

HOW IS THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM DEVELOPING? COMPARATIVE COMMENTS ON APEC AND EMPLOYMENT RELATIONS

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I. INTRODUCTION

In their comparative study, Katz and Darbshire¹ identify “converging divergences” whereby employment relations² systems are converging on nationally similar systems albeit with high levels of internal differentiation. Their analysis echoes many other discussions of convergence, in which employment relations systems are pulled in similar directions by, for example, the requirements of modernization,³ late development,⁴ global competition,⁵ or

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1. HARRY C. KATZ & OWEN DARBISHIRE, *CONVERGING DIVERGENCES: WORLDWIDE CHANGES IN EMPLOYMENT SYSTEMS* (2000).

2. This article adopts a broad definition of employment relations, which includes all aspects of employment relationships, including industrial relations (IR) and human resource management (HRM). IR may be regarded as dealing more with the macro or institutional aspects of the employment relationship while HRM be seen as focusing on the micro- or enterprise-level aspects. The term employment relations is sometimes used in the literature to reflect the inter-connectedness of various aspects of labor-management relations, IR, and HRM. See *INTERNATIONAL AND COMPARATIVE EMPLOYMENT RELATIONS: GLOBALISATION AND THE DEVELOPED MARKET ECONOMIES* ch. 1 (Greg J. Bamber, Russell D. Lansbury & Nick Wailes eds., 2004) [hereinafter Bamber et al.].

3. CLARK KERR ET AL., *INDUSTRIALISM AND INDUSTRIAL MAN: THE PROBLEMS OF LABOUR AND MANAGEMENT IN ECONOMIC GROWTH* (1962).

4. RONALD DORE, *BRITISH FACTORY—JAPANESE FACTORY: THE ORIGINS OF NATIONAL DIVERSITY IN INDUSTRIAL RELATIONS* (1973).

5. MICHAEL E. PORTER, *COMPETITIVE ADVANTAGE* (1985).

modernizing elite strategies.⁶ Such convergence pressures are reinforced by the human resource (HR) strategies of multi-national enterprises (MNEs) and by the influences of international agencies and supranational governmental associations, in particular, the European Union (EU).⁷ Some argue that macro- and micro-level influences are tending to induce similar patterns of employment relations. The “variety of capitalisms” school has identified ways in which different “business systems” are associated with various patterns of employment relations.⁸ Institutional arrangements, including state structures and modes of collective organization, differ between countries; this leads to different forms of employment relations. Therefore, although there are *international* pressures leading to convergence, there are also *national* pressures that tend to induce divergence.⁹ To what extent is APEC precipitating a convergence of employment relations systems among Asia-Pacific economies?

Which analytical frameworks would be most appropriate when considering such internationally comparative matters? This article adopts a broad political economy approach; it is submitted that this provides a suitable framework. The discussion will not focus on labor law, but will consider wider political and economic influences on employment relations in APEC. Those analyzing such issues should keep in mind the “political” in the political economy approach, in three senses. First, political refers to fundamental social relationships, of which the most important are property relations, and their importance for employment relations. The significance of such influences is especially evident once comparative employment relations research moves beyond developed market economies (DMEs) to focus also on less developed economies (LDEs). Second, the approach is political in its emphasis on the relationships between specific participants in employment relations and political actors, for example in the relationships between international organizations, employers, unions, and political institutions. Third, it is political in

6. RUDRA SIL, *MANAGING “MODERNITY”: WORK, COMMUNITY AND AUTHORITY IN LATE-INDUSTRIALIZING JAPAN AND RUSSIA* (2002).

7. For a discussion of such literature, see Roderick Martin & Greg J. Bamber, *International Comparative Employment Relations Theory: Developing the Political Economy Perspective*, in *THEORETICAL PERSPECTIVES ON WORK AND THE EMPLOYMENT RELATIONSHIP* 293 (Bruce E. Kaufman ed., 2004).

8. *VARIETIES OF CAPITALISM: THE INSTITUTIONAL FOUNDATIONS OF COMPARATIVE ADVANTAGE* (Peter A. Hall & David Soskice eds., 2001).

9. Richard M. Locke & Thomas A. Kochan, *The Transformation of Industrial Relations? A Review of the Evidence*, in *EMPLOYMENT RELATIONS IN A CHANGING WORLD ECONOMY* (Richard M. Locke, Thomas A. Kochan & Michael Piore eds., 1995).

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that the relationships between participants in the employment relations system are based on power relations as much as on market relations.

II. WHAT IS THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM?

The three centers of world economic power are: Asia, the United States, and Europe. The former is less well established and in a sense still emerging as a contemporary economic power. One of the primary regional institutions is APEC. APEC is a supranational association of Pacific Rim countries whose leaders meet with the purpose of improving economic and political ties.¹⁰ APEC was established in 1989 at the end of “the cold war” to promote economic growth in the region and to strengthen the Asia-Pacific community. It was formed against the background of increasingly protectionist sentiment around the world, in particular in the United States and the EU. APEC was conceived partly as the result of concern that the world could divide into three trading blocs: Asia, the EU, and the Americas.¹¹ APEC exemplifies growing interdependence among Asia-Pacific economies.

The heads of government of all APEC members meet annually in an “APEC Economic Leaders’ Meeting,” a summit that moves around among APEC’s member economies. A custom at its summit reception is that national leaders dress in the national costume of the host nation. This is a well-known photo opportunity. Nevertheless, there seems to be relatively little awareness about APEC among labor lawyers and employment relations academics and practitioners. In an attempt to address such a lack of awareness, this article will discuss aspects of APEC and draw a few comparisons between APEC and the EU.

Unlike the EU and the North American Free Trade Agreement (NAFTA), APEC is not a trade bloc,¹² but it includes other trade blocs including: 1. the Association of South East Asian Nations +3 (ASEAN’s ten members¹³ plus China, Japan, and South Korea); 2.

10. See, e.g., APEC (2006), available at <http://www.apec.org>.

11. R.J.L. Hawke, *APEC or Regional Agreements – the Real Implications*, 64 AUSTL. Q.P. 346 (1992).

12. Ryh-song Yeh, *Asia-Pacific Economic Cooperation (APEC)*, in INTERNATIONAL ENCYCLOPEDIA OF BUSINESS AND MANAGEMENT 283 (Malcom Warner ed., 2d ed. 2002).

13. Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia. Papua New Guinea has observer status in ASEAN; Timor Leste has applied for observer status.

NAFTA (Canada, Mexico, and the United States); 3. Australia and New Zealand, which have a longstanding Closer Economic Relations (CER) Free Trade Agreement (FTA). APEC is a loosely coupled economic community, but it is the largest of its type in the world. It currently has twenty-one members: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, the United States, and Vietnam. APEC members—referred to as “member economies”—account for more than 2.6 billion people: about 40% of the world’s population.

Figure 1
The Asia-Pacific Economic Cooperation (APEC) Member Economies



Source: APEC, available at <http://www.apec.org>.

Most countries with a coastline on the Pacific Ocean, then, are members of APEC as shown in Figure 1. Exceptions are Colombia and Ecuador in South America; the six Central American countries of Guatemala, El Salvador, Nicaragua, Honduras, Costa Rica and

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Panama; Cambodia and North Korea in Asia; and such Pacific Islands, as Fiji, Tonga, and Samoa. The People's Republic of China has insisted that, in APEC, the Republic of China, often known as Taiwan, is not allowed to carry either of the names "Republic of China" or "Taiwan" but must be referred to as Chinese Taipei.¹⁴ The Taiwanese president is not allowed to attend the summit but can send a ministerial-level official as an envoy. Guam has requested membership, citing the example of Hong Kong and Taiwan, but the United States objects on the grounds that it represents Guam. Figure 2 summarizes APEC's key dates and achievements.

Figure 2
A Chronology of APEC's Key Dates and Achievements

1989 - Canberra, Australia

APEC begins as an informal ministerial-level dialogue group with 12 members.

1993 - Blake Island, United States

Economic Leaders first Summit; APEC's vision, "stability, security and prosperity for our peoples."

1994 - Bogor, Indonesia

APEC sets the Bogor Goals: "free and open trade and investment in the Asia-Pacific...."

1995 - Osaka, Japan

Action Agenda for meeting the Bogor Goals: trade and investment liberalisation, business facilitation and sectoral activities, via policy dialogues, economic and technical cooperation.

1996 - Manila, The Philippines

Action Plan: measures to reach the Bogor Goals outlining how economies will achieve free trade goals.

1997 - Vancouver, Canada

Proposal for Early Voluntary Sectoral Liberalization

14. Strictly speaking, China represents the interests only of mainland China; in APEC, it insists on calling Chinese Taipei, Hong Kong, and Macau "member economies," rather than allowing them to be identified as separate "countries."

(EVSL) in 15 sectors.

1998 - Kuala Lumpur, Malaysia

Seeks EVSL agreements with non-APEC members at WTO.

1999 - Auckland, New Zealand

Commits to paperless trading; endorses Integration of Women Framework.

2000 - Bandar Seri Begawan, Brunei Darussalam

Action Plans: for the New Economy including tripling Internet access throughout APEC by 2005.

2001 - Shanghai, People's Republic of China

Broadening the APEC Vision: Strengthening Implementation of Bogor Goals; Counter-Terrorism Statement.

2002 - Los Cabos, Mexico

Policies on Trade, the Digital Economy and Transparency Standards and a Secure Trade Initiative.

2003 - Bangkok, Thailand

Action Plan on SARS and the Health Security Initiative; promotes: knowledge-based economies, efficient financial systems and regional structural reform.

2004 - Santiago, Chile

Supports WTO Doha Development Agenda; best practices for FTAs; fighting corruption and ensuring transparency.

2005 - Busan, Korea

Busan Roadmap and Privacy Framework; confronts pandemic health threats.

Source: Adapted from http://www.apec.org/content/apec/about_apec/history.html.

In comparison with APEC, the EU is a much more established supranational intergovernmental association; it has twenty-five

“member states.”¹⁵ The first of a series of predecessor relationships between some of these countries began in 1951. By the 1980s, less than half a century after its genesis, the EU was exerting major influences on the practice of employment relations in its member countries. These influences reflected a range of important EU initiatives, including moves toward the harmonization of labor laws, the “social chapter,” and the European Works Council Directive, which have become a “focal point for the Europeanization of” employment relations.¹⁶ Before APEC’s 50th birthday, will we be considering the APEC-ization or Asian-ization of employment relations?

APEC began as a relatively informal group of government officials; mainly from departments of trade or the equivalent. It claims to be the only inter-governmental group in the world operating on the basis of non-binding commitments, open dialogue, and equal respect for the views of all participants. By contrast with the EU, the World Trade Organization (WTO), and other multilateral trade bodies, APEC does not require treaty obligations of its participants; members make commitments only on a consensual and voluntary basis. This explains why many of APEC’s goals are expressed in vague terms, which are more practicable for national governments’ diplomats to agree on, for instance: advancing Asia-Pacific economic dynamism and sense of community.¹⁷ The vague terms provide diplomats with space to negotiate trade agreements that cannot be covered in WTO treaties. For instance, Australia could sign an FTA with Taiwan under the umbrella of APEC, but not under the umbrella of the WTO. Thus there are benefits of using APEC as a channel for signing such bilateral trade agreements, which otherwise might not be practicable in other forums.

APEC has become a vehicle for promoting the liberalization of trade and investment around the Pacific Rim. This includes promoting FTAs and other forms of practical economic cooperation such as: facilitating economic development, the growth of small and medium sized enterprises (SMEs), the mobility of businesspeople, more equitable participation by women and young people in the labor market. At its 1994 annual meeting in Bogor, APEC adopted the

15. Wikipedia, European Union (2006), available at http://en.wikipedia.org/wiki/European_Union.

16. PAUL MARGINSON & KEITH SISSON, EUROPEAN INTEGRATION AND INDUSTRIAL RELATIONS: MULTI-LEVEL GOVERNANCE IN THE MAKING (2004); see also Bamber et al., (2004), *supra* note 2.

17. For APEC goals, see APEC, *supra* note 10.

goals of achieving free trade among its developed economies by 2010 and among its developing economies by 2020.¹⁸ APEC has expanded its agenda to include other issues such as telecommunications, the environment, and health. Since 9/11, the United States has put security issues and counter-terrorism on to APEC's agenda. This has further extended APEC's focus beyond economics to include political issues.¹⁹ To what extent is APEC likely to develop to influence labor markets too, thereby complementing its initial focus on product markets?

III. WHICH CATEGORIES OF ECONOMY BELONG TO APEC?

Table 1²⁰ includes key statistics of APEC member economies. This illustrates contrasts between different categories of economy that

18. APEC, 1994 Leaders' Declaration (1994), available at http://www.apec.org/apec/leaders_declarations/1994.html.

19. Luis Aparicio-Valdez, *Editorial*, in *LABOUR RELATIONS IN THE ASIA-PACIFIC COUNTRIES* xix (Roger Blanpain & Luis Aparicio-Valdez eds., 2004).

20. Column 1: APEC, Key Economic Indicators, available at http://www.apec.org/content/apec/member_economies/key_economic_indicators.html (last visited Mar. 21, 2006); Columns 2 & 4 (Clusters 1 & 2: 2006): Int'l Monetary Fund, *World Economic Outlook Database*, at <http://www.imf.org/external/pubs/ft/weo/2005/02/data/dbcsubm.cfm> (last visited Mar. 21, 2006); Column 3: APEC, APEC ECONOMIC OUTLOOK (2005); Column 4 (Clusters 3 & 4: 2005): Dep't of Foreign Affairs & Trade, Australian Gov't., at <http://www.dfat.gov.au/geo> (last visited Mar. 21, 2006); Column 5: Union density is one indicator of the strength of national union movements. Union density is calculated by dividing total union membership by the potential number of union members. See INTERNATIONAL AND COMPARATIVE EMPLOYMENT RELATIONS: GLOBALISATION AND THE DEVELOPED MARKET ECONOMIES, *supra* note 2, at 374. There are considerable variations between countries in the methods used to collect the data, the coverage of the union membership figures, definitions used, and the calculation of union density rates. These all affect the way the data can be used, and their comparability between countries and over time. Therefore, the data should be used only with caution. For sources, which were collated and supplied by ILO Bureau of Statistics (April 2006), see 2004, *Bureau of Labor Statistics*, Dep't of Lab. (2004); 2003, *Trade Union Membership*, AUSTRALIAN LABOUR MARKET STATISTICS (2003); 2001, Statistics Canada, *Labour Market Activities: Recent Trends*, available at <http://www.statcan.ca/english/freepub/92-125-GIE/html/lab.htm> (last visited Mar. 21, 2006); 2003, Stat. Bureau, Mgmt. & Coordination Agency, Ministry of Int'l Aff. & Comm., 2003 JAPAN STAT. Y.G.; 2004, Leda Blackwood et al., *Unions and Union Membership in New Zealand: Annual Review for 2004*, Victoria University available at <http://www.vms.vuw.ac.nz/vuw/fca/vms/files/Unions%202004%20final.doc> (last visited Mar. 21, 2006); 1999, *Report of the Commissioner for Labour*, Commissioner for Labour; 2002-03, Manpower Res. & Stat. Dep't, Ministry of Manpower, SINGAPORE Y.B. OF MANPOWER STATISTICS; 2002, Nat'l Stat. Office, Ministry of Labour, *Statistical Indicators in Korea*; 2003, Rep. of China, Council of Lab. Aff., Y.B. LAB. STAT., TAIWAN AREA; 2000, Nat'l Bureau of Stat., CHINA LAB. STAT. Y.B.; 1995, Int'l Lab. Org. [ILO], *World Labour Report 1997-98, Industrial Relations, Democracy and Social Stability*, tbl. 1.2 (Trade Union Density: Union Membership as a Percentage of Formal Sector Wage Earners), available at <http://www.ilo.org/public/english/dialogue/ifpdial/publ/wlr97/annex/tab12.htm> (last visited Mar. 21, 2006).

belong to APEC. For example, the Cluster 1 DMEs include: the United States, Canada, Japan, Australia, and New Zealand. Cluster 1 countries enjoy significantly higher levels of gross domestic product (GDP) per capita than the other Clusters. Recent reforms or structural adjustment programs in the countries in this Cluster are in part a response to the increasing industrialization of some other countries of the region. Japan and some other Cluster 1 economies have been experiencing relatively low levels of self-generated population growth and are having to deal with demographic problems relating to the post-1945 “baby boom” with the consequential ageing of the population. This tends to induce labor market problems related to the “ratio between the economically-active and non-economically active populations, the provision of appropriate education and training and the rate of job creation.”²¹

TABLE 1
APEC Member Economies' Key Statistics and Other Indicators

		1. Population (millions)	2. GDP Per Capita US\$ (thousands) purchasing power parity	3. Average Economic Growth 2002–2004 (%)	4. Unemployment Rate 2005/06 (%)	5. Union Density (%)
Cluster 1 Developed Market Economies	United States	293	44	3.1	5.2	12
	Australia	20	33	3.4	5.1	23
	Canada	32	36	2.7	6.7	33
	Japan	127	33	1.3	4.1	20
	New Zealand	4.1	26	4.2	4.2	21
Cluster 2 Newly Industrialized Economies	Hong Kong	6.9	35	4.4	4.6	21
	Singapore	4.2	30	4.3	3.4	22
	South Korea	48	24	4.2	3.3	12
	Taiwan	23	29	4.3	4.2	38
Cluster 3 Less Developed Economies	Brunei	0.4	25	2.6	4.7	N/A
	China	1230	6.8	8.9	9.3	90
	Indonesia	224	4.2	4.6	9.4	4.8
	Thailand	65	9.2	6.0	2.3	5.2
	Malaysia	26	12	5.5	3.7	N/A
	Papua New Guinea	5.9	2.4	1.5	3.4	N/A
	Philippines	86	5	5.0	12.2	27
	Russia	144	12	6.2	7.7	75
	Vietnam	83	3	7.3	2.4	N/A
Cluster 4 Latin American Economies	Chile	15	12	3.9	7.6	33
	Mexico	105	10	2.2	3.9	43
	Peru	28	6.2	4.6	8.4	18

21. Nigel Haworth & Stephen Hughes, *APEC's Labour Markets: National Contexts, International Forces and APEC Responses*, PAPER GIVEN IN BANFF, CANADA 8 (May 1997).

An intermediate Cluster 2 includes the newly industrialized economies (NIEs): Hong Kong, Singapore, South Korea, and Taiwan. The NIEs are distinctive as post-Japan industrializers. In terms of purchasing power, their levels of GDP per capita are approaching those of Cluster 1 economies. They have generally experienced slowing population growth with steady rates of GDP growth, which were interrupted by the 1997 Asian financial crisis. These economies have adopted policies of export-led development, foreign investment, technological advance, and the promotion of the services sector, but are clearly distinct from Cluster 3.

Cluster 3 comprises LDEs, the next generation of industrializers; it includes: China, Indonesia, Papua New Guinea, the Philippines, Russia, Thailand, Malaysia, and Brunei.²² In most cases, their levels of GDP per capita are significantly lower than those in Clusters 1 and 2. They have been experiencing growth in terms of their populations and labor forces, but are also confronting labor market issues as there is industrialization and migration from rural areas to the cities. Following its rapid economic growth in recent years, parts of China are attaining NIE status. However, economic development in China has been uneven, with growth rates in the special economic zones greatly outstripping those of the more isolated regions. China has also been transitioning from state socialism to a form of social market economy. Indonesia also achieved relatively high growth rates during the early to mid-1990s, but had been expected to reach a higher stage of economic development by the early twenty-first century. Growth in several of these countries was interrupted by the 1997 Asian financial crisis, for example, Indonesia and Thailand.²³

Cluster 4 is rather different: three Latin American economies (Chile, Mexico, and Peru). In economic terms, Chile has been relatively successful compared to Mexico, Peru, and other Latin American countries. However, Mexico's trade with the United States and Canada has tripled since the implementation of NAFTA in 1994 and since then Mexico has attracted much investment from the United States. There is a high degree of inequality and unemployment in all three countries. However, the apparent level of

22. Brunei's per capita GDP is far above the other Cluster 3 economies, but this reflects its extensive petroleum and natural gas fields.

23. For an elaboration of the categorization of clusters of economic development, see Greg J. Bamber & Chris J. Leggett, *Changing employment relations in the Asia-Pacific region*, 22 INT'L J. MANPOWER 300 (2001); also see EMPLOYMENT RELATIONS IN THE ASIA PACIFIC: CHANGING APPROACHES ch. 1 (Greg J. Bamber, Fun Koo Park, Peter Ross, Changwon Lee & Kaye Broadbent eds., 2000) [hereinafter EMPLOYMENT RELATIONS].

unemployment in Mexico is disguised since it would appear that about a quarter of the labor force experience underemployment.²⁴

To complement the above classification of their growth and development strategies, the APEC economies could also be categorized in terms of their forms of political economy. For instance, first, the “Anglo-Saxon model: from developed Keynesian demand management to free market models” includes the United States, Canada, Australia, and New Zealand. Second, the “State-led export-orientated models” encompasses Japan, South Korea, Taiwan, Malaysia, and Singapore. Third, the “socialist transition to the market model” includes China. Fourth, the Latin American economies, Mexico and Chile, could be categorized as “failed classical import substitution regimes.”²⁵

IV. STRENGTHS OF AND CHALLENGES FOR APEC

Although APEC includes only about 40% of the world's population, it boasts that it generated nearly 70% of global economic growth in its first ten years.²⁶ APEC represents the most dynamic economic region in the world, which is fuelled especially by the growth of China and other Asia-Pacific economies. APEC's decision-making by consensus and the diversity of its membership is a source of strength and weakness. Could APEC succeed in achieving an Asia-Pacific FTA among all its members? This would not be easy to achieve, considering the diversity among its members as exemplified above, and bearing in mind the difference in value that individual members place on APEC. For instance, key East Asian economies such as China, Indonesia, Malaysia, Thailand, Japan, South Korea, and Singapore are also members of ASEAN +3. These economies have a close bond with each other, due to their sharing of Confucianist values, geographical proximity and their membership of a potential Asian community built around ASEAN. This bond has led to proposals for several intra-Asia FTAs, exclusive of other Pacific Rim economies. ASEAN +3, then, provides an alternative trading community for its members, but hitherto, it has been most concerned with mutual security issues and has generally excluded Australia and New Zealand from its deliberations. However, ASEAN +3,

24. Central Intelligence Agency, *The World Factbook* (2005), available at <http://www.cia.gov/cia/publications/factbook>.

25. Haworth & Hughes, *supra* note 21.

26. APEC Chile 2004 (2004), available at <http://www.apec2004.cl>.

Australia, and New Zealand have started talking about an FTA among them; nonetheless, such an FTA does seem to be imminent.

Until 1973, when the United Kingdom joined the European Economic Community (a forerunner to the EU), much of Australia and New Zealand's trade was with the United Kingdom. Since then, however, Australia and New Zealand have taken other steps (sometimes only falteringly) to build closer links with their Asia-Pacific neighbors. Although at least some of these neighbors are reluctant to consolidate such relationships, the Australian and New Zealand governments probably see APEC as more important than most ASEAN governments do for these reasons. ASEAN agreed that Australia and New Zealand would be inaugural participants in the East Asia Summit, which was held in late 2005. This brought together the leaders of ASEAN +3, as well as South Korea, Australia, and New Zealand.²⁷

APEC's North American members probably see APEC as less salient for them, as they have a more immediate interest in NAFTA. Nonetheless, the United States has maintained an interest in APEC as a possible means of extending U.S. political and economic power in Asia, and, in particular, as a mechanism for confronting the increasing role of China and other Asian countries on the world stage. Fukuyama²⁸ argues that "there are other long-term developments taking place that will change the political landscape of Asia in ways that will ultimately weaken US influence." He refers to the intra-Asia FTAs that exclude non-Asian nations. Such FTAs would strengthen links and increase trade between Asian nations, and would probably have a detrimental effect on the economies and the power of those excluded, including the United States. It would be easier to achieve an intra-Asia FTA, due to the smaller number of participating economies and their geographical proximity, than an FTA comprising all of the twenty-one APEC nations.

APEC has been subject to criticism, for instance that it lacks much of a social agenda. Such criticisms are especially pointed in comparison with the EU. A sympathetic Antipodean participant in APEC critiques the conservatism of the decision-making process and the overwhelmingly technical orientation of many economies in APEC's HR Development Working Group (HRDWG), so that "it is

27. The acceptance of Australia and New Zealand as participants in the Summit followed their decision to sign ASEAN's Treaty of Amity and Cooperation, which hitherto Australia had resisted.

28. Francis Fukuyama, *All Quiet on the Eastern Front?* WALL STREET JOURNAL (Mar. 1, 2005), at 18.

not surprising that the work of the HRDWG usually takes on technician and unitarist characteristics.”²⁹ Another criticism is that at APEC meetings, for members’ leaders, much of the focus appears to be on bilateral side meetings between other members, rather than on the APEC agenda itself. “There is concern that APEC has become too much like a ritual rather than addressing the issues of real concern to leaders.”³⁰

V. APEC’S ROLES IN EMPLOYMENT RELATIONS

When he was the Australian Prime Minister, Bob Hawke had played a leading role in founding APEC. Hawke was a former president of the Australian Council of Trade Unions (ACTU). However, APEC has generally not focused directly on employment relations or union-related issues. This is understandable because it is difficult to achieve intergovernmental consensus on such issues.³¹ Nevertheless, unions and other representatives of workers’ interests continue to demand that more labor-related issues should be taken into account in APEC.

Haworth and Hughes identify the key concerns facing labor-market and employment-relations policy makers in APEC as a whole as follows:

- tailoring labor market policy to economic change and growth;
- providing an appropriate skill profile;
- integrating labor into technical change in order to improve productivity, quality, and competitiveness;
- putting in place appropriate education and training mechanisms;
- defining appropriate public/private sector mix in the labor market;
- defining and managing an appropriate response to labor migration;
- managing industrial relations; and,

29. Nigel Haworth, *Potential in search of Achievement: APEC and Human Resource Development*, in *APEC AS AN INSTITUTION: MULTILATERAL GOVERNANCE IN THE ASIA PACIFIC*, Institute of Southeast Asian Studies, Singapore 177 (R. Feinberg ed., 2003).

30. Charles E. Morrison, Sumner La Croix & Chris McNally, *APEC Looking at Ways to Revitalize, Become More Relevant to Leaders’ East-West Wire* (Oct. 17, 2003), available at http://www.eastwestcenter.org/events-en-detail.asp?news_ID=191.

31. Nigel Haworth & Stephen Hughes, *The APEC Forum: Human Resources Development and Employment Relations Issues*, in *EMPLOYMENT RELATIONS IN THE ASIA-PACIFIC: CHANGING APPROACHES* 207 (Greg J. Bamber et al. eds., 2000).

- responding to the contemporary labor standards debate.³²

After the 1997 Asian financial crisis (which post-dated Haworth and Hughes' analysis), Harcourt adds another key concern:

- unemployment and worsening poverty.³³

Several inter-governmental organizations formally recognize input from the *social partners*: employers and employees and their representatives. This is the case with the EU, NAFTA, International Labour Organisation (ILO), and Organisation of Economic Cooperation and Development (OECD). APEC recognizes input from *employers*, via the APEC Business Advisory Council (ABAC), but APEC does not formally recognize input from *employees* and their representatives (unions). By contrast, the EU recognizes input from *employees* and their representatives especially via the European Trades Union Congress (ETUC), which exerts considerable influence particularly with regard to social, employment, and labor issues. The ETUC includes all European affiliates of the International Confederation of Free Trade Unions (ICFTU).

The ICFTU is a global organization of unions. It established the Asia Pacific Labour Network (APLN) in 1995 in an attempt to provide an employee "voice" in APEC. APLN includes the Trade Union Advisory Committee (TUAC) to the OECD, as well as the ICFTU affiliates in a majority of APEC members: Australia, Canada, Chile, Chinese Taipei, Hong Kong, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, South Korea, Thailand, and the United States. APLN also includes the associated sectoral (e.g., telecommunications, transport, etc.) unions that are grouped in the International Trade Secretariats. All APLN meetings since 1996 have included guaranteed places for women representatives. APLN has operated outside the formal processes of APEC, yet APLN has issued statements to the Leaders' Summits and has provided regular analysis and commentary on subsequent APEC *communiqués*. APLN statements consist of the following elements: economic distributional issues; trade policy; human resource development (HRD); core labor standards, investment principles, and MNEs; social safety nets; and the status of women.³⁴

32. Haworth and Hughes, *supra* note 21, at 32.

33. TIM HARCOURT, APEC'S LABOUR AGENDA: NEGOTIATING THE FUTURE (2001).

34. This summary draws on HARCOURT, *supra* note 33.

A. *Economic Distributional Issues*

APLN recognizes the economic potential of APEC but APLN advocates the establishment of mechanisms to try to ensure that economic growth is fairly distributed across nations and populations. APLN argues for an increase in employment and the reduction of poverty: to ensure that working people share the benefits of economic growth.

B. *Trade Policy*

APEC has focused mainly on trade and related issues, but broader economic cooperation has significant implications for labor. Hence APLN recognizes that free trade is important for increasing resources, however, it argues that it is unions, through collective bargaining, and governments, through policy, that help to ensure a higher standard of living for workers. There are risks for labor associated with goals of increased global competitive pressure, such that cuts in wages and labor costs leave many worse off.

C. *Human Resource Development (HRD)*

All APLN statements have focused on HRD and related labor market issues. APLN has argued that it would be in the economic and the social interest of APEC members to broaden APEC's HRD agenda, not least to include labor standards and associated matters.

D. *Core Labor Standards, Investment Principles, and MNEs*

APEC's Investment Principles include a provision that, "Member economies will not relax health, safety and environmental regulations as an incentive to encourage foreign investment."³⁵ APLN has argued that APEC's Investment Principles should also include reference to the ILO Tripartite Declaration of Principles on Multinational Enterprises.³⁶ APLN sees such ILO Declarations and others such as the OECD Guidelines for Multinational Enterprises as ways of maximizing the positive effects of MNE investment whilst minimizing the negative effects. This reflects efforts by the ICTFU to put labor standards and ILO mechanisms into the OECD Multilateral

35. APEC Business Advisory Council, Report to the APEC Economic Leaders, 1996, available at <http://apecsec.org.sg/abachome.html>.

36. ASIAN PACIFIC LABOUR NETWORK OF THE ICTFU (APLN), MELBOURNE STATEMENT § 51(1995).

Agreement on Investment. However, APEC has resisted including labor standards in its *communiqués*.

E. Social Safety Nets

APLN supports the necessity of social safety nets such as social security, education, and labor protection. These safety nets that minimize problems associated with economic change have become more important, particularly since the Asian financial crisis of the late 1990s, which interrupted economic growth in key East-Asian economies.

F. Status of Women

APLN promotes social institutions designed to maximize equality for women through the elimination of discrimination, particularly in pay, but also through access to parental leave and other provisions. APLN holds that such institutions are also needed to improve the status of women. There is an influential Women Leaders' Network that tries to ensure that APEC addresses gender equality issues.

G. Union Involvement

APLN has also sought union representation, on the grounds that unions play an important role in demanding increased skills and career paths for workers. (Unions in countries as diverse as Singapore and Australia have played an integral part in the development of their nations' systems of education and training.) However, APLN has been unsuccessful in its efforts to achieve recognition of an explicit union role in APEC. To promote such recognition, by 2003 all ICFTU affiliates in APEC economies had agreed to form an APEC labor forum. Also, the ICFTU has applied for "non-member participant" status in APEC's Human Resource Development Working Group (HRDWG), but APEC rejected the application.

APEC had established the HRDWG in 1990, which initially met twice per year, but more recently it has met once per year. The HRDWG seeks development of skilled and flexible workforces. Its foci include: education, training, management of SMEs, meeting the impact of globalization, and enhancing labor mobility. It aims to develop HR partly via the establishment of networks; its network for Economic Development Management was later changed into the Labor and Social Protection (LSP) network. The LSP aims to foster,

“human capacity building, social integration, and strong and flexible labor markets through the development of useful labor market information and policy, improved workplace conditions and practices, and strong social safety nets.”³⁷

In 2001, APEC initiated an awareness-raising campaign to eliminate the worst forms of child labor and to provide educational opportunities. This regional initiative covers Indonesia, Mexico, Peru, Philippines, Thailand, and Vietnam. In practice the HRDWG’s main preoccupation has been how to improve training in such developing countries, with a focus on protecting vulnerable labor. Training being conducted under the auspices of APEC includes the design of superannuation and welfare systems and HR programs in China and other countries. APEC has promoted research on child labor, skill shortages, combating unemployment, and gender issues in labor markets.

The ICFTU has reiterated that establishing common labor standards, a decent work agenda, and creating an institutional space for unions to participate in APEC would benefit not only workers but also APEC as a whole, chiefly by ensuring a fair distribution of the benefits of globalization. The APEC secretariat replies that APEC does pay attention to improving employment, labor market, and HRD policies through the work of its HRDWG. APEC decisions have to be made by unanimity (which means that any one member, such as the United States or China, can and does veto them) and there has not yet been any consensus on labor standards or on creating an institutional space for unions within the APEC structure. As some governments were sympathetic to union participation in APEC, it could be feasible for union representatives to take part in national delegations to APEC meetings. However, working conditions, including pay levels, would still be addressed in each individual economy, rather than by APEC. Consequently it has not been feasible to establish common labor standards in APEC. In 2005, APLN proposed to proceed to establish an APEC labor forum, regardless of its lack of recognition by APEC.

An ICFTU/APLN delegation usually meets the leader of the government that is hosting the annual summit meeting a few days before APEC meetings. Typically such host leaders promise to take up the issues raised at the forthcoming APEC summits. Nevertheless,

37. APEC Labour and Social Protection Network (2006), available at http://www.apec.org/apec/apec_groups/working_groups/human_resources_development/labour_social_protection_network.html.

in subsequent *communiqués*, in most cases although they may mention certain HR matters (which tend to be the ones about which there is less likely to be conflict), there is rarely much reference to broader employment relations issues. For example, a union delegation met Chile's then President, Ricardo Lagos, before the 2004 APEC meetings in Chile. After that meeting, it was reported that the President said, "I will mediate between APEC and trade unions so that APEC could ensure that workers' voices are heard."³⁸ The President conveyed the unions' views in a personal letter to fellow APEC leaders. In spite of this, APEC's subsequent statement merely reaffirmed the existing agreement on the need to make APEC "more efficient and responsive to all stakeholders." Nevertheless, the 2004 APEC Ministerial Meeting for the first time established a specific reference to dialogue with a "labor representative" in the formal APEC structure. Ministers noted the reforms for immediate implementation, including the one proposed by New Zealand, to "contribute towards making APEC more focused and policy-oriented, ensuring that APEC's work responds directly to the instructions of Ministers and Leaders, and streamlining meeting arrangements and other processes, improving coordination between fora, and improving dialogue with the business community and other stakeholders, including labor representatives."³⁹

VI. WILL APEC DEVELOP TO INFLUENCE LABOR STANDARDS AND LABOR MARKETS?

In the continuing absence of formal union input, then, to what extent is APEC likely to develop to influence labor markets? In 2004, ABAC proposed that APEC should emulate the EU by forging a single market and removing such hidden barriers to trade as different product standards, professional and vocational qualifications, investment restrictions, and licensing rules. The *communiqué* from APEC's 2004 Economic Leaders' Meeting⁴⁰ did not accept the proposal; some Leaders said that it would be more important to advance the existing Bogor goals.⁴¹

Nevertheless, it is unlikely that APEC could maintain a focus only on product markets, for in most cases they are closely connected

38. *El Mercurio* (Nov. 17, 2004).

39. ICFTU, Summary of Outcome of the 12th APEC Economic Leaders' Meeting (Nov. 20-21, 2004).

40. APEC (2006), *supra* note 10.

41. ICFTU, *supra* note 39.

to labor markets. This is illustrated by arguments about human rights and “labor standards.” The United States, Canada, and the EU have sought to link trading arrangements with human rights issues. There has been U.S.-led pressure for the inclusion of labor standards, in particular, in trade-related international forums. In 1999, the United States took a firm line in the third APEC (HRD) ministerial meeting in Washington, promoting a range of initiatives that appeared to be reflecting U.S. union lobbying. However, the pressure exerted by the United States in APEC on such issues was less forceful than U.S. support for a trade-labor standards link in the much-publicized 1999 WTO meeting in Seattle. (It seems that U.S. insistence on a trade-labor standards link contributed significantly to the collapse of that meeting.) In light of the Seattle WTO meeting, it can be inferred that the focus on such issues in APEC is part of a larger U.S. agenda on trade.

The United States claims to be concerned for the well-being of workers in China and other “low-wage” economies. In addition, U.S. government trade officials are concerned about what U.S.-based manufacturing companies claim is “unfair competition” by manufacturers in China and elsewhere. Their assumption is that if workers’ terms and conditions were improved in China, Chinese labor costs would increase, which would, in turn, make it easier for U.S.-based manufacturers to compete with those based in China. Such pressures tend to be viewed with suspicion by the Chinese and other governments in the region, at best as meddling in their internal affairs and at worst as opportunistically trying to force the Chinese and other LDEs to make their exports less competitive.⁴² The current difficulties, for example, of textile manufacturers producing in the EU, the United States, Japan, Australia, and New Zealand reflect the large wage gap between such DMEs and China. The Japanese textile manufacturers mostly gave up trying to compete with Chinese producers and shifted a substantial part of their capacity to China and other Asian countries. The Japanese assumed that it would have been too difficult to cope with the competitive situation, for instance by promoting labor standards in China, because the wage differences were extremely large (e.g., in at least a ratio of Japan = 50 versus China = 1). It may take decades before such LDEs’ labor costs are increased to levels that compare with those prevailing in DMEs.

Could APEC develop to play an important role in employment relations, following the EU’s example? At present this does not seem imminent for at least two reasons. First, APEC was established only

42. Bruce Gilley, *Buying Binge*, 161 FAR EASTERN ECON. REV. (Issue 34) 42 (1998).

as a narrowly conceived economic community and, second, APEC covers a much larger and more diverse and inter-continental region compared with the EU, which includes countries on only one continent. In terms of its scope, the EU is a much more ambitious project than APEC. The EU has an elected parliament and a substantial infrastructure of its own public servants. By contrast to the EU's vast bureaucratic apparatus,⁴³ APEC has only a tiny infrastructure (a secretariat, of two dozen diplomats seconded from APEC members, and about twenty local staff, with no elected governance structures). Such tiny infrastructure is very economical in comparison with the expense of the EU's vast infrastructure. On the other hand, it is not easy for APEC to make much of an impact, for it has relatively few resources. If, like the EU, APEC were to have a form of elected governance, this could raise APEC's profile and influence among its member economies.

VII. CONCLUSIONS

The discussion has not focused narrowly on labor law and HR, but has touched on wider political and economic factors. APEC was launched in the period of international realignment after "the cold war." To an extent this echoes the predecessors to the EU having been launched in the period of reconstruction after World War II as a "common market." The EU has developed from such beginnings to influence labor markets, not least by including a "social chapter." Could APEC develop to become a form of an Asia-Pacific Union, with some parallels with the EU? This is conceivable; however, there are at least four hurdles to such a development. First, APEC covers a much larger terrain and includes more diversity than the EU, for instance, in terms of geography, culture, religions, races, income levels, industry structure, systems of political economy, and stages of economic development. This article mentioned that APEC includes at least four distinct clusters of economies that are at different stages of economic development in terms of their contrasting levels of GDP per capita, for example. It also mentioned four different categories in terms of their development strategies and political economy.

Second, despite the increasing role of China, which has a Communist government, there is usually a greater propensity for there to be right-of-center governments in many of the other Asia-Pacific economies than in Europe. Social-Democratic/Labor

43. EU members are bound by 350,000 pages of treaties.

politicians and unions have driven the EU's social chapter. As a generalization, moreover, unions are weaker and more fragmented in APEC than they are in the EU. For example, in two of APEC's most highly populated members, neither the All China Federation of Trade Unions (ACFTU), nor the Indonesian Trade Union Congress (ITUC) are affiliated to the ICFTU. Although the ICFTU invites such confederations to participate in some APLN activities, unions in APEC economies are not well positioned to press for the inclusion of an EU-style social chapter in APEC. Concerted union action is constrained by a legacy of cold war divisions between union confederations in the Asia-Pacific region, especially between the ICFTU and the ACFTU.⁴⁴ Also, there is great variation in the strength of unions in the various APEC economies. Table 1 shows that apparent union density varies from being more than 70% in China⁴⁵ and Russia to less than 5% in Indonesia and Thailand. The variation is even greater than might be inferred from these statistics, for in all of the Cluster 1 economies and many of the others, it is generally understood that a union is an organization that promotes workers' interests and that it should be relatively independent from the control of employers or governments.⁴⁶ Although unions are changing in China, for example, the notion of a union in China does not yet necessarily imply that it is an organization that is similarly independent.⁴⁷

Third, employers' interests have strong influences on most governments of APEC members and such interests generally do not agree that APEC or other international inter-governmental groups should focus on the contested terrain of employment relations. Employers' interests usually prefer that such matters should be covered by managerial prerogatives if practicable. Employers' interests oppose any notion that APEC might follow the EU's lead in fostering a social chapter. Therefore, an EU-style Asia-Pacific Union would confront even greater obstacles than the EU social chapter. Hence the notion of Asia-Pacific community remains more of an

44. Nigel Haworth & Stephen Hughes, *International Labour and Regional Integration in the Asia-Pacific*, in GLOBAL UNIONS? THEORY AND STRATEGY OF ORGANISED LABOUR IN THE GLOBAL POLITICAL ECONOMY 151 (Jeffrey Harrod & Robert O'Brien eds., 2002).

45. Although China Lab. Stat. Y.B. cites a 90% union density for China, this estimate is probably based only on non-agricultural union membership in the urban areas and in state-owned enterprises, rather than in all of China. See *supra* note 20.

46. For the ICFTU, a *bona fide* trade union organisation is independent of outside influence, and has a democratic structure; see ICFTU (2006), available at <http://www.icftu.org>

47. Daniel Z. Ding, Keith Goodall & Malcolm Warner, *The Impact of Economic Reform on the Role of Trade Unions in Chinese Enterprises*, 13 INT'L J. HUMAN RES. MGT. 431 (2002).

aspiration than a reality. Nonetheless, it seems likely that APEC will continue to develop more influences in labor markets, though such influences will be constrained by prevailing attitudes, ideologies, and political-economy realities.

Fourth, before APEC can make decisions it has to reach unanimity, which is very difficult to achieve among such a diverse group of economies. In the EU there is less diversity and there is scope for making some decisions by majority voting.

In spite of the different forms of attempt by the APLN and ABAC pressure groups to persuade APEC to play a larger role in promoting social or trade agendas, for the foreseeable future APEC will continue to play a much more modest role than the EU. There are no signs that APEC itself is inducing any convergence in terms of patterns of employment relations. There is still a great deal of diversity in employment relations in particular, and forms of political economy more generally.

Since its inception in 1989, APEC has focused mainly on trade liberalization and economic cooperation. It is vital for regional stability that the social dimensions of APEC be given more attention. As Harcourt points out, the recognition of this was heightened by the 1997 Asian financial crisis, which had significant social and labor market implications for the APEC economies, particularly those in East Asia.⁴⁸

In terms of its economic power and its dynamism, the Asia-Pacific is one of the world's most important regions. If APEC were to pursue even part of the trajectory that the EU has followed, APEC's influence on economic, political, and social relations between and within the Asia-Pacific nations could become much more significant. The political economy of the Asia-Pacific region is worthy of more research, not least as a context for the practice of employment relations. In addition, it is vital for policy-makers, practitioners and academics to pay more attention to this region and to its primary supranational forum: APEC. When paying attention to such internationally comparative matters such as APEC's influences on employment relations, a broad political economy approach provides a suitable framework for analysis.

48. HARCOURT, *supra* note 33.