
ECONOMIC GLOBALIZATION: ASEAN FTA & LABOR

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INTRODUCTION

- We are living in the 21st century world of Globalization

- **Economic Globalization**

 - = Global Capitalism

 - = New Imperialism

 - = Neo-Liberal Globalization

- Globalization has 2 character:

1. Multilateral/Regional/Bilateral Free Trade Agreement (M/R/B FTA) i.e. WTO/AFTA-AEC/China-ASEAN FTA etc.
2. Transnationalization (TNCs and TNBs)

GLOBAL LABOUR PROCESS*

'Old' International Division of Labour – 1950s

North as industrialized countries and South as producers of raw materials countries



New International Division of Labour - 1970s

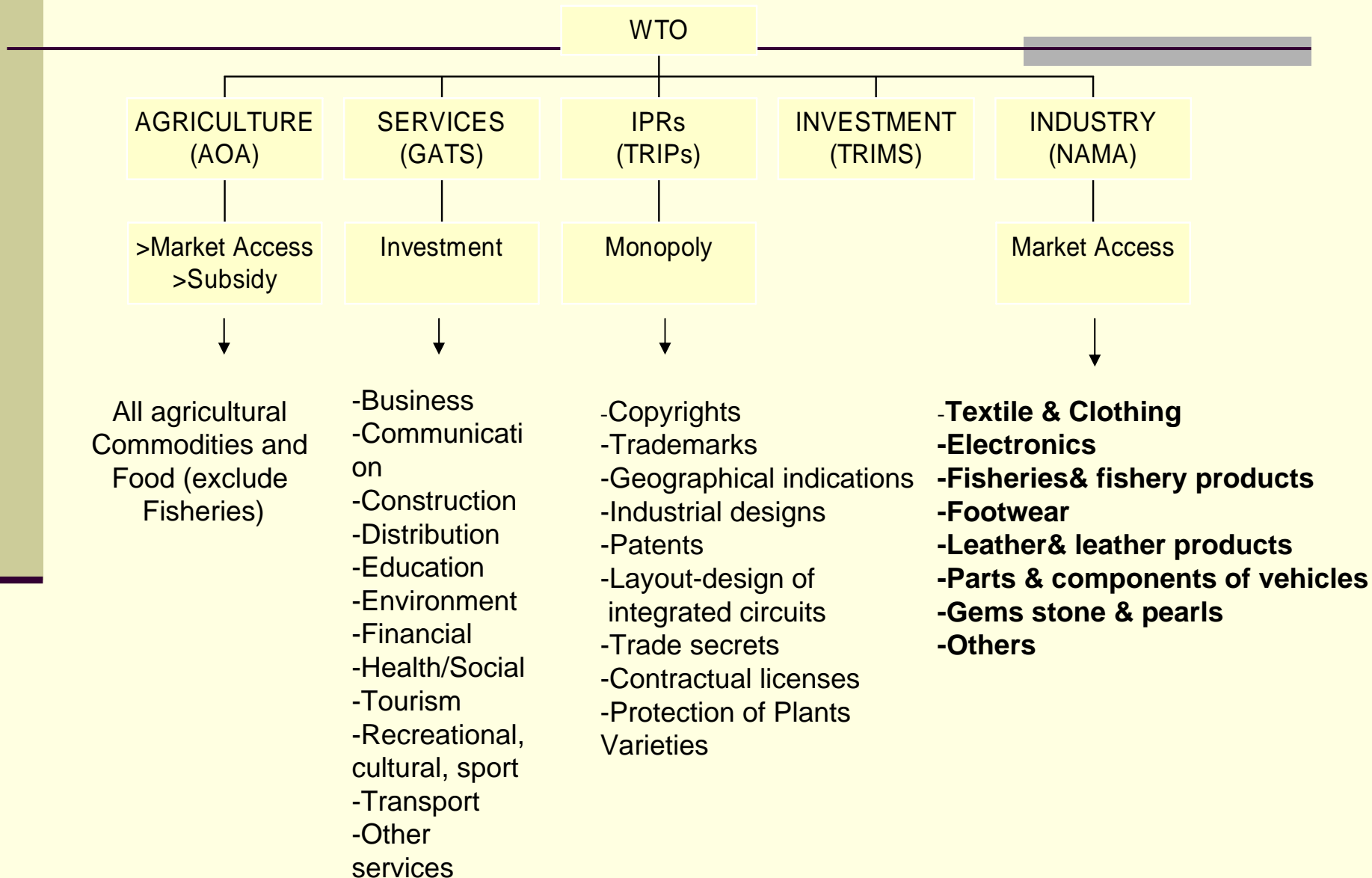
- Emergence of manufacturing sector oriented toward world market in the South
 - 'Peripheral fordism' in the South



Globalization – 1980s and 1990s

- **Liberalization**: opening up economy to the world market
- **Market-based** rather than state-managed development
- Centralized management of global market rules by **G-7**
- implementation of this rules by **multilateral agencies: WB, IMF, WTO**
- Concentration of market power in the hands of **TNCs (Transnational Corporations)** and financial power in the hands of **TNBs (Transnational Banks)**
- Subordination of Third World states to these global institutional forces
 - Based on **Neo-Liberal Ideology**

THE STRUCTURE OF POWER OF WTO



NAMA- *Non-Agricultural Market Access*)

- NAMA-Non-Agricultural Market Access, also known as negotiation in industrial tariffs. The objective is to reduce tariffs and non-tariff barriers in the industrial sector, especially products which have an interest for developing countries.
- In the last negotiation on July 17, 2007, the draft text proposed the Swiss Formula to cut tariffs. For developing countries, it will be 19% or 23%. By this formula, developing countries have to cut their tariffs bigger than developed countries. This will cut the maximum tariff and reduce room for industrial policy. Hence the bound tariffs will be around 10-15% in most of the developing countries. And this will also cut applied tariffs. This will bring to the destruction of their industry and the loss of jobs/employment

SIMULATION OF SWISS FORMULA 19 AND 23 FOR INDONESIA

Indonesia	Current applied	Current bound	New Bound SF 19	Reduction in applied SF 19	New Bound SF 23	Reduction in applied SF 23	Formal Employment (2001)
Textiles	11.7	30	11.6	1%	13.0	-	678,670
Clothing	14.9	35	12.3	17%	13.9	7%	462,223
Leather	12.3	40	12.9	-	14.6	-	284,511
Footwear	12.3	40	12.9	-	14.6	-	
Plastic	12.8	40	12.9	-	14.6	-	292,267
Rubber	12.8	40	12.9	-	14.6	-	
Wood	4.5	40	12.9	-	14.6	-	407,855
Automobile	28	38.9	12.8	54%	14.5	48%	48,676
Chemicals	3.6	37.9	12.7	-	14.3	-	212,519
machinery	1.9	38.8	12.8	-	14.4	-	49,214
furniture	11.3	39.7	12.9	-	14.6	-	300,519
Fabricated metals	10.2	40	12.9	-	14.6	-	116,972

SIMULATION OF SWISS FORMULA 19 AND 23 FOR PHILIPPINES

Philippines	Current applied	Current bound	New Bound SF 19	Reduction in applied SF 19	New Bound SF 23	Reduction in applied SF 23	Formal Employment (2004)
Textiles	9.1	30	11.6	-	13.0	-	96,000
Clothing	15	30	11.6	23%	13.0	13%	370,000
Leather	13.3	50	13.8	-	15.8	-	69,000
Footwear	13.3	50	13.8	-	15.8	-	
Plastic	11.5	30.4	11.7	-	13.1	-	56,000
Rubber	8.3	23.8	10.6	-	11.7	-	
Wood	7.1	24.7	10.7	-	11.9	-	142,000
Automobile	24	24.8	10.8	55%	11.9	50%	39,000
Chemicals	3.7	25.6	10.9	-	12.1	-	66,000
machinery	2.7	26.3	11.0	-	12.3	-	64,000
furniture	11.9	39	12.8	-	14.5	-	143,000
Fabricated metals	7.2	30	11.6	-	13.0	-	111,000

A F T A

- **AFTA (ASEAN Free Trade Area) was established in 1992 at the 4th ASEAN Summit.**
- **AFTA based on WTO rules**
- **The backbone of AFTA is CEPT (Common Effective Preferential Tariffs), which regulate market access of goods by categories and under different time period**
- **There are 4 categories of product put under the list of CEPT:**
 - 1. Inclusion List (IL)**
 - 2. Temporary Exclusion List (TEL)**
 - 3. Sensitive List (SL)**
 - 4. General Exemption List (GEL)**

CEPT

- **Inclusion List (IL)** : Reduction of tariffs into 0-5% (max. 5%)
 - for ASEAN 6 (old members: Indonesia, Thailand, Malaysia, Singapore, Philippines, Brunei Darussalam) since January 2002
 - For ASEAN 4 (new members: Vietnam, Laos, Myanmar, Cambodia) by January 2003
- **Temporary Exclusion List (TEL)**: list of goods that gradually will be put under IL
 - ASEAN 6 : 2000
 - Vietnam : 2003
 - Laos, Myanmar : 2005
 - Cambodia : 2007
- **Sensitive List (SL)** : commodities like rice, sugar, milk, corn, etc. has longer time to be reduce
 - ASEAN 6 : 2002
 - Vietnam : 2013
 - Laos, Myanmar : 2015
 - Cambodia : 2017
- **General Exemption List (GEL)**: not to be reduced, like national security

AFTA +

- AFTA also broadening into other areas, such as

Services, Investment and other new issues

but this is still under negotiation

- The important one is on Services. On 15 December 1995, ASEAN agreed to eliminate substantially restriction to trade in services amongst member states and liberalize trade in services by expanding the depth and scope of liberalization beyond those undertaken by member states under the *General Agreement on Trade in Services*

(GATS) of the WTO. It is called:

ASEAN Framework Agreement on Services (AFAS)

- There is also *ASEAN Investment Agreement (AIA)*, but this is not yet effective and very general, because the multilateral agreement on investment (MAI) under WTO is also not yet as a rules.

AFAS

- ASEAN member countries has an obligation to participate in AFAS, based on article IV para 1.
- AFAS based on GATS rules and the progress of negotiation of GATS in WTO
- “Member states who are WTO members shall continue to extend their specific commitments under GATS to ASEAN members states who are non-WTO members” (Protocol to Implement the 3rd Package of Commitment under the AFAS), 31 December 2001)
- Modality for negotiation based on ‘Offer’ and ‘Request’
- **Issue for labor is on ‘Mode-4’ (movement of natural persons)**

ASEAN ECONOMIC COMMUNITY (AEC)

ASEAN Vision 2020: to have an economically
integrated ASEAN (December 1997)



IAI (Initiative for ASEAN Integration) (November 2000)



IAI Work Plan (November 2001)

4 areas: infrastructure (inc. energy), human resources development, information and communication technology, capacity building for regional economic integration)



AEC proposed in 8th ASEAN Summit in Phnom Penh, Cambodia
(4 November 2002) by Singapore

- ASEAN to be transformed into ASEAN Economic Community (AEC) by the year of 2020
- IAI Work Plan: 6 year work plan with 54 projects/programs to assist CVLM



ASEAN Community by 2020 – Bali Concord II (3 pillars i.e. AEC, ASC (ASEAN Security Community) and ASCC (ASEAN Socio-Cultural Community) declared in the 9th ASEAN Summit in Bali, Indonesia on October 2003.

By 2020 AEC to be “single market and production base”



FAST TRACK INTEGRATION: ASEAN Summit in Vientiane, November 2004, agreed to eliminate tariffs on 11 priority sectors by 2007 for the ASEAN-6 and by 2012 for the CLMV countries. 11 sectors are **electronics, e-ASEAN, healthcare, wood-based products, automotives, rubber-based products, textiles and apparels, agro-based products, fisheries, air travel, and tourism.**

Existing tariff reduction agenda between ASEAN and its major trading partners

ASEAN – China

Agenda:

Early implementation with normal track and early harvest programme (EHP)

Timeframe:

1 January 2004 – 31 December 2006 (or 2010 for full trade liberalisation)

Details:

Early implementation of ACFTA involves tariff reduction on 600 commodities only (527 agriculture and 46 non-agricultural sectors)

Existing tariff reduction agenda between ASEAN and its major trading partners

ASEAN – India

Agenda:

Early implementation

Timeframe:

1 January 2005 (from an initially November 2004)

After some delays, it's been agreed on 2010

Details:

Delays resulted from disagreement between both parties on the rules of origins mechanism

Existing tariff reduction agenda between ASEAN and its major trading partners

ASEAN – Japan

Agenda:

Implementation negotiation (Framework agreement is to be agreed in April 2006)

Timeframe:

November 2005 (or 2012 for full trade liberalisation)

Until now, not yet finalized

Details:

Slow negotiation as a result of opposition from several key Japanese government offices

Existing tariff reduction agenda between ASEAN and its major trading partners

ASEAN – Australia/New Zealand

Agenda:

Implementation negotiation

Timeframe:

January 2005 (2017 for full trade liberalisation)

Then it's decided to have full implementation on
January 1, 2010

Existing tariff reduction agenda between ASEAN and its major trading partners

South Korea – ASEAN

Agenda:

Implementation negotiation

Timeframe:

January 2005 (2009 target for full trade liberalisation)

Then it's finalized on 2010

Details:

BTA will only cover 80 percent of total items, whilst the remaining 20 percent will be placed within the sensitive list category

The overall impacts of trade liberalisation in East Asian developing countries so far

- The loss of policy space – government is increasingly incapable to determine the right policy that suits the needs of its people;
- East Asian states are no longer enjoying revenues generated from the imposition of tariffs;
- Many East Asian, particularly Southeast Asian, developing countries are currently undergoing the process of de-industrialisation – many industrial sectors are shut down (i.e. textile, footwear, electronic, etc.);
- Poverty, hunger, and unemployment are becoming epidemic;
- Environment depletion is widespread;

GLOBALIZATION IMPACT TO LABOR AND EMPLOYMENT

1. Labor Market Flexibility → small wages
2. Limitation to form Trade Unions → weakening of trade unions
3. Privatization → lay-off of workers
4. De-industrialization → unemployment
5. Capital flight policy by TNCs (Relocation) → loss of jobs/employment
6. Outsourcing → loss of job security and benefits
7. Industrial crisis → unemployment
8. Agricultural crisis → impoverishment of farm laborers
9. Surge of food imports → bankruptcy of farmers and small businesses
10. Proletarianization → increase of unskilled labors

TRADE UNION, WHAT SHOULD BE DONE?

1. To push for the fulfillment and implementation of core labor standard
2. Trade Union against Neo-Liberal practices and ideology
 - Against privatization
 - Against outsourcing
 - Against labor flexibility
3. Strengthening the Trade Union movements by creating more and more trade unions in any work place in Indonesia
4. Creating more jobs in macro-economic policy by having labor-intensive industry and strengthening domestic market
5. Improvement of labor condition, increase wages and creating social security system to labor
6. To put ILO convention higher than trade agreements of WTO, but never put labor standard into WTO agenda. Put labor standard in World Bank projects
7. Workers Rights as Human Rights !
8. Democratize work place !