

CARIBBEAN BASIN INVESTMENT AND THE LABOR ENVIRONMENT

by Steven Charnovitz

This paper will discuss the labor environment of the Caribbean Basin and how that environment might affect potential investment from East Asia or elsewhere under the Caribbean Basin Initiative (CBI). Four topics will be covered: (1) a review of trade unionism in the Caribbean Basin, (2) the CBI and U.S. labor policies, (3) labor-related investment constraints and, briefly, (4) the relationship to East Asia.

In discussing the Caribbean Basin Initiative, it is important to note that the CBI combines two very different regions--Central America and the Caribbean.[1] Central America is much larger in both land mass and population. Collectively, the six Spanish-speaking Central American countries have a population of about 26 million. The English-speaking Caribbean plus Guyana and Belize have a population of about 5 million. The two regions have distinct language, cultural, and governmental traditions. In Central America there is a history of dictatorship and oligarchic rule (excepting Costa Rica since 1948). In the English-speaking Caribbean there is a long tradition of democracy and legal justice. (For example, Barbados has one of the oldest parliaments in the world.) There is also a dissimilarity between the composition of the labor forces in these two areas. Central America has a lower rate of literacy and a higher percentage of workers engaged in agriculture. These various differences have influenced the disparate courses of trade unionism in the two regions. (Several countries, such as Haiti, the Netherlands Antilles, Belize, and Suriname, display some characteristics of both regions.)

CBI Labor Criterion

When the U.S. administration designed the CBI, it was certainly mindful of these economic, political, and cultural differences. The U.S. Department of Labor (DOL) knew that each of the regions had its own problems, but it also knew that they shared many of the same problems. In particular, they shared the problems of high unemployment, high underemployment, and inadequate investment. Because of the linkages of the countries' economies to the American economy, the administration believed that opening the American market to duty-free imports would stimulate the economies of the Caribbean Basin countries. Although the CBI is a twelve-year program, we have already seen during this first year some new U.S. and third-country investment in the region.

The development model underlying the CBI is one of outward-looking, private sector-led investment. Because of this commitment to the private sector, the CBI law includes eighteen criteria that the president is bound to consider before including a country in the CBI program. The purpose of these criteria is to assure that the countries are amenable to private investment and

follow the principles of fair commerce. For example, there are criteria to exclude Communist countries and countries that have expropriated American property without compensation. Other criteria relate to whether a country follows the accepted rules of international trade, honors intellectual property rights, and permits free trade unions and collective bargaining and has "reasonable workplace conditions."

Because the criterion on labor has not always been clearly understood, it will be useful to elaborate on it. The administration's commitment to a free enterprise system extends not just to government restrictions on business but to government restrictions on labor as well. The administration sees free trade unions as an important vehicle for helping workers achieve their economic goals and as significant participatory institutions conducive to more democratic political systems. As President Reagan stated in presenting the CBI to the Congress:

What we seek in the final analysis is to help the people in the Basin build for themselves a better life, not just economically but across the full spectrum of human needs and aspirations. History, and particularly the history of this hemisphere, has shown that a pluralistic society with strong, free private institutions--churches, free trade unions, businesses, professional and other voluntary associations, and an independent press--is our best hope in moving toward that ultimate goal.[2]

The labor criterion can be viewed as analogous to the other criteria relating to unfair trade (such as compliance with GATT rules and eschewal of export subsidies). Just as duty-free treatment could be withheld from a country that uses unfair trade practices to gain a disproportionate share of the American market, so too CBI preferences could be withheld from a country that gains its comparative advantage by prohibiting free trade unions or permitting child labor.

In implementing the labor-designation criterion, DOL's objective was to press for improvements in labor rights and working conditions. It had to take into account the fact that the criterion was a discretionary one and that foreign governments were sensitive to any interference in their internal affairs.[3] As expected, the labor issue was a contentious one in many of the CBI countries. The U.S. was often told that the best way to help workers in these countries was to grant the country CBI benefits. In countries where labor rights were not well respected some of the trade union leaders themselves contended that workers would be worse off if the labor criterion were to be cited as a reason for withholding the CBI designation.

The importance of free trade unions in Central America was also noted in the report of the National Bipartisan Commission on Central America, the so-called "Kissinger Commission":

The importance of unions, which represent millions of rural and urban workers, has been firmly established in the region. They have been not only an economic force but a political one as well, opposing arbitrary rule and promoting democratic values. Labor unions will continue to have an important part to play in political development, as well as in improving the social and economic well-being of working men and women. Assuring an equitable distribution of economic benefits will require both job-oriented development strategies and trade unions to protect workers' rights.[4]

The Kissinger Commission followed up this finding with a recommendation that the U.S. channel a portion of its economic assistance through a Central American Development Organization that would include representatives of each country's labor movement, business community, and government.[5]

While inclusion of worker rights in U.S. trade legislation is new, the strengthening of such democratic institutions as free trade unions has been a longtime goal of U.S. development policy.[6] Since the early 1960s, the American Institute for Free Labor Development (AIFLD) had conducted a wide range of union development and educational programs throughout the Caribbean and Latin America, funded primarily by USAID funds.

Characteristics of Trade Unions

The trade unions of the Caribbean and Central America are complex both ideologically and institutionally. Any brief discussion of these unions must, perforce, depend upon generalizations. I will begin by comparing labor in the Caribbean with labor in Central America. For these purposes the Caribbean will include the English-speaking islands plus Belize and Guyana, but not Haiti or the Dominican Republic. Central America will include the Dominican Republic.

1. Labor Law. The laws regarding labor differ markedly between Caribbean and Central American countries. Caribbean law is based on British precedents, which means that there is little in the way of labor law to regulate labor-management relationships. While most Caribbean nations' constitutions grant trade unions the right to organize, the laws are generally silent on such questions as recognition of unions and unfair labor practices. Instead of extensive legal regulation, labor relations are predicated upon "custom and practice" or good will. Typically, the government's role is limited to offering conciliation to the parties at dispute and to conduction polls on questions of union recognition.

By contrast, Central American countries rely heavily upon law to regulate all aspects of labor policy. Spanish or Latin law usually covers such matters as union recognition, registration with government, internal union procedures, collective bargain-

ing, and health and safety. Rather than assuming a position of neutrality, the laws take a paternalistic attitude toward unions by dictating working conditions and protections for union organizers.

Within these generalizations, there is a wide variation in the labor laws of particular countries. In Jamaica there is a comprehensive labor code. In Belize the labor code has nothing on union recognition. In Guyana, under a recent law, the government has frozen wages and invalidated past collective bargaining agreements for public sector employees. There is also a wide variation in the Spanish countries. In Panama the labor code favors the workers, with protections against dismissal and lowering of wages. In the Dominican Republic, which operates under a labor code written by Trujillo, the law makes it easy for employers to dismiss workers and grants very little protection to agricultural employees.

Any analysis of labor laws, however, also needs to discuss the effectiveness of the laws' implementation. In general, the Caribbean governments adhere to their labor laws. In Central America, on the other hand, a government's interpretation and enforcement of its labor laws often depends upon the political outlook of the regime holding power.

2. Relations With Government. The trade unions of the Caribbean have generally had a close relationship with the area's governments. In fact, the unions provided the political leadership for many of these countries as they approached and obtained independence. For example, Alexander Bustamante in Jamaica, Grantley Adams in Barbados, Vere Bird in Antigua, Eric Gairy in Grenada, Forbes Burnham in Guyana, and John Compton in St. Lucia were all trade union leaders who became prime ministers or the equivalent of their countries. The trade unions are in most cases aligned with political parties (often labor parties), although in some cases the unions have been dominated by political parties.

In contrast, trade union leaders in Central America have not, by and large, been part of those countries' power structures. Some of them have been politically influential, but they are generally on the fringes of real political power. The one conspicuous exception is Luis Alberto Monge Alvarez, the current president of Costa Rica, who was a trade union leader and later general secretary of the Inter-American Regional Organization of Workers (ORIT). (ORIT is the regional organization for the Western Hemisphere of the International Confederation of Free Trade Unions.) Some labor federations are associated with political parties, but their ties are far looser than in many South American countries.

The turbulent history of trade unions in Central America has alternated between periods of tolerance and repression, but even in the countries where unions have fared relatively better (such as Honduras, Costa Rica, and Panama), the unions in most cases have not been very powerful. The worst cases of repression and control have been found in the non-English-speaking Caribbean, in

Cuba under Batista and Castro, in the Dominican Republic under Trujillo, and in Haiti under Francois Duvalier. The worst situation in Central America today may well be the one in Nicaragua, where the government controls five of the seven labor federations.

3. Labor-Management Relations. Labor-management relations in the Caribbean are carried out in an atmosphere of mutual respect. Management generally will recognize and bargain with unions if the majority of the workforce wants a union. Unions generally show a cooperative attitude toward management; this comity often precludes long strikes. While strikes are more frequent now than they were ten years ago, they are not occasions for violence. While there have been some serious problems between unions and multinationals, these problems are not the norm.

In Central America employers are generally more hostile toward unions, and even democratic ones are regularly accused of being Communist. Here, unlike the Caribbean, there is little sense of labor and management being in the same economic boat and having a mutual interest in cooperation. But there are some interesting variations. In Panama the major labor negotiations are carried out through a tripartite National Commission. In Costa Rica there is a growing labor philosophy called "Solidarismo," which is a Church-oriented movement that stresses labor harmony and opposes confrontation. The ORIT-affiliated labor leaders consider this a false union movement.

4. Union Organizations. Unions in the Caribbean generally follow the British model and seek to cooperate within a trade union congress. The TUCs are far from unified organizations, however, as the affiliated unions may be aligned with different political parties and are often factionalized. In Central America there is a complex set of umbrella organizations of unions and federations. The democratic federations are fairly stable, while the Communist federations change with new governments and ideological winds. The unions in Central America are more loosely aligned with political parties than in the Caribbean (unions in Guatemala are prohibited by law from having party affiliations) and even more factionalized. It is also common for federations to try to steal union affiliates from each other or to disaffiliate from national centers.

In the Caribbean, trade unions tend to be self-supporting, owing to dues-checkoff arrangements, and knowledgeable leaders work with a membership that has attained a high degree of literacy. In Central America, the unions tend to be financially weak and their leaders, while usually well-educated, must work with a membership characterized by a relatively lower degree of literacy. Although neither area has the industrial base to support the sort of strong unions that exist in some South American countries, there are large agricultural and public employee unions in Central America and large tourism and public employee unions in the Caribbean.

Despite the "class struggle" rhetoric that is sometimes

heard, there are very few Communist trade unionists in the Caribbean. By contrast, there are relatively large Communist unions in a few of the Spanish-speaking countries. One reason why Communist unions do better in Central America may be the long history of economic deprivation and nondemocratic rule. Another reason why Communist unions may do better in the poorer countries is that the Communist unions have external funding sources that give them a stronger base than unions which have to rely upon dues from workers earning meager wages. (Non-Communist unions also receive external funding but do not depend on it as much.)

Another difference between unions in the two regions is that Caribbean unions usually include a greater percentage of the labor force than Central American unions do (see Table). The one major exception to this is Nicaragua, where trade unions comprise about 39 per cent of the workforce. This figure has gone up considerably since the Sandinista revolution (the earlier figure was about 8 per cent) and includes workers in government-organized trade unions. (With the FSLN sponsorship of trade unions, it appears that the trend in Nicaragua is to the membership of all workers in trade unions.)

Ideological Differences:

Trade union ideology is a complex issue to discuss because of the various permutations of ideology. The easiest way to obtain an understanding of ideological differences is to identify unions and federations by their international affiliations. Basically, there are three international labor bodies. One is the International Confederation of Free Trade Unions (ICFTU), which is composed of non-Communist, or "democratic," national unions or federations. The ICFTU accepts as members bona fide labor organizations which are independent of outside domination, derive their authority from their members, and have free elections. Latin American labor organizations that are members of the ICFTU are typically affiliated with its Inter-American Regional Organization of Workers (ORIT), headquartered in Mexico City, or with the Caribbean Congress of Labor, headquartered in Barbados. For Central America there is also a Confederation of Central America Workers, headquartered in Mexico City.

There is a broad band of ideology among ICFTU affiliates, ranging from democratic socialism to staunch capitalism. All of these unions are staunch defenders of democracy, however, and firmly anti-Communist. They stress "bread-and-butter" issues in collective bargaining but often pursue general improvements for workers through their relations with political parties. There are democratic unions in all of the Caribbean Basin countries, with the exception of some of the very small Caribbean islands, such as the Turks and Caicos.

Some of these labor organizations receive assistance (e.g., for erecting national union centers) from American trade unions

PERCENT OF LABOR FORCE ORGANIZED

<u>English</u>		<u>Spanish</u>	
Guyana	34%	Nicaragua	39%
Jamaica	33%	Honduras	28%
Barbados	32%	Panama	15%
Trinidad	30%	Costa Rica	23%
Bahamas	25%	Dom. Rep.	12%
Dominica	25%	Guatemala	10%
St. Lucia	20%	El Salvador	8%
Belize	8%		
<u>Other</u>			
Suriname	33%		
Haiti	less than 1%		

Source: U.S. Department of Labor data.

and AIFLD. Union groups also receive assistance from the West German Friedrich Ebert Foundation (associated with the Social Democratic party) and from some of the International Trade Secretariats (e.g., the International Federation of Commercial, Clerical and Technical Employees).

Another international labor body is the World Confederation of Labor (WCL), which changed its name in 1968 from the International Federation of Christian Trade Unions. Unions affiliated with the WCL, also called "Christian" unions, pursue a doctrine of a "real socialist society" as an alternative to Marxist socialism and capitalism. (The Christian unions have deemphasized the "confessional" aspect of their ideology and are no longer religiously oriented.) The Christian unions are sometimes associated with Christian Democratic parties. In Latin America, the Christian unions tend to be affiliated with the Latin American Workers Central (CLAT), headquartered in Caracas, the regional organization of the WCL. Some of these unions receive assistance from the West German Konrad Adenauer Foundations associated with the Christian Democratic party.

The WCL unions are more aggressive than the ICFTU unions in their criticism of multinational corporations, and are strong advocates of social revolution and government ownership, often making political attacks on the U.S. The Christian unions are anti-Communist, but are alleged to have collaborated with Communist unions in the past.

The largest Christian unions currently are in the Dominican Republic, El Salvador, and Honduras. Smaller ones exist in Guatemala, Nicaragua, Panama, and Suriname. There is no significant Christian union activity in the English-speaking Caribbean, al-

though there appears to be some organizing in Aruba and St. Lucia.

The third international labor body is the Communist-controlled World Federation of Trade Unions (WFTU). WFTU unions are always associated with Communist or Marxist parties and pursue a doctrine of revolutionary communism. In Latin America many of the Communist unions are affiliated with the permanent Congress of Trade Union Unity in Latin America (CPUSTAL), headquartered in Mexico City. Unlike the other unions, the Communist unions are not run democratically. Because their goals are fundamentally political rather than economic, leaders of these unions maintain tight control and discipline over their rank and file. Paradoxically, the Communist unions tend to have the best relationships with employers, often negotiating "sweetheart" contracts. The democratic unions usually do not regard the Communist unions as "real" unions.

The economic disparities in Central America have made fertile ground for Communist unions. These unions tend to expand when not repressed by government, and thus are relatively stronger in the more republican countries of Costa Rica and the Dominican Republic. The Communist unions seem the most susceptible to manipulation by political leaders, as happened under Trujillo, Dr. Duvalier, and Castro. The strongest Communist unions today, of course, are in Nicaragua, but there are also significant movements in Costa Rica, to which about half the organized workers (mostly banana workers) belong, and in the Dominican Republic, to which about 30 per cent belong. There is very little Communist union activity in the English-speaking Caribbean.

Political Environment:

The dynamics of Caribbean Basin trade unionism are also explained by the political environments in which it operates. Although union movements differ in each country and are constantly evolving, one can divide them roughly into four groups for the purposes of illustration: (1) countries with a tradition of free union activity, (2) countries with an improving political climate for unions, (3) countries where trade union rights are in transition, and (4) countries that seek to repress or dominate trade unions.

All of the English-speaking Caribbean islands fit into the first group. A good example is St. Lucia, where a general strike by five unions in 1982 led the government to step down. The new prime minister, John Compton, was aided by the strong support he received from the seamen's and waterfront unions. Another good example is Jamaica, where each of the two main unions is aligned with one of the two main political parties.

An example of a country in the second group is the Dominican Republic, where there was no trade union movement twenty years ago but where today there is a movement that is active but not strong. Although the Trujillo labor code is still in effect, the Labor Ministry has been known to interpret the code loosely in

order to aid trade unions. When the U.S. Government reviewed the Dominican Republic for CBI designation, the Dominican administration agreed to ask their Congress to reform the labor code, particularly with regard to protecting union organizers. Another country with an improving labor environment is El Salvador, where the new constitution granted legal recognition to campesino unions.

The third group--countries where unions are in transition--is best represented by Haiti. Before the CBI, Haiti had nine unions and no labor federation. After the U.S. discussed this problem with the Haitian Government, the government agreed to announce the right of unions to form federations and affiliate with international union organizations. In addition, the Haitian government sent a letter announcing these policies to the AFL-CIO, ORIT, the ICFTU, and the ILO. The government also made several amendments in its labor code to remove restrictions on unions.

Today, we see what may be the beginning of a real trade union federation in Haiti, the first recognized by that government in over twenty-five years. This federation, called the Federation of Union Workers, sent its president to the 1984 ILO conference as the worker delegate. Later this year ORIT and CCL are expected to join an international trade union delegation that will visit Haiti at the request of the Haitian federation.

Another country with its trade union movement in transition is Guyana, where, for the first time in decades, the TUC has elected leadership from outside the government-affiliated unions. The non-government-affiliated unions have been challenged, however, by a new Guyanese law that freezes wages and gives the TUC, rather than each individual union, the right to bargain with the government. At least 80 per cent of the labor force is employed by the government in this highly socialized economy.

The fourth group--countries whose governments are repressing unions--is illustrated most readily by Nicaragua, where the government has created five Communist federations and attempts to restrict the activities of the two democratic federations.

When companies consider new investments, they look for both a stable political climate and a stable economic climate. Although companies do not look for countries with strong unions, it often turns out that countries with a political climate amenable to unions are also those with the stable political climate that prospective investors seek. Notwithstanding the usual portrayal, unions can foster a stable economic climate. There are some cases in which trade union activism could have impeded investment, but in general, democratic unions are able to reach an accommodation with employers, whereby both know what to expect of the other. Free trade unions are also the strongest bulwark against Communist unions which, while they may not be disruptive in the workplace, will aggravate the political climate at the first opportunity. Thus, for both political and economic reasons, foreign investors will go to Trinidad and Barbados, but not Suriname and

Guyana, despite the fact that all four countries have strong union movements.

Labor-Related Investment Constraints

About a year before the CBI went into effect, the U.S. Department of Labor conducted a study of the potential labor-related investment constraints that could weaken the CBI. The DOL team was unable to visit all of the Caribbean Basin countries, but there was a consistency of finding in the countries visited. The study had four main findings. First, contrary to the popular conception (and the expectation of the team) that many CBI countries had inefficient labor laws which impeded investment, the team found that most of the labor laws were workable and evenhanded. One exception was in Panama, where the legal provision against lowering wages makes it difficult to grant one-time performance bonuses, since these bonuses are built into the base wage and cannot be reduced.

A second finding was that the CBI countries had poorly trained workforces and that this could constrict the economic gains coming from the CBI. Invariably, the cause of this problem was the weakness of training institutes, often government-run, that used outmoded training techniques and failed to meet the needs of the employers. The "training gap" was particularly apparent at the technical supervisor level. The team recommended that USAID improve vocational training as part of its overall human resource development programs, but so far very little has been done.

A third finding was that many of the countries had serious labor-management relations problems. The team concluded that these problems did not usually arise from untoward demands by labor or management but, rather, from the inability of both sides to settle disputes and, more important, from the inability of government to provide competent dispute mediation. The team recommended that government mediation officials be given specialized training in mediation techniques.

The fourth finding was that the labor ministries in these countries were very weak. This means that important programs such as manpower planning, statistics collection, and labor inspection are carried out incompletely or not at all. To give one example, the employment data are notoriously unreliable. Companies contemplating investment in these countries would have difficulty determining whether skilled workers they needed were available and at what wages.

Although DOL had hoped to be able to follow up this study with technical cooperation programs in the Caribbean Basin countries, funding cuts by other U.S. agencies eliminated DOL's ability to carry out labor visitor exchanges and overseas assistance seminars. DOL has proposed several manpower training initiatives in conjunction with the CBI but has been unable to secure financing for them.

Attituddes of Trade Unions:

The democratic trade unions in the region have generally been strongly supportive of the CBI and in favor of the increased foreign investment and jobs that the CBI will bring. In fact, some of the Caribbean Basin labor leaders lobbied for the passage of the administration's CBI bill, which the AFL-CIO opposed on the ground that CBI imports would hurt American workers. From my discussions with these leaders over the past few years, several points can be drawn. First, the unions want to be recognized as part of the private sector. Too often, U.S. Government officials and American businessmen mean "employers" when they say private sector, but the trade unions feel they are the labor "half" (and the important half!) of the private sector and should be allowed to participate in the planning of CBI investment by government and industry. An example of this problem occurred during the U.S. CBI designation team visit to Costa Rica, when a luncheon meeting of several hundred business and government leaders turned away the half-dozen invited labor leaders because the luncheon was oversubscribed. A tense situation was defused when a few members of the U.S. team held a separate luncheon with the labor leaders, but the brush-off left a residue of ill-will.

Another concern of the labor leaders, particularly the Caribbean ones, is that new foreign investors will attempt to undercut labor standards. Union leaders are worried that new investors will not follow the practice of recognizing unions to which a majority of the workers belong, will not pay prevailing wages or meet prevailing working conditions, or will agitate among local employers to adopt a tougher stance on unions. One Jamaican labor leader argues that potential investors visiting Caribbean islands (but failing to call on labor leaders) may be getting a misleading picture of labor standards and may decide to invest in the mistaken notion that they can keep the union out. This leader suggests that he would prefer to forgo new investment and the jobs it would provide, welcome as these would be, if the new employer was one who tried to disrupt labor practices.

The democratic union leaders want to cooperate with employers to make the CBI work. It is the employers (especially in Central America) who often prevent greater labor-management cooperation by harassing union organizers and accusing democratic union leaders of being Communist. While there are class differences that make labor-management cooperation difficult in Central America, the absence of such cooperation can only enhance the stature of the more radical elements. One positive development in Honduras has been the practice of holding regular meetings between the government's economic cabinet and the democratic confederation. The unions in some of the other countries would also be interested in such an arrangement.

Finally, the unions are concerned about the growth of export-processing zones, or free trade zones, which are said to employ a docile population (usually women) under conditions that do not live up to prevailing standards. The U.S. discussed these

zones with the various Caribbean Basin governments in terms of the CBI labor criterion and were informed by El Salvador, Honduras, Panama, and the Dominican Republic that their free zones did not prohibit unions and did not exempt employers from complying with the country's labor laws. Local labor leaders were asked to report any problems they have in exercising their legal rights in the zone.

Benefits to Investors:

The desire of trade unions for participation and consultation raises the obvious question of what trade unions can offer to investors. There are three ways in which they may be of assistance. First, trade unions can offer management a regularized procedure for the adjudication of worker grievances and concerns. While unions and management will always have disagreements, management gains when they can be handled without recourse to wildcat strikes. Second, trade unions can assist in the training and education of workers to make them more productive employees. While this role for unions has not reached its potential, AIFLD's assistance in worker education has been very useful. Third, free trade unions are the best defense against communism.

East Asia

The purpose of this conference has been to discuss whether the economic practices (and cultural traditions) of East Asia can be transplanted to the Caribbean Basin. Although my role has been to explain Caribbean Basin trade unionism, a few thoughts on Asia are in order. First, it should be noted that, in general, trade unions in Asia do not operate with the same freedom that they do in the Caribbean. While it might be argued that the restrictions on unions in Korea, Singapore, and Taiwan have been a positive influence on their economic growth, a proponent of this thesis must be able to explain the case of Japan, which permits free unions and has high growth, and of China, which drastically restricts free unions and does not have high growth.

Second, the fairly equitable distribution of the benefits of economic growth in Korea, Hong Kong, Singapore, and Taiwan is certainly a challenge to the traditional theory that powerful trade unions are needed if workers are to secure the fruits of their labor. But, as other speakers have pointed out, while these countries have had high growth, they have paid a price in reduced liberties. A country that does not permit free trade unions also tends to prohibit other forms of individual self-expression or participation--values that may be as important as per capita income.

Third, while the patterns of trade unions in the Caribbean Basin are different from those in Asia, this should not be viewed as a significant constraint on East Asian investment in the Caribbean. Although the Asian companies will be operating in a different labor climate than they are used to, the Caribbean

unions will be operating in a different management climate, and one that may be more sensitive to such worker concerns as guaranteed employment.

Finally, the labor conditions that now prevail in East Asia should not be viewed as immutable. The U.S. Congress has recently passed a revision of the Generalized System of Preferences, one that directs the president to take into account, in deciding whether a country is eligible for GSP, whether a country respects internationally recognized worker rights.[7] This would include freedom of association, collective bargaining, a prohibition of forced labor, a minimum age for the employment of children, and acceptable conditions of work. Such criteria could lead either to improvements in labor conditions in East Asia or to a removal of these countries from GSP, either one of which would reduce the comparative labor disadvantage of the Caribbean Basin.

Notes

The views expressed in this paper are those of the author only, and should not be attributed to the U.S. Department of Labor.

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1. The CBI countries in Central America are: Belize, Guatemala, El Salvador, Nicaragua, Honduras, Costa Rica, and Panama. The countries in the Caribbean are: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, the Cayman Islands, Montserrat, the Netherlands Antilles, St. Christopher-Nevis, the Turks and Caicos Islands, and the British Virgin Islands. The CBI countries in South America are Guyana and Suriname.

2. "Message to the Congress Transmitting Proposed Caribbean Basin Initiative Legislation," March 17, 1982. Public Papers of the Presidents of the United States, Ronald Reagan, 1982, p. 314.

3. For further discussion of the designation process, see the author's "Caribbean Basin Initiative: Setting Labor Standards," in Monthly Labor Review, Vol. 107, No. 11 (November, 1984).

4. The Report of the President's National Bipartisan Commission on Central America (New York: Macmillan Publishing Company, 1984), p. 61.

5. Ibid., p. 73.

6. The Foreign Assistance Act (Section 601) declares it to be the policy of the United States "to strengthen free trade unions." In P.L. 86-735, the Congress stated its support in Latin America for "the strengthening of free democratic trade unions to raise standards of living through improved labor-management relations."

7. The Trade and Tariff Act of 1984 establishes a new mandatory and a new discretionary criterion on labor in the Generalized System of Preferences (GSP). The mandatory criterion (Section 503) states that the president shall not designate any country for GSP "if such country has not taken or is not taking steps to afford internationally recognized worker rights to workers in the country (including any designated zone in that country)." A "designated zone" is a free trade or export-processing zone.

Internationally recognized worker rights are defined as the right of association, the right to organize and bargain collectively, a prohibition on forced labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

THE ASIAN DEVELOPMENT MODEL
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CONTENTS

	Page
FOREWORD	
Robert J. Myers.....	v
CONFERENCE SCHEDULE.....	vi
MODEL WARS IN THE CARIBBEAN: ECONOMIC STRATEGIES AND GEOPOLITICAL COMPETITION	
Barry B. Levine.....	1
KEYNOTE ADDRESS	
Prime Minister John Compton.....	22
ASIAN LESSONS FOR THE CARIBBEAN?	
Peter L. Berger.....	27
THE ASIAN ECONOMIC DEVELOPMENT MODEL: THE CASES OF JAPAN, KOREA, AND TAIWAN	
Ungsuh K. Park.....	35
EXPORT-ORIENTED INDUSTRIAL DEVELOPMENT IN EAST ASIA	
John Wong.....	49
KOREA'S INDUSTRIAL POLICY IN RELATION TO EXPORT- ORIENTED ECONOMIC GROWTH	
Kyoung-Hwie Mihn.....	64
THE CARIBBEAN BASIN INITIATIVE AND THE ACCESS TO CAPITAL MARKETS	
Bernardo Vega.....	72
PUBLIC POLICIES AND JAPANESE GROWTH IN THE POSTWAR PERIOD	
Kiichi Watanabe.....	78
LABOR POLICY, LEGISLATION, AND UNIONS IN JAPAN	
Yasuhiko Matsuda.....	84
CARIBBEAN BASIN INVESTMENT AND THE LABOR ENVIRONMENT	
Steven Charnovitz.....	97

(continued on next page)