Globalization: Trade Union Issues and Challenges in the Asia-Pacific Region

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In 1995, the first year of the newly-established World Trade Organization (WTO), the World Bank came up with an exuberant report on labor and globalization (World Bank, 1995) which underscored the positive impact of the economic globalization processes on the world labor force in terms of employment and income. The World Bank declared that the stage was set "for a truly global golden age in the twenty-first century" (p. 125).

Today, the picture appears radically different. Even before the Battle of Seattle, the International Labour Office (ILO, 1998), was already pointing out that 25-30 per cent of the 3 billion world labor force were underemployed and that 140 million workers were fully unemployed. It added that the ranks of the jobless were likely to swell by 10 million more by the end of 1998 because of the crisis that engulfed a number of Asian economies (p. 1), a crisis which nearly threatened to plunge the world into a truly global recession.

The UNDP (1999) subsequently came up with an even more devastating documentation of how globalization is creating an even more unequal world society. It wrote that globalization has tremendous capacity "to do extraordinary harm as well as good". And that while globalization has caused massive expansion of the world economy since 1990, it has also resulted in a greater unevenness, "leaving countries, regions, ethnic and religious groups, classes and economic sectors the victims of increased inequality (p. v)." Some of the UNDP's findings that are highly relevant to the trade union movement are as follows:

Globalization has created a highly integrated labor market for "the global professional elite", e.g., executives, scientists, entertainers, computer programmers, who enjoy high mobility and wages, but has subjected many rank-and-file workers to "greater insecurity in jobs and incomes" under "more

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flexible labour policies with more precarious work arrangements" in various industries and countries (pp. 3-4). Unemployment and underemployment have remained endemic in both developed and developing countries.

• The assets of the three (3) richest people are more than the combined GNP of all least developed countries, and the assets of the 200 richest people are more than the combined income of 41 per cent of the world's people (pp. 38-39).

• Multinational corporations continue to dominate world production and world markets, integrating both production and marketing worldwide and undertaking cross-border mergers and acquisitions that accounted for about 59 per cent of total foreign direct investments in 1997 (pp. 30-31). The world's top 20 information and communications corporations had combined revenue of more than $1 trillion or the equivalent GDP of the UK.

• The external debt of developing countries reached almost $2.2 trillion in 1997, and has been a heavy drain on public budgets, eroding the capacity of governments to provide essential public services (p. 107).

• "Privatization does not automatically lead to competition" (p. 67), nor to efficiency and welfare.

• The traffic in women and girls for sexual exploitation is now a $7 billion business, involving the trafficking of 500,000 women and girls a year in Western Europe alone (p. 5).

• Financial volatility is also a major feature of the new global financial markets and can wreak havoc on economies overnight as shown by the Asian financial crisis of 1997-98 (pp. 40-41).

Many of these are not really new and have been the subject of passionate discussions among trade unions and civil society groups in both the Northern and Southern countries. What is new is that a major UN agency took the courage to document the social impact of globalization and to make a call for a new architecture of global governance to reduce social inequality and spread the benefits of new technologies and new markets.

This paper does not seek to provide detailed answers to the call of the UNDP for a new architecture of global governance under globalization. What this paper aims to do is to outline, in broad strokes, the present architecture of economic globalization under the leadership of the World Trade Organization (WTO), the major labor impact of globalization in Asia and elsewhere and the major policy issues confronting the trade union movement under a WTO-led globalized economic order.

The architecture of globalization in the Asia-Pacific region

As commonly understood, globalization means the tighter and accelerated integration of national economies with a free market world economy through the freer flow of goods, capital and now, even services.

In this sense, globalization as a process is not really new as the trajectory of world capitalism has been precisely towards centralization and consolidation, leading eventually to the global integration of production and markets. What is really new is the rapidity by which this integration is taking place. This is due to the following facilitating factors, which an FES-supported study (Ernt, 1980) documented as early as 1978:

• the development of a large worldwide reservoir of cheap surplus or potential labor, especially in the developing and "socialist" world, which global capital can tap for flexible labor deployment through subcontracting arrangements;

• the tremendous advances in communications, transport and production organization, which have rendered industrial location less dependent on geographical distances and which allow rapid relocation from one area to another;

• the development and refinement of technology and labor organization, which allow the decomposition of complex production processes into elementary units and which enable companies to employ workers with very elementary skills; and

• the rise of global or multinational corporations with a 'global reach' and which can organize their production and marketing operations worldwide.

As a result of the above, Ernt (1980) came to the conclusion that a 'new international division of labor' was then developing, whereby less developed countries are made to specialize in labor-intensive, low-technology export commodities and the more developed countries in capital-intensive, high-technology products under the auspices of the MNCs or TNCs. According to the authors, this division of labor has led to a high rate of joblessness in the North and an exploitative labor situation in the South, especially in the so-called export processing zones or EPZs.

However, in addition to the above, one should mention here another major facilitating factor, the enthronement of the neo-liberal economic philosophy in most countries of the world in the 1980s and 1990s as reflected in the following:

• the adoption by both developed and developing economies of liberalization policies such as privatization, deregulation and trade and investment liberalization, usually on the active advice of multilateral and bilateral lending institutions;

• the shift to market orientation by the former Soviet socialist bloc, the People's Republic of China and Vietnam; and

• the emergence of global and regional trading blocs advocating an open economy for all member countries such as the ASEAN Free Trade Area (AFTA), the Asia-Pacific Economic Cooperation (APEC) and the World Trade Organization (WTO), which supplanted the General Agreement on Tariffs and Trade (GATT).

The adoption by some developing countries of liberalization policies was part of the conditionality program of the multilateral lending institutions such as the International Monetary Fund (IMF), the World Bank (WB) and the Asian Development Bank (ADB). In the early 1980s, these lending institutions introduced the structural adjustment program (SAP), which calls for the overhaul of allegedly restrictive economic policies in the debtor countries as a condition for lending. The Philippines had a string of SAP loans in the 1980s, Thailand had one in 1982 and Indonesia had one in 1985. Recent IMF bailout programs for the crisis-ridden countries in Asia are also guided by the SAP philosophy of promoting "reforms" through greater liberalization and openness of the economy, particularly the banking sector.

The SAP program generally consists of the following: tariff reduction and phaseout of import quotas and non-tariff barriers; privatization of government assets and social services; foreign exchange liberalization, liberalization of the commercial banking system by allowing the entry of foreign banks, and interest rate deregulation; liberalization of the investment regime to allow freer entry of foreign investors, creation of special economic zones to attract investors, and development of other incentives to entice foreign investors; reduction or phaseout of government intervention in the market, e.g. credit assistance, production subsidy, support pricing; and deregulation of certain industries or sectors.

The overriding objective of the SAP policy measures is to open an economy to the flow of goods and capital. In the 1990s, these SAP measures have been further reinforced or consolidated by the rise of the WTO, AFTA and APEC. (See Appendix for a discussion of these institutions.)

Impact of globalization on labor: macro level

The WTO, AFTA and APEC are global and regional trading institutions that help facilitate and reinforce the phenomenon called economic globalization. At the same time, these bodies help influence the direction of globalization, that is, towards the neo-classical economic framework favored by the multinationals.

Now, what has been the overall labor impact of globalization under the WTO?

At the aggregate level, globalization, which induces foreign and domestic investments to go into select industries and businesses, contributes to the generation of new jobs, development of new skills and the creation of new wealth for society. This is what advocates of economic liberalization keep repeating in justifying various measures promoting international economic integration such as trade liberalization, privatization, agricultural deregulation and foreign investment promotion.

However, what is rarely discussed in official policy circles is the fact that globalization has a way of rearranging the economy of a country which leads to a growth pattern that also perpetuates inequality, unemployment and poverty.

Inequality arises from the fact that global competition does not only create winners and losers in industry and agriculture but also promotes growth in an uneven or exclusionary manner in different areas of the national and regional economy. In the case of the former process, manufacturing industries and agricultural sub-sectors catering primarily to the domestic markets and operating on the basis of traditional or outmoded technology are generally swamped by the flood of cheaper industrial and agricultural products that now enter national markets with facility because of trade liberalization. The winners are usually those who succeed in finding niches in the global market based on more sophisticated technology, or those with tie-ups in the global production chain of transnational corporations. This explains the phenomenon of rapid transnationalization and monopolization of some economies, a process that is aided by the tremendous global advances in communication and transport, the widespread application of information technology and the development of a policy environment hospitable to foreign investments (see earlier discussion). In fact, this is one major concern expressed in the various discussions on GATS as the liberalization of financial services is seen to herald the large-scale entry of foreign financial institutions like Citibank, Hong Kong Shanghai and ABN-Amro, which are feared to grab the domestic market from the locals.

The winner-loser process becomes problematic for countries which have more losers than winners and which have less potential to develop global market niches for their homegrown products and services. In many Asian countries, some of the biggest losers are agricultural sub-sectors such as the grains and livestock industries, which are being clobbered by the high-tech offensive of American and Australian producers. Thus to generate more investments and jobs, some governments are forced to market the "comparative advantages" of their countries to foreign investors, advantages that usually mean cheap labor and natural resources. This naturally has dire implications on the welfare situation of workers and on the environment.

The Asian financial crisis also helped corporate raiders from the North buy up national corporations and assets in South Korea, Thailand, Indonesia and the Philippines at bargain prices. This has been accompanied by numerous mergers and acquisitions, especially in the banking and telecommunications industries, which have resulted in mass layoffs in these industries.

As to the exclusionary process, this is evident from the fact that globalization is primarily a market-driven process that rewards able participants in the global markets. On the basis of this reality, government economic planners rarely give importance to non-market players such as the indigenous people and the marginal domestic-oriented economic actors such as those found in the informal sector in the urban areas and in the underdeveloped sub-sectors of the farming sector. They are excluded from the development process. Sometimes, they are even displaced by development projects such as resort, golf and tourism projects meant to lure global tourists.

Naturally, unemployment and underemployment remain endemic in countries with few winners and have limited success in the global markets. In some cases, economic growth is realized without any significant improvements in the employment level. This is so because growth is fueled by sectors that have no linkage with the national economy (and, therefore, have limited multiplier impact), that use mainly capital-intensive methods (and, therefore, have limited employment impact) and that are based on speculative business (and, therefore, have hardly any contribution to employment).

With a narrow pattern of growth and employment, poverty is bound to persist, if not worsen. This can easily be seen in the continuous growth of the informal sector, where jobs are even more precarious.
This can also be seen in the phenomenon of rising internal and external migration, particularly of women. The feminization of migration is a direct offshoot of the crisis in agriculture and the abject lack of jobs in the urban areas.

There is also the phenomenon of the use of child labor in industries seeking short-term competitive advantage in terms of cheaper labor.

Impact of globalization on labor: firm and industry levels

Because of intensified global competition and the freer flow of goods, enterprises, whether producing for the domestic or export market, are forced to make changes or adjustments in the way the work process is managed in order to come up with products that are cheaper or cost-competitive and of higher quality. Moreover, products have to be produced and delivered to customers at the shortest lead or turnaround time possible.

All this means a continuous process of either cutting cost of operation or enhancing enterprise productivity, or both. Labor naturally figures prominently in both exercises.

This is why globalization has, like the conveyor system of the mass production system, radically changed the nature of work and the deployment of workers. Some of the most significant developments:

1. *Trend towards labor flexibilization*

One major trend is labor flexibilization, which simply means the ability of employers to reduce the cost of labor, increase labor productivity and strengthen management control over the work process and the workers. Some of the flexibilization measures identified by the ILO as early as 1989 (Edgren, 1989) have intensified in use in the 1990s. These are:

1. reducing the core of permanent workers, while increasing the proportion of temporary and casual employees;
2. increasing the use of women, apprentices and migrants;
3. subcontracting the production of components previously manufactured within the factory;
4. subcontracting services like transport, packaging, maintenance and security which are carried out on factory premises;
5. increasing the number of shifts per day or the use of overtime;
6. replacing pay systems based on working time and length of service by systems based on piece rates and bonuses;
7. introducing internal training systems which facilitate re-deployment of workers within the factory or enterprise; and
8. reducing influences from external trade union organizations by either eliminating unions or establishing a controllable union.

Central to the flexibilization process is the ability of companies to "reengineer" themselves by concentrating on core or flagship businesses and spinning off non-core businesses through subcontracting or outsourcing.

Still part of this reengineering program is the promotion of a core-periphery pattern of hiring of employees within the enterprise, where those being made regular or permanent workers are only those occupying managerial, confidential, technical, professional and skills-intensive positions. Jobs requiring less skills and involving routine or repetitive tasks are reserved to peripheral workers such as the probationaries, casuals and apprentices.

The reengineering program also often leads to the downsizing of "surplus" personnel and the intensification of work programs for those retained by the enterprise.

2. *Trend towards the informalization of labor*

Under globalization, the informal sector tends to grow. However, even the formal labor market itself is partly being "informalized" because of the core-periphery pattern of labor deployment and the increasing use of casual labor and outsourcing of work. This process is aided by the ability of enterprises, especialy multinational companies, to atomize or break down the work processes into simplified modules that become the basis of international subcontracting of work to different national producers, which, in turn, farm out even more simplified work packages to other producers, sometimes located in depressed rural areas where wages are dirt cheap. This system of subcontracting explains why there are companies that are able to export products in their name without even maintaining their own factories.

3. *Trend towards an HRD strategy*

For the core of regular and select workers that are retained by businesses, one major form of labor control that industry is using is the "HRD strategy", which instills among the workers and even the union the idea that they are strategic allies or partners who are facing a common enemy: competition in the global market. The HRD strategy calls for a lot of communication and consultation with the workers on aspects of the work process that directly affect them. It also entails the enculturation of the work force on the company culture and values, reinforced through the recitation of company creed and conduct of company exercises. Very often, the HRD strategy also leads to another form of flexibilization: the higher type of flexibilization where workers are encouraged to develop new skills and get exposed to various aspects of work so that they can become multi-skilled and can do varied tasks in a flexible work environment.

Attacks on workers' rights and trade unions

Traditional workers' rights are under attack under globalization.

Layoffs. Foremost among these is the issue of job security, which has become practically meaningless in the light of the reengineering-downsizing mania sweeping the corporate world and the various forms of labor flexibilization and control that industry is using. The bloody strikes in the Philippine Airlines in 1998 were traceable to the issue of job security, given the determined effort of PAL management to downsize the company and spin off non-core businesses. On the other hand, PAL, s eeking to soar amidst a depressed global market and erase the red ink caused by previous mismanagement of the company by both the government and successor private groups, claimed that it had no other choice but to develop a lean and mean workforce. Under globalization, union base has been gradually eroding.

The widespread application of the new technology in organizing work is now the major source of job insecurity. This is clearly illustrated in the banking industry, which is now being wired. According to one study (Kono, 1997), the cost of a financial transaction via Internet is as low as one US cent compared with 27 cents for an ATM, 54 cents for a telephone banking service and $1.07 for a transaction conducted via a traditional bank branch.

Legislative restrictions. There are also attacks via legislation. In the name of global competitiveness and business flexibility, governments are under pressure to restrict rules on unionism, collective bargaining and concerted activity. In Australia and New Zealand, the formal enactment of laws recognizing individual contracts has weakened traditional centralized bargaining by industry unions. In South Korea and other countries, there are moves towards official recognition of the right of employers to hire and fire as freely as possible. In contrast, there is a great deal of delay in the enactment of laws recognizing basic labor rights in other Asian countries such as in the People's Republic of China.

Reduced base for organizing. The situation of the trade unions has in general become precarious in many countries. In the first place, the radical restructuring of industries in favor of downsized operations, subcontracting arrangements and core-periphery pattern of labor hiring means reduced base for organizing.

Historically, the base for union organizing is the modern factory system oriented towards the mass production of standardized products. Under this system, skilled workers like engineers help in the general design and management of the work process, while a mass of semi-skilled or blue-collar workers do routine jobs on the assembly lines. Later, unionism spread to the ranks of clerical and sales work force in the services sector.

Today, however, the mass production factory system is shrinking and firms are becoming smaller and smaller as they shed off workers through the adoption of the lean production system, spinning off non-core business activities into separate corporations and outsourcing or subcontracting peripheral jobs. Moreover, some companies have found a way of reducing the ranks of the regular work force through the hiring of casuals or temporaries, either through labor intermediaries or through the direct hiring of casual workers. These processes have now extended to the service sector and the more formal sub-sector (plantation) of the agricultural sector.

Difficult bargaining. As a result of the foregoing, unions everywhere have greater and greater difficulty in organizing and in conducting meaningful collective bargaining. Some employers impose arbitrary reduction in benefits, including a rollback in labor rights. In countries or areas with stable currencies like Hong Kong, workers are being asked to accept sharp wage cutbacks. But even without a wage cut, workers' wages have fallen down in real terms as a result of massive currency devaluations, some by more than 50 per cent like in Indonesia. When confronted by the militant demands of a local union, some TNCs have no qualms in pulling out their operations in favor of relocation in another area. Capital has indeed become footloose, and shops do not only "run away" but also "fly away" from unions.

Urgent tasks facing the trade union movement

Clearly, the terrain for trade union struggle has now become doubly difficult. But for those with a heart and the vision of forging a better world for all, these difficulties are incentives to also double efforts to change an unequal and unjust globalization process.

Some of the tasks facing the trade union movement are as follows:

1. ***Rethinking the role of unions under globalization.*** Historically, unions have played three major roles in society: first, as protector and negotiator of workers' wages, benefits and security at the firm level; second, as the voice and representative of organized workers in industry and national social dialogues dealing with labor issues; and third, as the articulator of the collective demands and interests of workers, both organized and unorganized.

With globalization, this three-fold role of unions is under serious scrutiny. Globalization has rendered job and union security weak, and as a consequence, has also weakened unions'capacity for bargaining for wages and benefits. Traditional fora for labor such as tripartite meetings are no longer adequate venues for the articulation of labor concerns given the fact that the leading industry players, the TNCs, rarely sit in local and national tripartite meetings. And labor's collectivist stand, sometimes spoken through a socialist or social-democratic tongue, is seen with great puzzlement by a public that has seen the collapse of collectivism in Eastern Europe and the rise of market orientation in China and Vietnam.

Clearly, there is a need to study how unions can sustain, with greater effectiveness, these traditional roles given the globalization forces lined up against the trade union movement. Obviously, unions have to make some adjustments to play these roles more effectively.

2. ***Transforming unions into global players.*** Under globalization, capitalism has re-invented itself. Unions should do the same, but under a different vision of development. Unions should become global players. This the unions can only do, if they go beyond the traditional style of unionism, keep abreast with the

twists and turns in capital movement and confront the TNCs on a global plane. Already, some unions are showing the way by forcing some TNCs to have a social dialogue through the European work councils. There is also the use of the Internet by some unions in undertaking coordinated protest and solidarity actions in different areas.

The point is that unions should be able to match the flexibility of capital to make adjustments, which means unions should be prepared to assume new tasks under non-traditional circumstances such as organizing the new workers in the IT industry and developing new forms of representation for casual workers.

3. *Contesting globalization at all levels.* With the demise of protected industries confined within protected national markets, unions are confronted with the reality that shop-floor issues are also global issues and that these are somehow related to a global game plan of a global corporation. In dealing with the workers, employers are able to justify, with great ease, various forms of productivity enhancement and cost minimization on account of global competition. There is no doubt some form of adjustment to the requirements of global competition is needed; otherwise, there will be no business and jobs to speak of.

It is abundantly clear, therefore, that unions should be able to challenge globalization at the firm, national and international levels.

4. *Strengthening international solidarity.* Globalization has managed to transform the global economy into one economic unit. TNCs now routinely declare that their plans are based on a "global strategy". Under globalization, the world has indeed become a global village.

And yet, the irony is that unions, which historically were the first to articulate the need for humanity to unite under an international social movement, are badly splintered by globalization. Unions speak with many voices, even on issues that should be a cause for unity such as the Social Clause.

Is it not, therefore, high time for unions to sing again the "Internationale"? But to be able to sing with gusto and in unison, we need to unite first on the meaning of international solidarity today.

5. *Advocacy for a new global architecture of trade and governance.* Finally, it is a given that the present process of globalization, under the WTO leadership, is flawed and has serious dislocating and disquieting effects on workers' lives and their families. Already, the UNDP (1999) is saying that globalization must be tamed, that new forms of governance and institutions should be developed to address global inequalities and excesses of the market.

The unions should play a leading role in setting the rules for globalization and in reforming the WTO and regional blocs such as APEC and AFTA. Under the present system, anything goes for TNCs. Workers are pitted against workers.

Some consumer-labor initiatives such as Codes of Conduct have been accepted by some TNCs, mainly for marketing purposes. A Code of Conduct acceptable to the trade union movement should be made universal. This means the WTO indeed should be a venue where this should be brought as the ILO appears helpless in making some of its basic conventions work.

The point is that the world needs a new social architecture to govern the processes of economic globalization. The challenge for the unions is to take the lead in shaping this architecture.

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Appendix
Trade institutions supporting globalization

1. The World Trade Organization (WTO)

By now, everyone must have an overload of information about WTO and its setback at Seattle. But still, it is important to understand some basic workings of the WTO as it now plays a central role in the globalization process.

WTO succeeded GATT, a body of "trade rules" established in 1947 by GATT "contracting parties", initially composed of the OECD countries but later expanded to include other countries. The rules were expanded through eight (8) rounds of multilateral trade negotiations among the parties. The last round or the so-called Uruguay Round, which began in 1986 and was concluded in 1993, gave birth to a formal trade organization to govern the multilateral trading system. Thus, the WTO has a Ministerial Conference, which meets every other year; a General Council, which conducts the day-to-day work of the WTO but which also functions as a dispute settlement body and trade policy review group; and several councils specializing on goods, services and trade-related aspects of intellectual property rights (IPRs).

There is no space to discuss here in detail the workings of the WTO. However, its main and overriding objective is to promote a global free market based on the following general principles:

Non-discrimination. A member country is granted a ***"most-favored-nation"*** or MFN status, which means it does not discriminate among its trading partners and that it gives equal ***"national treatment"*** to foreign products or services, that is, treats these products and services like those produced by the locals or the nationals.

Transparency and predictability. There are no tariffs and non-tariff barriers raised and the member country publishes laws, regulations, policies, etc. that have a general implication on its WTO membership. In fact, the WTO requires countries to have more and more tariff rates and market opening commitments "bound".

Reciprocity. The tariff reductions and other liberalization measures are done on a reciprocal basis, meaning a member country is bound to match the tariff reductions and liberalization measures of other countries.

Progressive liberalization. This means each member country shall allow the progressive elimination of restrictions like tariffs, quotas and limitation on foreign equity participation.

Attached to the *Final Act* creating the WTO are 30 Agreements and 22 Ministerial Decisions, all seeking a borderless world economy by the end of the year 2004. A number of Agreements deal with the usual concern of the former GATT—the liberalization of trade in industrial goods, including the phaseout of the Multifibre Agreement (MFA) in a ten-year period.

Another major aspect of the WTO is the inclusion under the GATT rules of the agricultural sector, which has been problematic given the size of the subsidy given by the North to its agricultural sector, on one hand, and the sensitive character of some agricultural products for the South, on the other. The major accomplishments of WTO in agriculture in the 1990s were the tariff reduction for a range of agricultural products, the tariffication of sensitive agricultural products and the liberalization commitment by participating member countries. In the Seattle Ministerial meeting, the further liberalization of the agricultural sector was really one of the major objectives of the organizers.

Also included in the WTO are the so-called "trade-related" agreements such as the following:

Finally, WTO also covers trade in services through the General Agreement on Trade in Services or GATS. This is highly significant since trade in the past was limited to concrete products, industrial and agricultural. Now, services have also become "tradable", with financial services provided by the transnational banks taking the lead. As defined in the Agreement [paragraph 3 b) of Article I], "services" cover any service in any sector, including "possible future services" (Knapp, OECD, 1994). Initially, GATS has eleven sectors, namely: (1) business services, including professional services; (2)communication services, including telecommunication and audiovisual services; (3)construction and related engineering services; (4)distribution services; (4)educational services; (5)environmental services; (6)financial services, including insurance and banking services; (7)health related and social services; (8)tourism and travel-related services; (9)recreational, cultural and sporting services; and (10)transport services, including maritime, waterways, air and road transport services.

These sectors cover "cradle-to-the-grave" services. It also covers new and future services such as e-commerce.

GATS also defines how trading can be done, as follows:

• *Cross-border trade.* Supply of service from one country to another in a situation where the buyer and the seller do not meet face to face. Example:

Accountancy services may be rendered through various communication modes like telephone, teleconferencing, fax, internet, mail and so on.

•*Consumption abroad.* Supply of service for a consumer coming from outside the territory, meaning the foreign buyer goes to the country of the service provider. Example: A company seeks accountancy assistance in another country where the accountant is based.

•*Commercial presence.* Supply of service by a provider of a member country in the territory of the service consumer through the setting up of shop, branch or subsidiary in the said territory. Example: An accounting firm sets up shop or a branch in another country where its accounting services are rendered.

•*Movement of service personnel.* Service supplier sends personnel to another country to render service. Example: An accountant goes overseas to fulfill a contract.

Like the other Agreements under the WTO, GATS subjects all contracting parties to its rules such as non-discrimination, transparency, reciprocity and progressive liberalization.

2. The ASEAN Free Trade Area (AFTA)

Inspired by the European Union (EU) and the North American Free Trade Area (NAFTA), the Association of Southeast Asian Nations (ASEAN) hatched the idea of forming its own ASEAN Free Trade Area (AFTA) through a mechanism called the Common Effective Preferential Tariff (CEPT).

Launched on January 1, 1993, the CEPT-AFTA project calls for the gradual reduction of tariffs among the ASEAN member countries by targetting 15 major product groups. The idea is to reduce to between zero (0) and five (5) per cent the tariff on ASEAN products with at least 40 per cent "ASEAN content" by the year 2008. The transition phase was later shortened to 10 years, with year 2003 as the free-trade year. In December 1998, the full liberalization date was advanced by another year, with 2002 as the new target year.

In addition to the liberalization of trade in goods, the ASEAN has an AFTA-Plus program, which calls for increased cooperation in banking, finance, transport and communications. The AFTA-Plus also incudes harmonization in standards and rules, elimination of restrictions on trade in services and the development of an ASEAN Investment Area or AIA.

3. The Asia-Pacific Economic Cooperation (APEC)

Another trading bloc that has spurred the economic liberalization drive among ASEAN and other Asian countries is the Asia-Pacific Economic Cooperation (APEC), which covers countries on both sides of the Pacific Ocean. Although it started as an informal vehicle for trade discussions, APEC eventually evolved into a formal organization involving trade liberalization commitments among member countries. In 1994, at Bogor, Indonesia, APEC set a 20-20 target, meaning developed countries would have an open trading system by 2010, while the developing APEC countries, by 2020. A succeeding meeting in Osaka, Japan led to the adoption of liberalization principles such as: comprehensiveness, WTO-consistency, comparability, non-discrimination, transparency, standstill, flexibility and cooperation. In 1996, a Manila Action Plan for APEC (MAPA) transformed these principles into "individual action programs (IAPs)", which contain the various trade liberalization commitments of the different countries. As it turned out, most of these commitments were a reiteration of those committed to the WTO.

However, in 1997, in Canada, the APEC economic leaders endorsed the early voluntary sectoral liberalization (EVSL) of 15 sectors: food, oilseeds and oilseed products, natural and synthetic rubber, fertilizers, automotive, civil aircraft, toys, gems and jewelry, chemicals, telecommunications mutual recognition agreement, medical equipment and instruments, forest products, fish and fish products, and environmental goods and services.