the Mexican case stem from the concern that low wages in that country may exert downward pressure on wages in Canada, and that investment will flow to Mexico because of its lower labour costs. The second concern is two-fold: it is feared that new investment will flow to Mexico rather than to Canada, and that companies already in Canada will relocate to Mexico. Canadian outward direct investment is thus a major concern of some labour interests and others. At a minimum, labour groups advocate that trade agreements should include a clause that oblige countries to set and enforce minimum labour rights or standards.

---

<sup>33</sup> Jim Stanford, Going South. Cheap Labour as an Unfair Subsidy in North American Free Trade, Canadian Centre for Policy Alternatives, Ottawa, December, 1991, p.18.

<sup>34</sup> A. Weston, Ada Piazza-McMahon, and Ed Dosman, "Free Trade with a Human Face? The Social Dimensions of CUSFTA and the Proposed NAFTA", The North-South Institute, Ottawa 1992, p.17.

The focus on wages rates, while raising strong feelings of "unfairness" in the public, is somewhat misleading.<sup>35</sup> Wages, while a substantial part of the total compensation of a worker, do not account for all employer-employee expenditures, such as for legally required or contractual health and dental benefits, and life insurance. There is considerable diversity of non-wage benefits across countries, and as a percentage share of total compensation. In 1992, wages as defined as pay for time worked, accounted for about 70 to 75 percent of total compensation costs for production workers in the manufacturing sectors in Canada, the U.S., and the United Kingdom, but for less than 60 percent in Japan, France, Germany, and Italy (Table 5).<sup>36</sup> In Mexico, non-wage benefits and profit sharing, under which all firms must distribute 10 per cent of pretax profits to employees, are reported to add more than 70 per cent to base payroll expenses.<sup>37</sup>

Most importantly, low levels of total compensation or wages do not necessarily mean low cost production. If low compensation costs were the basis for low production costs in the manufacturing sector, Table 6 shows that Sri Lanka, with an hourly compensation cost of U.S. 35 cents, would be an economic powerhouse.<sup>38</sup> But Sri Lanka is not a major manufacturer. Wage differences reflect differentials in labour productivities between countries. Generally, i.e., except in protected sectors where labour and management benefit from economic rents, higher wages are a function of higher productivity. The economic basis for low wages in countries like Sri Lanka and Mexico are an abundance of labour and low productivity. Analysis conducted by the Department of Finance estimates that Canadian labour productivity in the manufacturing sector is 6.5 times higher than a Mexican worker's.<sup>39</sup>

---

<sup>35</sup> The Globe and Mail ("Mexico Wage Debate", 5 November 1993, p.B1). Only toward the end of the article, in two short sentences, is it noted that Mexican labour's productivity is lower than its U.S. counterpart. Similarly, The Ottawa Citizen, 7 November 1993, p.C4, makes wage comparisons between autoworkers in Canada, the U.S., and Mexico, but fails to mention differences in productivity.

<sup>36</sup> U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing", Report 844, April 1993, p.13.

<sup>37</sup> Business International Corporation, Investing Licensing And Trading Conditions Abroad. Americas, September 1992.

<sup>38</sup> U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing", Report 844, April 1993. The Bureau of Labor Statistics' compensation measures are computed in national currency units and are converted into U.S. dollars at prevailing market exchange rates. The measures do not indicate the relative living standards nor the purchasing power of income. Moreover, total compensation measures, even on a purchasing power basis, are poor indicators of relative living standards, as taxation rates vary, both direct and indirect, and thus even if pre-taxation compensation levels were the same, disposable income (what really counts for workers) would vary.

<sup>39</sup> Department of Finance, Canada, "The North American Free Trade Agreement: An Economic Assessment From A Canadian Perspective, November 1992, p.51. The analysis by the Department of Finance is based on 1989 data.

**TABLE 5**  
**Pay for time worked as a percentage of hourly compensation costs for production**  
**workers in manufacturing**  
**29 countries or areas - selected years 1975-92**

COUNTRY or AREA	1975	1980	1985	1987	1988	1989	1990	1991	1992
UNITED STATES	75.9	73.7	73.3	73.3	73.3	73.2	72.6	71.7	70.8
CANADA	81.8	79.4	77.6	77.2	77.1	77.2	76.6	75.9	75.2
MEXICO	--	--	--	--	--	--	--	--	--
AUSTRALIA	77.5	76.3	75.2	74.6	74.6	74.6	74.6	74.6	74.6
HONG KONG	--	--	--	--	--	--	--	--	--
ISRAEL	--	--	--	--	--	--	--	--	--
JAPAN	59.6	59.2	59.3	59.5	59.2	58.6	58.2	58.1	58.4
KOREA	--	--	--	--	--	--	--	--	--
NEW ZEALAND	81.6	81.6	81.6	81.6	81.6	81.6	81.6	81.6	81.6
SINGAPORE	73.0	66.7	63.7	75.2	73.0	69.9	68.5	67.1	66.7
SRI LANKA	71.4	71.4	67.6	67.6	67.6	67.6	67.6	--	--
TAIWAN	--	--	--	--	--	--	--	--	--
AUSTRIA	56.0	54.2	52.4	52.6	52.5	52.5	52.3	52.6	52.6
BELGIUM	60.0	56.5	54.7	52.9	52.9	52.7	52.9	52.9	52.6
DENMARK	85.1	84.2	81.8	81.6	85.0	85.0	84.6	84.0	84.0
FINLAND	68.8	64.4	63.5	61.7	60.4	60.1	59.3	59.8	59.8
FRANCE	60.0	58.5	55.3	54.7	54.0	54.2	54.6	54.8	54.7
GERMANY	61.5	58.5	57.0	56.8	56.7	56.8	56.1	56.0	55.8
GREECE	64.1	64.1	62.1	62.1	62.1	62.1	62.1	62.1	--
IRELAND	80.8	78.5	74.2	74.4	74.3	74.3	74.4	74.3	74.3
ITALY	50.0	54.3	53.3	52.4	51.9	50.6	50.4	50.9	51.4
LUXEMBOURG	69.8	70.8	70.3	70.2	70.2	70.2	70.2	--	--
NETHERLANDS	59.1	57.7	57.4	56.8	57.0	57.3	56.8	56.9	57.1
NORWAY	71.7	69.3	68.7	69.0	68.7	68.8	68.6	69.1	69.6
PORTUGAL	--	--	--	--	--	--	--	--	--
SPAIN	--	--	--	--	--	--	--	--	--
SWEDEN	68.8	61.8	59.3	58.8	58.9	58.6	59.0	57.6	57.2
SWITZERLAND	68.3	67.1	65.7	65.4	65.6	65.7	65.7	65.3	65.3
UNITED KINGDOM	78.9	72.1	73.8	73.6	73.6	73.6	73.1	71.8	71.8

Source: U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs of Production Workers in Manufacturing", Report 844, April 1993.

**TABLE 6**  
**Hourly compensation costs in U.S. dollars for production workers in manufacturing**  
**29 countries or areas and selected economic groups - selected years 1975-92**

COUNTRY or AREA	1975	1980	1985	1987	1988	1989	1990	1991	1992
UNITED STATES	\$6.36	\$9.87	\$13.01	\$13.52	\$13.91	\$14.32	\$14.91	\$15.60	\$16.17
CANADA	5.98	8.67	10.98	12.09	13.55	14.83	15.95	17.18	17.02
MEXICO	1.44	2.18	1.58	1.01	1.25	1.48	1.64	1.95	2.35
AUSTRALIA	5.58	8.41	8.14	9.40	11.28	12.33	12.89	13.36	12.94
HONG KONG	.76	1.51	1.73	2.09	2.40	2.79	3.20	3.58	3.89
ISRAEL	2.25	3.79	4.06	6.34	7.67	7.69	8.55	8.79	---
JAPAN	3.00	5.52	6.34	10.79	12.63	12.49	12.74	14.55	16.16
KOREA	.33	.97	1.25	1.65	2.30	3.34	3.88	4.39	4.93
NEW ZEALAND	3.21	5.33	4.47	6.77	8.19	7.80	8.33	8.36	7.91
SINGAPORE	.84	1.49	2.47	2.31	2.67	3.15	3.78	4.39	5.00
SRI LANKA	.28	.22	.28	.30	.31	.31	.35	---	---
TAIWAN	.40	1.00	1.50	2.26	2.82	3.53	3.95	4.39	5.19
AUSTRIA	4.34	8.57	7.27	13.08	13.92	13.59	17.01	17.39	19.65
BELGIUM	6.41	13.11	8.97	15.25	15.82	15.51	19.22	19.83	22.01
DENMARK	6.28	10.83	8.13	14.61	15.19	14.49	17.96	18.26	20.02
FINLAND	4.61	8.24	8.16	13.44	15.59	16.67	20.74	20.57	18.69
FRANCE	4.52	8.94	7.52	12.29	12.95	12.54	15.23	15.26	16.88
GERMANY	6.35	12.33	9.60	17.02	18.28	17.75	21.88	22.62	25.94
GREECE	1.69	3.73	3.66	4.61	5.22	5.49	6.71	6.82	---
IRELAND	3.03	5.95	5.92	9.30	10.00	9.66	11.76	12.07	13.32
ITALY	4.67	8.17	7.63	13.02	13.98	14.41	17.46	18.29	19.41
LUXEMBOURG	6.35	11.98	7.72	13.05	13.80	13.56	16.37	---	---
NETHERLANDS	6.58	12.06	8.75	15.14	15.83	15.04	18.29	18.42	20.72
NORWAY	6.77	11.59	10.37	16.79	18.45	18.29	21.47	21.63	23.2
PORTUGAL	1.58	2.06	1.53	2.52	2.78	2.90	3.69	4.15	5.01
SPAIN	2.53	5.89	4.66	7.63	8.55	8.94	11.33	12.20	13.39
SWEDEN	7.18	12.51	9.66	15.12	16.82	17.52	20.93	22.15	24.23
SWITZERLAND	6.09	11.09	9.66	17.08	17.98	16.70	20.83	21.69	23.26
UNITED KINGDOM	3.37	7.56	6.27	9.09	10.61	10.56	12.71	13.76	14.69

Source: U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs of Production Workers in Manufacturing", Report 844, April 1993.

### 5.3 "Social Dumping" and "Social Countervail"

Besides relative wage rates, some opponents of the FTA and NAFTA have focussed on the related issue of "social dumping". "Social dumping" has many definitions, but it often refers to the idea that different (read "lower") labour rights or standards give producers in the exporting country a commercial advantage.<sup>40</sup> It is important to note that this definition is restricted to exports, and is most likely to be raised by import-competing domestic producers. "Social dumping" has also been used to refer to difficulties competing in a foreign market due to the lower labour standards of the domestic producers in that market. While a domestic political constituency on the latter has not yet arisen, such an occurrence cannot be precluded. The concept could also be applied to trade in services which could broaden further the political constituency on the issue.<sup>41</sup>

It is difficult to accept "social dumping" in the normal, i.e., GATT, sense of the term dumping. Article VI of the GATT defines dumping as the process "... by which products of one country are introduced into the commerce of another country at less than the normal value of the products ...". Moreover, dumping "... is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry."<sup>42</sup> In practical terms, this means that dumping is the sale of an imported product at a lower price than that for which it was sold in the exporting market. In such a case, Article VI allows a country to levy antidumping duties on a dumped product if it causes injury to domestic producers. International trade law does not recognize cost differentials between producers as potentially creating dumping, unless a given producer sells a given good at different prices in the home and export markets. If the price of the good in both markets reflects the cost of production, there is no dumping.

---

<sup>40</sup> See Ann Weston, "Social Subsidies and Trade with Developing Countries", a paper prepared for the Ontario Government, North-South Institute, 1991, for an illustrative list of various definitions of "social dumping" or "social subsidies".

<sup>41</sup> International Labor Rights Education and Research Fund, Trade's Hidden Costs, 1988. Page 25 cites some examples where service sector jobs in the U.S. were allegedly transferred to foreign countries. The National Association of Working Women believed that "sub-standard" practices abroad could result in firms using the threat of moving jobs overseas to block organizing efforts by clerical workers in the U.S.

<sup>42</sup> GATT, Basic Instruments and Selected Documents (BISD) Volume IV Text of the General Agreement, 1969, Geneva:GATT,1986.

Another distinction between "social dumping" and dumping in a GATT sense is that "social dumping" often is taken to refer to an action by government, while in the GATT dumping refers to an action by a private producer. Under the GATT, governments have no obligation to encourage domestic firms from not dumping or of preventing firms from doing so. Under "social dumping", the concern appears to be with actions, i.e., setting domestic labour rights or standards, taken by governments; or perhaps more appropriately, inaction by governments, i.e., the failure to enforcement labour rights. Analytically, this is a useful distinction. Wages, to a great extent, are properly and directly a component of costs controlled by firms. This is the level at which charges of "dumping" make some analytical sense, although, again, it is important to emphasize that dumping in the trade sense does not occur unless a firm manipulates its prices between markets.

But what of a government's failure to implement and enforce "adequate" labour rights? Is such a government failure not akin to a subsidy that might legitimately attract a "social countervail"? It has been asserted that such "social dumping" is a form of subsidization and that countervailing duties are an appropriate response.<sup>43</sup> Under current GATT rules, "low" labour rights or standards or the failure to enforce labour standards would not constitute a subsidy, but Parties to a trade-labour agreement might wish to consider expanding the definition to include labour practices. This, however, raises the extremely complex and larger question of whether or not differences in economic or social policies should be considered a form of subsidization.

The allegation that a country is engaged in practices that might merit a "social countervail" in an importing country is easy to make, but difficult to substantiate. In the first place, formal labour rights and standards are often high in developing countries (this is certainly the case in Mexico), and sometimes higher than in certain developed countries (a comparison of U.S. and Mexican labour law is revealing in this respect). In the second place, the relationship between labour rights and labour costs is not straight-forward. There is little empirical evidence on the relationship. Gunderson concluded that the limited empirical evidence tends to suggest that in Canada unions increase wage costs by approximately 10 to 25 percent, but that some of the cost increase is effectively reduced by the positive productivity-enhancing effects of unions.<sup>44</sup> Servais also has found that the actual influence of

---

<sup>43</sup> Jim Stanford, Going South. Cheap Labour as an Unfair Subsidy in North American Free Trade, Canadian Centre for Policy Alternatives, Ottawa, December, 1991.

<sup>44</sup> Morley Gunderson and Anil Verma, "Canadian Labour Policies and Global Competition", The Canadian Business Law Journal, Volume 20, 1992.

labour legislation on costs is difficult to evaluate.<sup>45</sup> He cites the example that the adoption of standards for the protection of workers can result in major savings, by inter alia reducing the disruptions in production owing to the absence of workers, and reducing the need to train replacements. Edgren also reached the conclusion that "it is open to discussion to what extent adoption of the ... standards would affect production costs and hence the international competitiveness of export producers in low-wage countries."<sup>46</sup>

Nor does the existence of "lower" or "weaker" labour rights (whether formal, or in the sense of weaker enforcement) imply that wages or labour costs will not rise. Fields conducted an analysis on four newly industrialized economies (Singapore, Taiwan, Hong Kong, and South Korea) which have not actively promoted labour rights and organized labour, and have experienced high rates of economic growth.<sup>47</sup> Fields found that increased demand for labour bid up wages as firms competed for the labour supply, and that real wage rates rose. He concluded that the experiences of the four economies "exhibit a common feature: although the institutional structure of industrial relations continues to restrict labour organizations and collective bargaining, labour market opportunities have been getting very much better."<sup>48</sup> This conclusion may, however, beg the question of what would have happened to real wage rates if "strong" labour rights were in place in these economies.<sup>49</sup>

#### 5.4 Problems with Enforcement

In addition to the unclear relationship between labour rights and costs, empirical data is generally lacking on the question of enforcement of labour laws. Systematic files on enforcement are not kept by the International Labour Organization or any

---

<sup>45</sup> J.M. Servais, "The Social Clause in Trade Agreements: Wishful Thinking or an Instrument of Social Progress?", International Labour Review, Vol. 129, No. 6, p.427.

<sup>46</sup> Gus Edgren, "Fair Labour Standards and Trade Liberalisation", International Labour Review, Vol. 118, No.5, Sep-Oct 1979, p. 529.

<sup>47</sup> Gary S. Fields, "Labour Standards, Economic Development, and International Trade", in S. Herzenberg and J. Perez-Lopez, Labour Standards and Development in the Global Economy, US Department of Labour, 1990.

<sup>48</sup> Ibid., p.27.

<sup>49</sup> A firm's competitive situation, which would be affected by higher wages, would, of course, also depend upon the firm's productivity, as discussed earlier in this Paper. The point here is that wages may rise in the absence of "strong" labour rights.

other international organization.<sup>50</sup> Such data is essential to any meaningful dialogue on labour rights or conditions, as it is often alleged that countries, for the most part the developing countries, while having relatively high labour rights in law, fail to enforce the law. In conducting preparatory work for the NAFTA negotiations, Labour Canada concluded that it is difficult to find objective information about the application of labour laws in other countries.<sup>51</sup>

The question of non-enforcement of labour laws is also complicated by difficulties in identifying why the non-enforcement occurs. Non-enforcement may occur as a conscious decision on the part of government, or as a result of a lack of resources to effectively enforce the law. In practice, the amount of resources to enforce the law may become extremely burdensome for a country. The U.S., by many standards one of the wealthiest countries in the world, is widely recognized as having millions of illegal workers. Presumably, the employment conditions of these workers are less than those of U.S. workers legally employed and beneficiaries of U.S. labour laws. The question of enforcement may well need to be addressed in terms of acceptable and unacceptable levels of non-enforcement given a particular country's resources. It is not clear how well several developed countries would fare in such a comparison. Moreover, few are likely to favour the extension of the discussion of labour rights and standards to include labour mobility issues (i.e., temporary workers/immigration), although the EU has long recognized and acted on this linkage within the common market.

## 6. LABOUR STRATEGIES FOR A GLOBAL ECONOMY

The strategic options for labour in Canada and other developed countries fall into three general categories.<sup>52</sup>

- Attempt to restrict the international mobility of capital, so that it cannot "shop" for the lower labour cost location.

---

<sup>50</sup> Section 6306(b) of the USA's Omnibus Trade and Competitiveness Act of 1988 requires the Secretary of Labour to prepare a biennial report to Congress, identifying the extent to which countries recognize and enforce internationally recognized worker rights. These rights include: freedom of association, the right to form unions and bargain collectively, abolition of forced labour, limits on child labour, and minimum standards for working conditions.

<sup>51</sup> Labour Canada, "Comparison of Labour Legislation Of General Application In Canada, the United States and Mexico", March 1991.

<sup>52</sup> S. Hecker, and M. Hallock, "Introduction: Labour in a Global Economy", in S. Hecker and M. Hallock, eds., Labour in a Global Economy: Perspectives from the US and Canada. Eugene, Oregon, University of Oregon, 1991, p.5.

- Attempt to influence the cost of doing business in foreign countries through international organizing, the further extension of international labour standards, and multinational bargaining to help to ensure the enforcement of those standards.
- Accept the mobility of capital, and deal with the adjustment side through domestic labour market policies, particularly in light of differing levels of productivity.

With globalization, the first option faces strong opposition, on both political and economic grounds. It will not be considered further in this Paper as a viable option. The remaining two options are more feasible and practical options. For governments, the two options may be characterized as policy responses in the domestic and international arenas, and this will be explored further.

### 6.1 The International Arena: The GATT, and the Need for an International Dialogue

The GATT defines the rights and obligations of contracting parties with respect to trade. There is very little in the GATT related to labour standards or labour rights. The single reference to labour is in Article XX, which states that import restrictions may be used against imports of products produced by prison labour. There may, however, be a basis for considering trade and labour linkages in the GATT. Article XXIX of the GATT obliges contracting parties to undertake to observe the general principles of certain chapters of the (stillborn) International Trade Organization, i.e., the Havana Charter. Article 7 of Chapter II of the Havana Charter includes the general principle that unfair labour conditions should be discouraged in member countries.<sup>53</sup> The article provides that:

"The Members recognize that measures relating to employment must take fully into account the rights of workers under inter-governmental declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labour standards related to productivity, and thus in the improvement of wages and working conditions as productivity may permit. The Members recognize that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly each member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory."<sup>54</sup>

---

<sup>53</sup> GATT, L/6243, 28 October 1987.

<sup>54</sup> J.F. Perez-Lopez, "Conditioning Trade on Foreign Labour Law: The U.S. Approach", Comparative Labour Law Journal, Vol.9, Number 2, 1988, p.256.

For over forty years, the U.S. has been periodically interested in or lobbying for the inclusion of some form of labour standards provision in the GATT. In 1953, the U.S. made a proposal, which was similar to Article 7 of the Havana Charter, to include a labour standard clause in the GATT. The provision stated that unfair labour conditions "may create difficulties in international trade which nullify or impair benefits under this Agreement."<sup>55</sup> Unfair labour conditions were defined as the "maintenance of labour conditions below those which the productivity of the industry and economy at large would justify."<sup>56</sup>

During the preparatory phase of the Uruguay Round, November 1985 to September 1986, the U.S. also attempted to have labour standards included in the agenda for the new round of multilateral trade negotiations. The U.S. presented a proposal that the following language be included in the Ministerial Declaration determining the mandate of the Uruguay Round:

"Ministers recognize that [the] denial of worker rights can impede attainment of the objectives of the GATT and can lead to trade distortions, thereby increasing pressures for trade restrictive measures. Accordingly, the negotiations should review the effect of denial of worker rights on contracting parties, and the relationship of worker rights to GATT articles and objectives and related instruments, and consider possible ways of dealing with worker rights issues in the GATT so as to ensure that expanded trade benefits all workers in all countries".<sup>57</sup>

This proposal was not acceptable to the countries participating in the preparatory discussions, and the Ministerial Declaration for the Uruguay Round does not include a reference to workers' rights or standards.

More recently, at the November 1987 meeting of the GATT Council, the U.S. requested the establishment of a GATT Working Party to study the relationship between trade and internationally recognized labour standards. The international labour standards proposed for examination were those relating to: freedom of association; freedom to organize and bargain collectively; freedom from forced or compulsory labour; a minimum age for the employment of children; and measures

---

<sup>55</sup> *ibid.*, p. 257.

<sup>56</sup> *ibid.*

<sup>57</sup> *ibid.*, p. 280.

setting minimum standards in respect of conditions of work.<sup>58</sup> The U.S. request received support from most of the developed countries, including Canada, but was opposed by many developing countries who were concerned that the proposed working party might be used to question legitimate comparative advantage.

At the October 1990 meeting of the GATT Council, the U.S. decided to amend its terms of reference for the proposed working party. The amendment narrowed the international labour standards proposed for examination to the freedom of association, the freedom to organize and bargain collectively, and freedom from compulsory labour.<sup>59</sup> The U.S. believed that the amendment would address the sensitivities expressed by the developing countries. However, the GATT Contracting Parties have not reached a consensus on the establishment of such a working party.

## 6.2 The U.S. Policy Approach to Trade and Labour

The potential of U.S. trade actions based on unilateral decisions may be the best argument in support of establishing an international dialogue on trade-labour issues. In the past decade, the U.S. appears to be the only country that has included labour standards or workers' rights provisions in its trade law. Since 1983, the U.S. has linked labour-related standards to four major trade-related laws. The effects of these trade-related measures on foreign countries labour conditions, however, are a matter of subjective interpretation and debate.<sup>60</sup>

The Caribbean Basin Economic Recovery Act (CBERA) provides for additional trade preferences to selected Caribbean and Central American countries under certain conditions. One of these conditions is related to labour standards and indicates that the President must take into account the degree to which workers are afforded reasonable workplace conditions and enjoy the right to organize and bargain collectively.

The U.S. Generalized System of Preferences (GSP) allows duty free access for a number of products imported from the developing countries. GSP benefits are granted unilaterally and are not bound in the GATT. The GSP was amended in 1984 to require that developing countries wishing to retain eligibility for duty free access

---

<sup>58</sup> GATT, L/6243, 28 October 1987.

<sup>59</sup> GATT, L/6729, 21 September 1990.

<sup>60</sup> Gijsbert van Liemt, "Minimum Labour Standards and International Trade: Would a Social Clause work?", in International Labour Review, Vol. 128, No. 4, 1989.

meet certain conditions. The labour condition requires that countries must be "taking steps" to afford "internationally recognized worker rights."<sup>61</sup> The law defines such worker rights as follows: the right of association; the rights to organize and bargain collectively; a prohibition on the use of any form of forced or compulsory labour; a minimum age for the employment of children; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health. Under this law, the U.S. Government is obliged to remove GSP benefits if the aforementioned "steps" are not taken. Since 1984, a number of countries have lost their GSP status, at least temporarily, as a result of this provision (e.g., Romania, Nicaragua and Paraguay).

The Overseas Private Investment Corporation (OPIC), established in 1969, is a government agency which insures U.S. investors against political risks in developing countries. In 1985, when OPIC's mandate came up for renewal, an amendment was adopted that authorized OPIC to "...insure, reinsure, guarantee or finance a project only if the country in which the project is undertaken is taking steps to adopt and implement laws that extend internationally recognized worker rights to workers in the country."<sup>62</sup> Countries which have had OPIC insurance suspended at some time include Chile, Liberia, Nicaragua, Romania, South Korea and Sudan.

The Omnibus Trade and Competitiveness Act of 1988 has potentially far reaching implications for trade and labour. The U.S. Trade Act's Section 301 authorizes the President to treat as an "unfair" trade practice the competitive advantage of any country derived from the denial of internationally recognized labour rights. The Act also sets out the principle negotiating objectives of the U.S. regarding workers' rights. These are: to promote respect for worker rights; to secure a review of the relationship of workers' rights and the GATT; and to adopt as a principle of the GATT that the denial of workers' rights should not be a means for a country or its industries to gain competitive advantage in international trade.<sup>63</sup>

The U.S. debate on labour in respect to NAFTA also reflects a growing political and public interest in the linkages between trade and labour. While a candidate, Clinton announced that a labour side agreement was a condition necessary for NAFTA. In part due to this conditionality, U.S. labour supported Clinton's presidential election campaign. Organized labour, however, was dissatisfied with the NAALC and

---

<sup>61</sup> Cited in van Liemt. Section 502 (b) (8) of the 1984 Trade and Tariff Act.

<sup>62</sup> Ibid.

<sup>63</sup> Public Law 100-418, 100th USA Congress.

participated in a broad coalition to defeat Congressional passage of the NAFTA. The clear implication of the NAFTA labour experience is that future bilateral or regional economic arrangements involving the U.S. are likely to require a labour dimension. It also means that there is likely to be increased U.S. political interest in addressing trade and labour issues in a multilateral context.

### **6.3 An Approach for Multilateral Negotiations**

Canada should support further work internationally on labour rights and standards and their link to trade, primarily for three reasons. First, Canadian values favour the promotion of at least certain labour rights, including the prohibition of child or forced labour and the implementation of high work place safety standards. Secondly, the failure to enforce labour rights and standards can have an impact on production costs -although the extent of the impact is not at all clear. And thirdly, the blocking of work internationally that could lead to at least limited negotiations will only encourage the U.S. and the European Union to act unilaterally. There is no consensus, however, on what the objectives of a labour clause in a multilateral trade agreement would look like. It is, however, instructive to think of a labour clause as a clause which aims to improve labour conditions in the Parties to a trade agreement. Such a clause may or may not allow trade sanctions to be taken.

The North American Agreement on Labour Co-operation offers one possible approach to negotiating a labour clause, and it may be a reasonable basis for engaging in a multilateral dialogue. The key feature of the NAALC approach is that there is no requirement to meet an internationally agreed standard. A multilateral application of the NAALC approach would allow each country to enforce its own domestic labour rights and standards as the "lowest" standard. This would act as a moral "ratchet effect" that would discourage countries from lowering their standards, but allow them to move to higher standards in accordance with their economic development. Moreover, lowering a domestic standard that was recognized in a multilateral agreement would likely have an electoral cost for a government.

A more ambitious multilateral approach would be to negotiate minimum labour rights and standards that would apply in all countries. This is distinct from the harmonization of labour rights and standards, which would be an even more ambitious undertaking. With the negotiation of minimum rights and standards, countries would be free to move unilaterally to a higher level. "High" minimum standards, such as on the notification period for layoffs or worker representation on firms' boards, might, however, generate rigidities in countries' economies. Diverse levels of economic development amongst countries also implies that minimum standards would have

different effects in the countries concerned. This said, for some labour issues, such as health and safety and child and forced labour, there may be some scope for negotiating minimal standards. For a starting point in a minimum level negotiation, countries might turn to the work done by the International Labour Organization.

Since its establishment in 1919, the International Labour Organization has adopted more than 170 Conventions dealing with an extremely broad range of labour rights. The Conventions are only binding for countries that have ratified them. The ILO can also ask countries that have not ratified certain Conventions to report on their legislation and practice within the area covered by the Convention. The ILO may also investigate allegations that a country is denying workers' rights with regard to a Convention it has ratified, but has no enforcement powers to correct the country's actions. Moreover, there is no formal dispute settlement mechanism. In sum, pressure to abide by the Conventions is derived from moral suasion.<sup>64</sup> Concerns have also been expressed that the ILO, while well situated to play an institutional role in the labour-globalization interface, has failed to realize its potential in addressing labour issues. These concerns, however, may be diminishing as the ILO evolves into a more dynamic organization.<sup>65</sup>

The negotiation of a broad list of enforceable minimum labour rights and standards applying to all countries (whether or not in the context of a trade agreement) is probably not feasible at this time. The parties to the NAFTA did not negotiate minimum levels, and there is no indication that the political will exists for such a multilateral negotiation, one that would involve significantly more countries. A separate question is the scope of labour issues a multilateral negotiation would address. As mentioned earlier, the scope of the NAALC is fairly broad. The question of which labour standards should be included in a multilateral negotiation immediately arises. Van Liemt<sup>66</sup> has reviewed eight different proposals and found that a core

---

<sup>64</sup> Gus Edgren, "Fair Labour Standards and Trade Liberalisation", International Labour Review, Vol. 118, No.5, Sep-Oct 1979, p. 527.

<sup>65</sup> As with a number of other international organizations, the ILO has been criticized in some quarters for failing to realize its potential. The ILO is tripartite in nature (government, business, and the labour movement). Canadian business has perceived the organization as being dominated by labour interests and has not actively participated in the ILO's activities. The ILO has also been seen as being dominated by European interests, with the ILO's bureaucracy resistant to reform. Discussions with Canadian government officials indicate that Canadian business is now taking a more positive interest in the organization, and that the ILO is evolving into a more dynamic organization with a greater ability to address the labour-globalization interface. See Gordon Betcherman, "Labour in a More Global Economy", a paper prepared for the Office of International Affairs, Human Resources and Labour Canada, 1993, pp. 19-20.

<sup>66</sup> Gijbert van Liemt, "Minimum Labour Standards and International Trade: Would a Social Clause Work?", International Labour Review, Vol. 128, No. 4, 1989, p. 437.

group of standards were mentioned by all (Nos. 1 to 3), and another three (Nos. 4 to 6) in at least six of the eight proposals reviewed.

- Freedom of association (ILO Convention 87).
- The right to organize and bargain collectively (Convention 98).
- Minimum age for the employment of children (Conventions 5 and 138).
- Freedom from discrimination in employment and occupation on the grounds of race, sex, religion, political opinion, etc. (Convention 111).
- Freedom from forced labour (Conventions 29 and 105).
- Occupational safety and health (various Conventions).

Canada has not ratified all of the labour conventions set out above. The Annex presents the ILO Conventions ratified by Canada. From the core group (Nos.1 to 3) of standards identified by Van Liemt, Canada has not ratified the right to organize and bargain collectively (Convention 98) and the minimum age for the employment of children (Conventions 5 and 138). The U.S. has not ratified any of the Conventions within the core group. Of the remaining conventions set out above, with the exception of occupational safety and health conventions, the U.S. has only ratified the abolition of forced labour - Convention 105.<sup>67</sup>

The developing countries regard the developed countries as the "demandeurs" on the trade-labour issue. With the prospect of unilateral trade actions, the LDCs may eventually find it in their own interest to enter into multilateral negotiations. The developing countries may wish to seek concessions on labour mobility - the access to developed country markets for low skilled workers from the developing countries. Given the general concerns of the developing countries, particularly of a labour clause potentially adversely affecting or depriving them of one of their key comparative advantages, there is unlikely to be wide support for a broad negotiation on a global set of minimal labour standards. For multilateral negotiations, the developing countries may be more willing to accept a NAALC approach, one emphasising the importance of enforcing each country's labour rights in at least some of the six labour areas set out above. Such an approach would allow for the accommodation of significant differences in the level of development of the participating countries.

---

<sup>67</sup> Of the parties to the NAFTA, the U.S. had ratified 9 ILO Conventions, Mexico 66, and Canada 27, as of December 1993.

#### 6.4 The Domestic Arena: Domestic Labour Adjustment

The globalization process is likely to continue for the foreseeable future. There are no indications that firms wish to or can constrain their strategic business options and contain their varied activities within national boundaries. Globalization and free trade arrangements will challenge existing labour patterns. But it is difficult to identify the degree to which "global" as opposed to "domestic" factors influence the need for labour adjustment. The fundamental implication of globalization for labour markets is that national labour markets must be flexible and government and business policies and practices that develop human capital are to be encouraged. If the labour force is able to move quickly between different firms and industries, adjustment to sectoral shocks, from either "global" or "domestic" factors, would tend to create relatively less amounts of unemployment. However, if the labour force adjusts slowly, and labour released from declining sectors do not have the skills demanded by expanding sectors, there would be a relative increase in unemployment levels.

Globalization points to the need for domestic labour policy to become increasingly internationally market-oriented, rather than nationally focused. Due to the mobility of capital and technology, all countries need to establish labour policies which promote labour mobility and skill acquisition. To the extent that globalization encourages and increases the rate of technological transfer and the development of new technology, additional pressure will be placed on labour and the need for effective adjustment programs. The degree to which globalization contributes to structural unemployment, where both unemployment and job vacancies may rise, as opposed to cyclical unemployment, also implies that a different policy mix will be required, particularly one that puts greater emphasis on human skills development.

The emphasis on skills acquisition raises a question on the degree of emphasis on traditional policy objectives. Governments' labour and employment policies have traditionally been designed to achieve both equity and efficiency goals. Income support policies may be considered equity programs. These programs are designed to reduce the individual burden of workers who face job loss or some other form of dislocation from the work force. In contrast, job finding assistance and retraining or relocation assistance also have efficiency goals.

In keeping with this view of policy goals, the OECD has broken public expenditure on labour market policies into "active" and "passive" policy groups.<sup>68</sup> The "active" group of measures are considered as having the potential to achieve

---

<sup>68</sup> OECD, *Progress In Structural Reform: An Overview*, 1992.

efficiency and equity objectives simultaneously, and includes expenditures on such measures as job search assistance, training and employment subsidies. "Passive" expenditures refer to income maintenance measures. OECD data (Chart 2) for 1985 (the first year for which data is available) and 1990 indicates that Canadian expenditure on "active" measures as a percentage of total labour market expenditures were lower than most other OECD countries, and at least slightly less than that of the other G-7 countries. In Canada, the unemployment insurance program has come under criticism for being unable to deal effectively with unemployment and encouraging both workers and employers to avoid retraining or restructuring.<sup>69</sup> In particular, unemployment insurance has been criticized for adversely affecting the adjustment mechanism of the labour market by: contributing to an increase in the length of unemployment; contributing to an increase in the length of temporary layoffs; and by reinforcing the concentration of temporary and unstable jobs in high unemployment and low-wage regions.<sup>70</sup>

If Canadians are to continue to receive relatively high levels of total compensation, they will need to maintain relatively high levels of productivity growth. The external pressures mentioned earlier in the Paper mean that a globalized economy will not allow countries to maintain high wage-low skill production without some form of (economically inefficient) protection for the domestic economy. Canadian low-wage industries will face the greatest competitive challenge. Rugman and D'Cruz have concluded that the forces driving low-wage imports constitute a process that will continue until Canada's low-wage industries are forced out of business unless market niches are found.<sup>71</sup> The only other option would be for governments to provide some form of assistance or subsidization to protect industries, very much a second-best approach even over the short-term, as it would act as a productivity anchor on the economy as a whole.

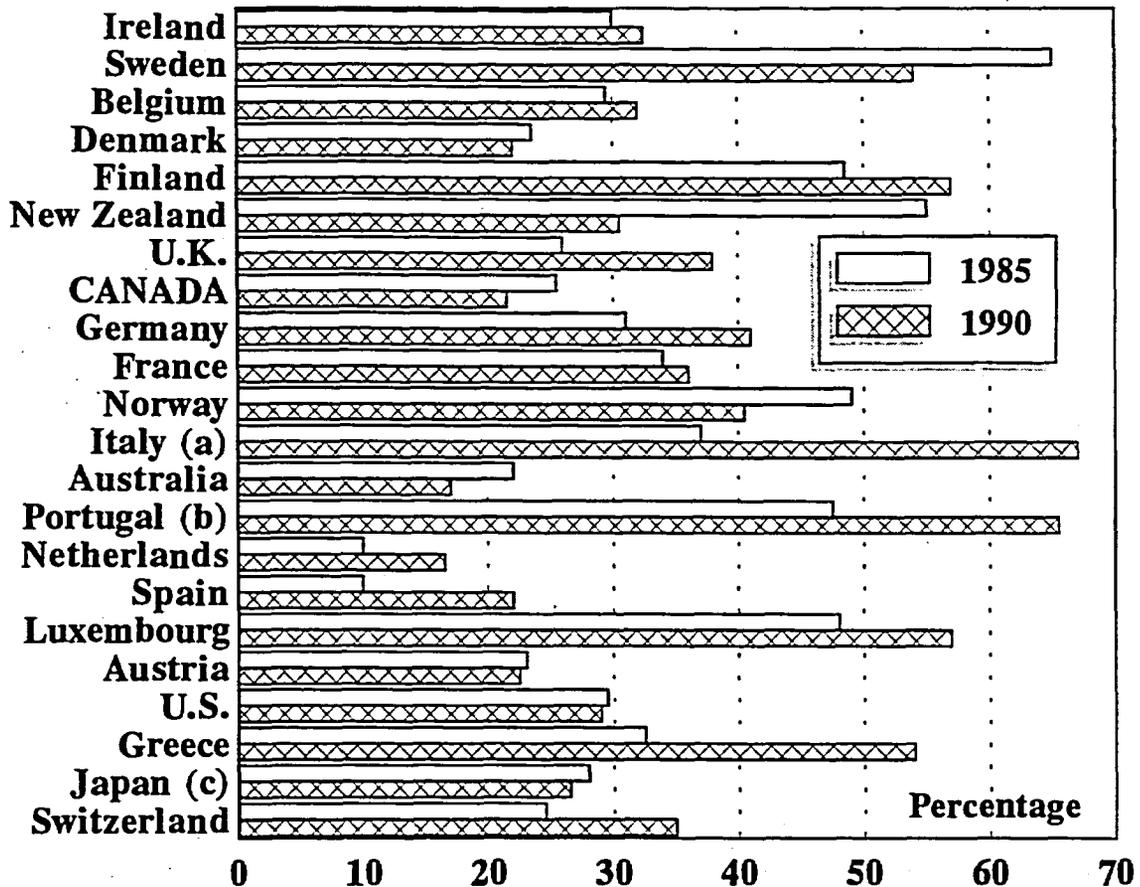
---

<sup>69</sup> A. Weston, Ada Piazza-McMahon, and Ed Dosman, "Free Trade with a Human Face? The Social Dimensions of CUSFTA and the Proposed NAFTA", The North-South Institute, Ottawa 1992, p.28.

<sup>70</sup> M. J. Trebilcock, M. Chandler, and R. Howse, with the collaboration of P. Simm, Adjusting to Trade: A Comparative Perspective, Economic Council of Canada Discussion Paper No.358, October 1988. Also see J. Cousineau, "Unemployment Insurance and Labour Market Adjustments", Income Distribution and Economic Security in Canada, Vol. 1, Research Studies for Royal Commission on Economic Union and Development Prospects, 1985.

<sup>71</sup> Alan M. Rugman and Joseph D'Cruz, "Canadian Strategies for International Competitiveness", Business in the Contemporary World, Volume III Number 1, 1990, pp.96-98.

**CHART 2**  
**EXPENDITURES on ACTIVE PROGRAMMES as a PERCENTAGE**  
**of TOTAL LABOUR MARKET EXPENDITURES**



a) 1988 instead of 1990 b) 1986 instead of 1985 c) 1987 instead of 1985

SOURCE: OECD, *Employment Outlook*, July 1993, p.42.

## 7. SOME CONCLUSIONS AND OBSERVATIONS

The growing interdependence and integration of the world's economies requires governments to give greater recognition to the global economy's implications for labour policies. Globalization and trade liberalization do not imply governments should take a laissez-faire approach. Rather, strategic refocussing is called for. With increased competition, and restrictions on the use of traditional instruments to ease adjustment, governments have an increasingly important role in promoting human skill development.

The major conclusions and observations to be drawn from this paper are:

- In respect of labour rights and standards, "social dumping" and "social countervail" should be approached very cautiously. Given the lack of evidence on the effects of labour rights on wage costs, productivity differentials, and the risk of expanding the definition of a subsidy to include almost any differences in economic or social policies, Canada should oppose the introduction of such trade remedy mechanisms.
- If no workable multilateral understanding on trade-labour linkages is reached, however, there is a risk that unilateral trade measures will be used. In particular, it appears that the political climate in the U.S. is such that the U.S. could be prone to use unilateral measures if a multilateral mechanism were is not available. As with its traditional approach to subsidization and other "unfair" trade practices, the U.S. is likely to be much more concerned with the "level" of its trading partners' labour laws and practices, rather than its own, such as "right to work" legislation in over 20 U.S. States.
- Canada should support further work internationally on labour rights and standards and their link to trade, primarily for three reasons: Canadian values favour the promotion of at least certain labour rights, including the prohibition of child or forced labour and the implementation of high work place safety standards; the failure to enforce labour rights and standards can have an impact on production costs - although the extent of the impact is not at all clear; and the blocking of work internationally that could lead to at least limited negotiations will only encourage the U.S. and the European Union to act unilaterally.

- Multilateral negotiations of trade-labour rights and standards along the lines of the North American Agreement on Labour Co-operation, i.e., the enforcement of domestic laws, is the most practical approach to the issue. Agreement on a set of minimal rights and standards, or their harmonization, would be more challenging to negotiate. The best prospects for setting minimal labour rights may be in the areas of health and safety regulations, and the use of child or forced labour. The establishment of an effective and timely dispute settlement mechanism in such an agreement should be mandatory.
- Trade measures are not the only sanctions that a country could use in response to another country's "low", or failure to enforce, labour rights or standards. Another option is conditioning aid on the basis of a country's performance in the labour rights area. This could be coupled with a fines-based system as introduced in the North American Agreement on Labour Cooperation.
- There is a clear need for more empirical research on the issue, which only an international institution has the resources and multi-country contacts to undertake. A likely candidate to conduct such work would be a joint OECD committee bringing together the Directorate for Social Affairs, Manpower and Education, and the Trade Directorate. In January 1994, the U.S. began to explore and promote this option. It would be in the Canadian interest to generally support OECD analytical work on the issue.
- In the longer term, once the OECD has made progress on the analytical work, consideration should be given to the establishment of a GATT Working Group or a joint ILO/GATT Secretariat study group, in order to have broad developing country participation in the trade-labour dialogue. This suggestion is consistent with the International Trade Advisory Committee (ITAC) Task Force VIII (on Labour Practices and International Trade) recommendation that Canada support the proposal for the establishment of a GATT Working Party to examine the relationship between labour standards and international trade. A GATT Working Group on Labour could have a function similar to the GATT Working Group on Environmental Measures and International Trade; that is, to explore objectively the issue without passing judgement on the GATT consistency of countries' policies.
- It is questionable to what degree bringing labour rights into a multilateral agreement like the GATT will protect domestic Canadian firms from foreign competition.

- Effective labour adjustment policies in the developed countries which promote skills acquisition and labour mobility would likely reduce the public's and labour's concerns with trade liberalization and globalization.
- In the longer term, a failure to develop a flexible/high-skill work force could lead to more polarized income distribution and a reaction against market forces.
- Within Canada, because of the Constitutional division of legislative authority, there is a need for intergovernmental dialogue and cooperation. To facilitate Canada's possible participation in a multilateral dialogue, a joint federal-provincial task force to examine labour policies to address the adjustment pressures of globalization and global competition may be warranted. It is not too soon for trade and labour policymakers to start developing the appropriate expertise, implementing mechanisms for policy integration, and planning for the challenge of a future multilateral negotiation which encompasses labour issues.
- Other stakeholders, business and labour organizations, need to participate in the domestic policy process. The globalization and labour issue promises to be an increasingly important element of the trade and investment policy agenda.<sup>72</sup>
- Canada is unlikely to have a competitive advantage in low-skilled industries. Consequently, domestic firms reliant upon low-skilled labour will face strong competition, and global firms reliant on low-skilled labour are unlikely to locate in Canada.
- Canada has taken steps to improve the system of training and adjustment programs available for Canadian labour. The pressure of globalization and trade liberalization are such that this type of strategy needs to continue. However, adjustment pressures due to foreign competition as a result of globalization and trade liberalization should not be seen as fundamentally different from adjustment pressures arising from other reasons, such as shifts in consumer tastes, technological change, or firms going out of business or reducing their labour force for any other reason.

---

<sup>72</sup> A widely held view is that Canadian employers provide less training to their workers than those in other OECD countries. A recent study by Constantine Kapsalis, "Employee Training in Canada: Reassessing the Evidence", Canadian Business Economics, Summer 1993, pp.3-11, challenges this view. Kapsalis concluded that there is no evidence that Canadian employers train less than employers in other industrial countries, but that there is also "wide scope for much greater synergy among educational institutions, business, labour, and government in providing training. The training gap that needs to be filled in Canada is not in the resources devoted to training, but in the development of more innovative ways of building on the strengths of all labour market partners and helping individuals with labour market difficulties to integrate successfully into the labour market."

- Demographic considerations must also be taken into account.<sup>73</sup> During the 1960s, 1970s, and tapering off in the 1980s, the baby boom generation entered the work force, and labour force participation rates, particularly for women, increased. The Canadian labour market in the 1990s will face challenges arising from slower labour force growth and the aging of the labour force. Re-education and retraining of older workers will become increasingly important, as firms have been traditionally hesitant to retrain older workers.
- Globalization implies that, in addition to reviewing the equity and efficiency criteria of its domestic labour policies, Canada will need to review its immigration and refugee policies. To the extent that new immigrants are low-skilled labour, they may have greater difficulty than in the past finding employment in Canada. New low-skilled entrants to the labour market will also increase competition for the existing low-skill jobs in Canada.

---

<sup>73</sup> See David K. Foot and Kevin J. Gibson, "Population Aging in the Canadian Labour Force: Changes and Challenges," Journal of Canadian Studies, Vol.28, No. 1, Spring 1993.

## ANNEX

### ILO CONVENTIONS RATIFIED BY CANADA

1. Hours of Work (Industry) Convention, 1919  
(Ratified by Canada March 21, 1935)
7. Minimum Age (Sea) Convention, 1920  
(Ratified March 31, 1926)
8. Unemployment Indemnity (Shipwreck) Convention, 1920  
(Ratified March 31, 1926)
14. Weekly Rest (Industry) Convention, 1921  
(Ratified March 21, 1935)
15. Minimum Age (Trimmers and Stokers) Convention, 1921  
(Ratified March 31, 1926)
16. Medical Examination of Young Persons (Sea) Convention, 1921  
(Ratified March 31, 1926)
22. Seamen's Articles of Agreement Convention, 1926  
(Ratified June 30, 1938)
26. Minimum Wage-Fixing Machinery Convention, 1928  
(Ratified April 25, 1935)
27. Marking of Weight (Packages Transported by Vessels) Convention, 1929  
(Ratified June 30, 1938)
32. Protection Against Accidents (Dockers) Convention (Revised), 1932  
(Ratified April 6, 1946)
58. Minimum Age (Sea) Convention (Revised), 1936  
(Ratified September 10, 1951)

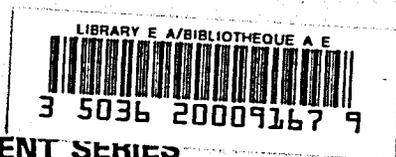
63. Convention Concerning Statistics of Wages and Hours of Work, 1938  
(Ratified April 6, 1946)
68. Food and Catering (Ships' Crews) Convention, 1946  
(Ratified by March 19, 1951)
73. Medical Examination (Seafarers) Convention, 1946  
(Ratified March 19, 1951)
74. Certification of Able Seamen Convention, 1946  
(Ratified March 19, 1951)
80. Final Articles Revision Convention, 1946  
(Ratified July 31, 1947)
87. Freedom of Association and Protection of the Right to Organise Convention,  
1948  
(Ratified March 23, 1972)
88. Employment Service Convention, 1948  
(Ratified August 24, 1950)
100. Equal Remuneration Convention, 1951  
(Ratified November 16, 1972)
105. Abolition of Forced Labour Convention, 1957  
(Ratified July 14, 1959)
108. Seafarers' Identity Documents Convention, 1958  
(Ratified May 31, 1967)
111. Discrimination (Employment and Occupation) Convention, 1958  
(Ratified November 26, 1964)
116. Final Articles Revision Convention, 1961  
(Ratified by April 5, 1962)
122. Employment Policy Convention, 1964  
(Ratified September 16, 1966)

162. Asbestos Convention, 1986  
(Ratified June 16, 1988)

147. Merchant Shipping (Minimum Standards) Convention, 1976  
(Ratified June 1, 1993)

DUE DATE	
DATE DUE	DATE DE RETOUR
<del>OCT 23 1996</del>	
<del>NOV 1 1996</del>	

DOCS  
CA1 EA533 94P02 ENG  
Stranks, Robert T  
The new Jerusalem : globalization,  
trade liberalization, and some  
implications for Canadian labour  
policy  
43267314



**B) TRADE DEVELOPMENT SERIES**

1. From a Trading Nation to a Nation of Traders: Towards a Second Century of Trade Development, by Andrew Griffith. 92/05 (March 1992)
2. Exports and Job Creation, by Morley Martin. 93/06 (June 1993) \*
3. Export Financing in an Age of Restraint, by Jamal Khokhar. (forthcoming)

**C) REGIONAL TRADE AND ECONOMIC SERIES**

1. Different Strokes: Regionalism and Canada's Economic Diplomacy, by Keith H. Christie. 93/08 (May 1993) \*
2. Adapting to Change: Canada's Commercial and Economic Interests in the Former Soviet Union, by Ann Collins. 93/13 (forthcoming)
3. The Geographic Distribution of Canada's Bilateral Assistance, by Nicolas Dimic. (forthcoming)
4. Canada in the Americas: New Opportunities and Challenges, by Policy Staff (forthcoming)
5. China 2000: The Nature of Growth and Canada's Economic Interests, by Steve Lavergne. (forthcoming)

**D) OTHER ECONOMIC PAPERS**

1. World Population Growth and Population Movements: Policy Implications for Canada, by Michael Shenstone. 92/07 (April 1992)
2. Pour des sanctions efficaces et appropriées, par Jean Prévost. 93/04 (mars 1993) \*
3. Black Gold: Developments in the World Oil Market and the Implications for Canada, by Sushma Gera. 93/05 (February 1993) \*
4. Determinants of Economic Growth in Developing Countries: Evidence and Canadian Policy Implications, by Rick Mueller. (forthcoming)

\* available in English/disponible en français