BUILDING THE SOCIAL FOUNDATIONS FOR ASIAN RECOVERY
FROM THE ASIAN ECONOMIC AND FINANCIAL CRISIS

Executive Summary

Following several decades of high economic growth which have made East–Asian region one of the most dynamic regions in the world, the Asian region a number of countries have been hit by a massive financial and economic crisis, which is deciding the future of hundreds of millions of Asian working women, men and their families. Financial speculation, at the root of this crisis are international institutional failures, grossly inadequate financial market regulation and disclosure requirements, overvalued currencies, financial speculation and a lack of democratic accountability or transparency, lie behind this major crisis. However, the lack of an adequate social safety net or, in some large countries, of any safety net at all, risks turning the crisis into a social disaster—catastrophe with tens of millions of working women and men facing falling into unemployment and dire poverty.

Resolving the Asian crisis must begin with domestic reform, built on the principles of transparency, accountability and participation. The European Union (EU) can and must together with other countries play its full role in assisting Asian countries to achieve recovery. It can do this above all by ensuring that the effects of the crisis on the European economy are contained so that the European recovery process continues - and hence its
market continues to grow for Asian goods and services, which have
and can make an important contribution to EU living standards.
in view of the contribution that a prosperous Asia has made and can
continue to make to Europe's own prosperity and the commitment of
the EU to free trade, as shown by the provisions of its internal
market programme. One of the major contributions that Europe
can make to reducing the pressure on employment and wages and
promotion of recovery in Asia is by keeping markets open.

All the ASEM countries should co-ordinate their interventions
at the IMF and World Bank to ensure that the Asian countries get
over their immediate foreign exchange crisis. Some developing
ASEM countries also need direct financial aid particularly to buy
food and to help meet other basic needs of their poor.

Getting these messages across to Europeans would be
greatly assisted by ensuring that there is a strong social dimension
to the restructuring process in Asia which ensures so that those
hardest hit by the crisis are indeed the first to benefit from reform
and an economic turnaround. This is a message for Asian
governments too, since — one clear lesson of the crisis is that
sustained growth is not possible without both political and social
democracy.

A key component of reform should be the development of
labour market policies based on the observance of core—universal
labour standards as established by governments, employers and
trade unions from all parts of the world in the ILO. The ASEM
countries should co-ordinate their interventions in the IMF and
World Bank to ensure that enough foreign exchange assistance is
given to help them get over their immediate foreign exchange crisis.
Such assistance must be linked to social as well as industrial and
financial adjustment. The developing ASEM countries require direct
financial aid to assist them with basic needs provisions for their
poor, especially food purchases, in view of the lack of a social safety
net.

The ASEM countries should strive to reach a common position at
the London Summit in favour of strengthening the ILO and of
advancing the debate at the WTO on the relationship between trade
and these labour standards as part of a non-protectionist framework
for the world trading system. The ASEM investment promotion plan
("IPAP") must also contain references to the protection of such core labour standards as a basis for multinational companies' foreign direct investment.

Finally, a regular procedure should be established to provide for trade union consultation on the process of co-operation and dialogue between the EU and Asian regions in relevant ASEM committees, ministerial meetings and other fora, including the Asia Europe Foundation.
INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (ICFTU)
EUROPEAN TRADE UNION CONFEDERATION (ETUC)
ASIAN AND PACIFIC REGIONAL ORGANISATION (APRO) of the ICFTU

Statement to the Second ASEM Summit,
London, 3-4 April 1998

BUILDING THE SOCIAL FOUNDATIONS
FOR ASIAN RECOVERY

Asian crisis risks to have grave worldwide repercussions

1. The second ASEM Summit (3-4 April 1998, London) will be taking place while a number of Asian countries continue to reel under the impact of a cascading financial and economic crisis which is deciding the future of hundreds of millions of Asian working women, men and their families. Through no fault of their own, millions of working women and men are losing their jobs and their savings. Moreover, recession in Asia is spreading around the world and leading to job losses in other regions.

The London Summit must commit adequate help to overcome the Asian financial and economic crisis

2. But a crisis is a time for decisive measures. ASEM countries should co-ordinate their interventions at the IMF and World Bank to ensure that the Asian countries get over their immediate foreign exchange crisis. The London Summit must be the occasion to provide a guarantee of substantial financial assistance to the developing ASEM economies from the richer ASEM members to help meet the basic needs of their poor such as food purchases, with at least 50% of such assistance earmarked to alleviating the social costs of the crisis. Fundamental reforms are needed in the Asian countries concerned to ensure democratic accountability, transparency and participation, as well as adequate regulation of financial markets. An employment recovery strategy is needed to create job opportunities for the millions of women and men being laid off as the weakest companies close or undergo large scale restructuring.

EU must ensure continued recovery and provide market for Asian goods

3. The European Union (EU) can and must, together with other countries play a full role in assisting Asian countries to achieve recovery. It can do this above all by ensuring that the effects of the crisis on the European economy are contained so that the European recovery process continues - and hence its market continues to grow for Asian goods and services, which have and can make an

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1 The Asia Europe Meetings (ASEM) consists of the 15 members of the European Union (EU) (Sweden, Finland, Denmark, Germany, Netherlands, Luxembourg, Belgium, France, United Kingdom, Ireland, Austria, Italy, Spain, Portugal and Greece) plus the European Commission; the 7 members of ASEAN prior to its latest enlargement (Indonesia, Singapore, Malaysia, Brunei, Philippines, Thailand and Vietnam); and three other Asian countries: China, Japan and the Republic of Korea. The first ASEM Summit of heads of state or government took place on 1-2 March 1996 in Bangkok.
important contribution to EU living standards.
ASEM must have a shared vision of its social goals

4. The second ASEM Summit provides a vital opportunity to build strong longer-term foundations for co-operation between two of the major economic regions of the world. Ultimately, the building of successful economic cooperation between the EU and Asia can create a basis for a major increase in trade, employment, growth and living standards and hence the reduction of poverty. Achieving the successful development of sustainable economic relations will depend upon achieving a shared vision of the social goals of economic growth and development. A narrow free-market agenda based on business promotion alone will not achieve the goals of ASEM.

Social dimensions of the Asian financial crisis must not be overlooked

5. The social turmoil resulting from the financial turbulence in Asia has demonstrated that in the present rush to improve economic and trading relations, the social dimensions of change must not be overlooked. The objective of the trade union movement of the ASEM countries, represented in the ICFTU and its regional body APRO and by the ETUC, is to promote a process of cooperation which can harness the rapid internationalisation of markets to the improvement of the conditions of work and life of the citizens of our populous regions. We believe that ASEM cooperation will be far more effective if it includes a role for the trade unions of Asia and Europe in meaningful dialogue with governments, business and other groups involved in the process of economic growth and development.

EU and APEC models show importance of consultation

6. We consider that the furthering of EU-Asian relations will necessitate an expanded role for social and labour concerns in the ASEM process as part of the building of recovery from the Asian economic crisis. The experience of successful development in all the industrialised countries of both Europe and Asia indicates the vital role played by social considerations and human resources development in achieving sustained economic progress. Within the Asia Pacific Economic Co-operation (APEC) region, trade unions organised in the ICFTU’s Asia Pacific Labour Network have held meetings with the heads of government of the hosts of APEC summits every year since 1995 and APEC labour ministers have now set up a project bringing labour, management and governments together to discuss technology, training and human resources issues. Within the EU the role of the social partners has been recognised by the Maastricht and Amsterdam treaty provisions on social dialogue.

Incorporating social and labour concerns in the ASEM process

7. A similar process should be translated into the ASEM process. This should be recognised by the incorporation in the agenda for EU-Asian discussions of a social policy work programme. In the present ASEM structure, this could be accomplished by holding regular meetings of the ministers
of social affairs and of labour and by expanding the remit of the Asia-Europe Foundation to include a work programme on social and labour issues, including attention to the situation of women.

8. The repercussions of the Asian financial crisis could leave workers in both regions faced with increased job insecurity, increased work intensity and a squeeze on wages and benefits and with problems arising from deregulation. Throughout Europe and Asia workers are preoccupied with problems arising from deregulation, privatisation, cuts in welfare provisions and attacks on labour laws and basic workers’ rights. As a result, there is a lack of popular confidence throughout the Asia and Europe that trade liberalisation and promotion, as envisaged through the ASEM trade facilitation plan ("TFAP"), can bring results in terms of higher living standards and more employment.

9. Many working people in Asia will not be compensated for the loss of their jobs, are not protected by social security systems and are not being informed or consulted about what is happening to their futures. Migrant workers and women are the first and worst affected and the ILO is warning of an increase in child labour. In many countries, financial manipulation and speculation, and emergency stabilisation measures, have reduced production, incomes and employment with serious consequences for working women and men and their families. Social priorities are being sacrificed to the demands of the market, often expressed in the need to remain competitive on the global market. Women are particularly vulnerable to the adverse effects of market-driven policies that ignore prevailing social inequalities. The implications of these trends for the cohesion of society and political stability are a cause for grave concern.

10. The ICFTU-APRO Forum on the Asian Currency Turmoil, held in Singapore from 10-11 February 1998, attended by over 50 trade union leaders from the Asian region and around the world, adopted a statement on “Building Recovery in Asia, Heading off Global Recession and Preventing Currency Crisis”. The statement proposes a Social Action Plan for Asia, entailing the creation of national tripartite councils to reach agreement upon strong social assistance and job creation programmes to prevent laid off workers from falling into long term unemployment and poverty. To prevent a repeat of the financial turmoil that has so seriously damaged the Asian economies, the G8 countries (where most of the financial centres are based) and the IMF/World Bank should establish an International Commission to make recommendations on the regulation of international financial markets and look at institutional...
and policy changes needed, including stronger rules on bribery and corruption, the role of the Bank for International Settlements (BIS) and a foreign exchange transaction tax.

11. Social dialogue would build national and international consensus for sustainable development strategies targeted on eliminating poverty and creating jobs, not the enrichment of a small elite with close connections to government ministers. The only sure foundation for social dialogue and sound economic policy-making is full respect for international human and democratic rights in order to achieve a more broadly-based distribution of the fruits of the economic growth that ASEM can generate. The London Second ASEM Summit needs to express its commitment to the principles of respect for human rights and the promotion of democracy.

12. One of the main subjects for attention in EU-Asian relations is the ASEM investment promotion plan ("IPAP") concerning foreign direct investment by multinational companies (MNCs), both from the EU in Asian states and vice versa. So far, little attention has been paid to the social implications of such investment and the responsibilities of multinational companies. Yet the relationship between companies and their workers and the legislative framework within which such relations take place is a potential source of tension which can adversely affect the overall investment environment. The ASEM London Summit should therefore discuss the question of how to maximise the positive results of MNC investment and minimise its negative effects.

13. In such discussions, ASEM should take as a reference point the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. The ILO Tripartite Declaration has been accepted by all member countries of the ILO, as well as employers' organisations and trade unions, and so includes all the countries which will be present at the London Summit. The Declaration provides the only universal and comprehensive set of principles formally negotiated and adopted by governments, workers and employers' organisations which addresses the behaviour of MNCs. A commitment to the implementation of the Declaration by the London ASEM Summit, as part of the IPAP, would therefore provide a basic condition for the process of building a successful framework of rules concerning the treatment of foreign direct investment within the ASEM area.
Strengthen the WTO through cooperation with the ILO

14. The agenda for the London ASEM Summit includes the strengthening of the World Trade Organization (WTO) in the context of the run-up to the second WTO Ministerial Summit (Geneva, 18-20 May 1998). The ETUC and the ICFTU, and its regional body APRO, consider that the countries of ASEM should strive to reach a common position in favour of strengthening the ILO and supporting a discussion of the relationship between the ILO’s international labour standards and trade in the WTO work programme. This proposal should be supported by ASEM as it is aimed at strengthening the political authority of the WTO and thus the multilateral rule-driven framework for open world trade, creating a mechanism for solving disputes and so opening markets to developing countries and increasing growth and employment. It is particularly important to keep markets open and defeat the protectionist pressures which will be the sure result of the wave of currency devaluations of the Asian countries suffering from the economic and financial crisis.

ASEM needs regular trade union consultation

15. It is our conviction that trade unions are able to bring a uniquely valuable perspective to the wide-ranging examination of policies needed to support workers in a period of rapid change. Creating a secure and stable environment for the relationship between workers and employers based on respect for fundamental internationally accepted workers’ rights is central to improved human resource development, including maximising the returns on investment in education and training as well as occupational health, safety and the environment. A trade union counterpart is needed to the established Asia-Europe Business Forum and this statement to the London Summit is a first step to regular trade union consultations on the process of cooperation and dialogue under ASEM.

ASEM must achieve recovery from the Asian economic crisis for the whole population, through...

16. All the proposals made above provide ways of maximising the positive contribution of ASEM to the resolution of the Asian economic and financial crisis and so achieving a continuation and deepening of ASEM cooperation for increased trade, investment and economic growth at the same time as progress in living standards for the whole population. In conclusion, we reiterate five proposals for consideration by the ASEM Summit:

(a) the European Union (EU) must ensure that the European recovery process continues - and hence its market continues to grow for Asian goods and services:
(b) the London ASEM Summit needs to expand its discussions to include social and labour concerns in order to provide an alternative to poverty and desperation for millions as a result of the Asian economic and financial crisis. The London Summit must be the occasion to provide a guarantee of substantial financial assistance to the stricken economies from the richer ASEM members, with at least 50% of such assistance earmarked to alleviating the social costs of the crisis. ASEM should furthermore set up a work programme to tackle a joint social agenda on the basis of fundamental ILO Conventions;

(c) the ASEM Summit needs to consider the social implications of foreign direct investment by multinational companies (MNCs), with reference to the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;

(d) the ASEM Summit should recognise the need to strengthen the ILO and advance an objective and open discussion of the relation between international labour standards and trade at the second Ministerial Meeting of the WTO in Geneva in May 1998;

(e) a regular procedure should be established to provide for trade union consultation on the process of cooperation and dialogue between the EU and Asian regions in relevant ASEM committees, ministerial meetings and other fora, including the Asia Europe Foundation.