

Free Trade, Fair Trade: Trade Liberalisation, Environmental and Labour Standards *

Kenneth E. Jackson
Department of Economics
University of Auckland
New Zealand

“We are convinced that these new approaches to indicators serve the paradigm of sustainable development founded on healthy ecosystems, vigorous economies, and equitable social systems.”

Ismail Serageldin, Vice President, Environmentally Sustainable Development, World Bank, 1997.

Ismail Serageldin's comments related to the development of a range of social and environmental indicators to be used in conjunction with the more usual National Income figures. Such indicators represent an attempt on the World Bank's part to appear more socially and environmentally concerned as well as concerned with material measures of Economic Growth. Background conditions and environmental factors, which do vitally affect outcomes, vary from nation to nation as well as over time in the case of any one nation. Any measure is open to interpretation, but the extension into the environmental and social realm is reflective of a widening concern, not just that of the World Bank, but of most institutions involved in trade, economic growth and development.. The motives of such concern, however, may not be as straightforward as they appear at first sight. Opposition to free trade in anything like an unfettered form has been around for a long time and has continued to push for what has become known as fair trade. Fair trade is not an absolute, however, and this in consequence gives much cause for debate.

Another of the organizations which can trace its origins back to the post World War II-institutional arrangements, the World Trade Organisation (WTO), has made a similar apparent accommodation with such concerns. Calls have been made for Environmental and Labour standards to be implemented in any next round of trading agreements (banning the use of child labour in particular).

The eventual completion, in 1994, of the Uruguay Round of the General Agreement on Trade and Tariffs (GATT) saw a major extension of the scope of those negotiations, touching on areas of social and environmental concern, as well as producing agreements on services, agriculture and textile trade. The general claim was that all of these efforts were intended to expand free trade and its benefits. There are some problems with the idea that the efforts did in fact see as great an expansion of free trade as claimed and where expansion occurred, whether or not this was an unmixed blessing from the perspective of all participants.

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In many respects the negotiations indicated not a move towards freer trade, but rather a quest for a high degree of intervention and regulation on the part of developed economies and of America in particular. To an extent this reflects the continuing WTO focus on rules-based “fair trade” rather than “free trade”. Since 1994 the WTO as the successor to GATT, has assiduously recruited large numbers of lawyers to its staff, reflecting a paramount concern with rules and regulation rather than with free competition, ‘red in tooth and claw’. A passing glance at the implications of the agreements on patents and intellectual property rights might well generate scepticism on the part of any piratically inclined proponent of unconstrained free enterprise. The basic questions can be asked what is fair and for whom, and is the WTO the right mechanism for seeing this achieved or does the institutional structure have inbuilt biases to accommodate the powerful rather than foster free trade.

The preface to the agreements of the WTO specifically refers to fairness and the search for a rules-based approach to international trade arrangements. Rules to correct for market failure may be argued as what is intended here, but the reality is often different. The notion of what is fair is less than transparent, with some of the arguments in favour of both labour and environmental standards, likely to be part of a rent seeker’s hunt for competitive advantage and the protection, if not expansion, of existing market power.

Many advocate that more openness to the international economy is the way forward for development, along with an internal reliance on more-market related structures and institutions. These exhortations are now increasingly associated with requirements to meet certain social and environmental standards. Since 1994 the WTO has continuously discussed both of these concerns. In the 2001 ministerial meetings in Qatar these discussions continued. The Organisation for Economic Co-operation and Development (OECD) has produced working documents for a Multilateral Agreement on Investment that were intended to be associated with, if not incorporated in, the WTO agreements. They can be taken as indicative of the proposed framework for labour and environmental standards. If taken at face value and applied generally they may be unexceptional. The experience with what is fair in respect of the implementation of existing rules, however, calls this into question.

This paper starts by considering the origins and basis of concerns regarding labour and environmental standards and then explores some of these issues in the broad context of the experience of two developing economies within the South East Asian region. One of these, Thailand, has been long regarded as extensively integrated into the world trading system whilst the other, Viet Nam, has been moving towards integrating as rapidly as it can. Important to the selection of these two countries, as will be demonstrated, is the fact that both are heavily reliant, not least for employment generation on their agricultural sector. A consideration of why the search for integration has become considered an imperative for development is included to justify the intensity with which such a strategy has been pursued and to explain why the implications of additional potential obstacles in the form of labour and environmental standards have taken on such a high level of importance.

Labour standards

Labour standards appear in the general WTO discussions and bi-lateral agreements trade agreements that have occurred since 1994. Differences in opinion as to how far to incorporate labour or the wider, human rights standards are apparent in many instances. Within the United States, the Trade Deficit Review Commission, addressed the situation by calling for a new round of trade negotiations, whilst specifically recommending that the round should not be contingent upon the inclusion of labour standards and human rights issues as a pre-condition (US TDRC, 2000, p. 8).

Under the OECD-MAI suggestions, individual governments would be free to implement their own policies concerning labour standards, as long as these standards are not more stringent for foreign than domestic investors. In WTO terminology national treatment would apply. Some of the pressure from union and civil rights groups, however, would not have left the setting of such standards to individual governments. This was acknowledged by the negotiators' recognition of the importance of including "core" labour standards in the preamble. MAI negotiators also envisaged a provision that would specifically call on MAI countries not to lower labour standards in order to attract foreign investment, thus attempting to avoid competitive degrading of standards in order to be "competitive". The OECD Guidelines for Multinational Enterprises on employment and industrial relations were seen as one way to provide fair rather than free labour standards rules. A more prescriptive approach is likely if these guidelines are incorporated in WTO rules with its complaints and disputes resolution provisions then able to be used as an enforcement mechanism. The WTO position seems largely to be one of leaving such issues to the International Labour Organisation (ILO) and other similar international institutions dealing specifically with such matters, although the 1996 Singapore Ministerial Meeting saw a declaration on the issue, which recognised the potential for using the issue as a protective device, yet reaffirmed the WTO membership's commitment to maintaining "core labour standards", leaving the decision as to what those standards were and how to define them, to the ILO.

Environmental standards

The recent WTO ministerial discussions briefing paper outlined the fact that since the Uruguay Round negotiations in Marrakesh in 1994, a comprehensive work programme on trade and environment has been developed, resulting in the establishment of the Committee on Trade and Environment (CTE). The CTE focuses on the usual non-discriminatory and open approach of the WTO structure, but also includes a concentration on "sustainability" of trade measures. Thus whilst environmental matters are not included directly in WTO negotiations and agreements, they do cast a large shadow over those negotiations, not least by the requirement with respect to the environment: "to make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required" (WTO, 2001, p. 1). Multilateral Environmental Agreements including the Basel Convention and the London Guidelines on trade in environmentally hazardous products as well as the Kyoto Accord on climate change, provide examples of where agreements in such areas can be initiated and developed. The WTO seems intent on working in with such agreements.

Thus although not likely to appear directly in the list of agreements, environmental issues are already locked into the system.

A similar approach to that related to labour standards emerged with respect to MAI negotiations on environmental standards. The importance of environmental concerns was recognised in the working documents and a national treatment approach was included so as to ensure that governments retained freedom to implement policies designed to protect the environment, provided those policies are no more stringent for foreign investors than for domestic ones. This laissez-faire approach was again backed by a rather more prescriptive approach that attempts to meet the more general concerns of environmental and other groups. A range of specific proposals was considered, with the proposed MAI preamble intended to recognize the importance of sustainable development. The chosen model in this case was the North American Free Trade Agreement (NAFTA) as a way to explicitly state the right of governments not only to maintain environmental requirements consistent with national treatment and most-favoured nation treatment, but also to ensure that parties to the agreement should not competitively lower their environmental standards to attract foreign investment. As for determining the starting point and the base level of such standards the OECD Environmental Guidelines for Multinational Enterprises, was the preferred option with the majority of those involved in negotiations. Again the guidelines would become rather more prescriptive within a WTO framework.

Multifunctionality

This relatively new aspect of WTO negotiations has to be given some consideration as a potential vehicle through which negative social and environmental impacts of change can be addressed in terms of particular localities and other groups, making the social costs of change less onerous or more shared. As with the issues of labour standards and environmental issues, it is something of an unknown quantity with the eventual outcome still to be determined. In terms of domestic support issues Multifunctionality was raised in the ill-fated Ministerial meeting in Seattle, in respect of environmental and social impacts. It is likely to be used in any future negotiations. The Seattle meeting also saw Environmental issues including sustainability of fish stocks and land degradation appear on the agenda along with other new items such as Genetically Modified Organisms (GMOs) (Jackson, 1999, p. 9).

The importance to developing nations of concepts such as multifunctionality include the observation made by (PECC, 1999, p. 2) “Rural populations both on and off farms derive benefits from globalized markets only if they are able to participate competitively in those markets”. The effectiveness of the changes and the distribution of the benefits arising from them, depend largely on such issues. If labour and environmental standards are implemented as pseudo-protection then those with the weakest negotiating provision will be the losers.

This paper considers the way in which some nations have moved in the direction of openness and integration into the global economy and some of the outcomes from a social and environmental perspective. It questions the motivation of some of the requirements imposed on those knocking at the door of the WTO and attempts to assess the degree to which such requirements may be considered either free or fair.

Movements to Openness

Integration with the global economy is a trend that has been gaining strength over time. There are various measures by which to judge the degree of openness of any economy, the most usual relating the level of trade to National Income in some form or other. There is no one measure that will do the job in all cases, however, especially as integration moves beyond the narrow, trade related aspects. Specifically with regard to developing economies G. K. Shaw has described how they have become more open (table 11.1 of Shaw, 1988, pp. 175-6) and, indicative of how the effects of this process go beyond the narrow issues related to trade, the important relationship this had to their sources of tax revenue. The countries that he noted as becoming more open have, by and large, continued to integrate further into the global economy and have been joined by others, including Vietnam and mainland China. China joined the WTO officially on the 11th of December 2001.

Developing countries have demonstrated a general trend away from import substitution to export expansion as well as freeing up of trade and investment flows. The more open have tended to perform better than less open for whatever reason. Greater integration has seen the ASEAN region as a whole grow rapidly and exhibit the fastest rates of convergence towards high-income countries, when compared to developing economies in general. Moves to free up labour movement, however, have been somewhat lacking or restricted in their scope. The Uruguay Round agreement talked of facilitating the movement of natural persons, but this was a measure designed to assist investment openness through the freer temporary movement of the skilled and trainers, rather than any greater freedom of movement for the unskilled.

Greater openness is related to the anticipation that trade can act as an engine of growth. The various publications of GATT/WTO itself have shared that view. Trade, Income Disparity and Poverty is a recent (2000) example. It "finds that trade liberalization helps poor countries to catch up with rich ones and that this faster economic growth helps to alleviate poverty." According to the highlighted findings, poor countries that have opened up to trade are economically converging at much faster rates than ones that haven't; the more open to trade a poor country is, the faster its living standard rises, as well as demonstrating that trade has grown faster than output.

Annual average changes in real exports have generally been higher than those in real output (For a summary of earlier post war trends see: Greenaway, 1988, p. 2). Counter arguments have always existed for LDCs, starting from Raoul Prebisch's concern with declining terms of trade for primary producers in the 1950s through to those concerned with institutional disadvantage, such as the effective exclusion of agriculture and textiles from international trade agreements until the late 1990s. Arguments continue concerning just how effective trade is as a driver of development in terms of endogenous growth models (Steger, 2000). For many countries in South East Asia, however, or for many people living there, the concern is as much one of the distributional consequences of more liberal trading regimes as it is with the aggregate outcomes. Economic studies of the impact or potential impact of liberalisation tend to concentrate on the aggregates rather than the distribution, even those which distinguish between welfare and efficiency enhancement outcomes.

Greater openness to trade also has implications for the impact of trade and trade rules upon the environmental and social situations of both developed and developing economies. If the economy is not open, then there is limited impact on any aspect of its economy or society. With greater openness then there is greater scope for a significant impact on the social and environmental aspects as well as on the fiscal.

Liberalization of trade in services also has an inter-action with the freedom of movement of people. Services trade agreements are seen by many as comprising the most important sector for trade, development and migration. Ghosh's recent study of the links between trade in services and movements of persons, which includes analysis of the relevant implications of the General Agreement on Trade in Services (GATS), concludes that these links can significantly improve global economic efficiency. The problem remains that it is not "free" movement for all that is being talked of here, but "fair" movement of a temporary and skilled labour force, strongly linked to investment activity. Aggregate global efficiency may be enhanced, but any particular individual's personal wealth or opportunities may not be enhanced necessarily.

From a development perspective the services sector and the increased participation in trade in services by developing countries can boost employment and income. GATS tends to restrict these outcomes from the developing countries perspective as much as expanding them. Trade-related temporary movements of persons are a substitute for longer-term migration, and even then are only partial. Liberalising in this sense may not necessarily even be worthwhile. Inherently it is a "second best" solution, which may further distort rather than enhance global efficiency. Freer movement of labour to accompany trade and investment liberalisation would be the first best solution.

The services sector is important for development. Its development can assist in providing income and enhancing efficient production and supply of goods. From the perspective of Asia there is likely to be no or little change in the current level of long term migration for permanent residence to developed countries with the resultant remittance returns which are so important to the overall level of overseas income and transfers into many domestic economies, to the extent that a more liberal trade in services regime is achieved there may well be a reduction in costs of inputs of financial and business services and more opportunities for the supply of business services overseas may open up. For general business there are advantages in terms of lower costs, for the business service sector there are the prospects of greater competition embodied in the natural persons on the move.

There are some major impacts in terms of distribution from the changes flowing from the Uruguay Round and other agreements under WTO. The introduction of agriculture into the set of agreements is a significant one for all agriculturally based economies, not least those in South East Asia, such as Thailand and Vietnam. The prospect of the inclusion of direct labour and environmental standards only increases that significance. The prospects for a more efficient and freer trading scene in agricultural products, which accounted for 12 per cent of world trade in 1991-2 (Jackson, 1998, p. 8), look better than they did before the Uruguay Round. Such impacts, both positive and negative, are even greater when, as in the

Vietnamese case, some 70 per cent of the population are dependent on agriculture for their employment. From a global perspective the economic gains from liberalization greatly outweigh the costs, but for individual countries and for particular groups within countries the outcome is not always positive. In the past producer groups have been able to exert significant pressure on governments to maintain, if not expand direct support for agriculture. This they are less likely to be able to do in the future, but they may be able to obtain support in disguise through labour and environmental standards. Countries with heavy employment concentrations in the agricultural sector are likely to look for a switch to manufacturing and services in the future so that disguised protection in the guise of environmental and labour standards could well skew fair trade to their disadvantage.

In considering the outcome for various countries as a result of the Uruguay Round, it emerged that there was particular concern that assistance to developing countries be maintained. The particular needs of net food-importing developing countries were highlighted along with continuing concerns with food security issues. The impact of such concerns even among the net food exporters has still to be fully analysed. Serious questions have also been asked recently in the development economics literature regarding the employment effects of a more open economy for developing countries. (e.g. Harrison and Hanson, 1999). The total pay-off from the Uruguay Round was estimated at best at the annual equivalent of some 0.75 percent of world Gross Domestic Product by the end of the last century (Goldin, Knudsen and van der Mensbrugghe, 1993), but principal gainers were expected to be the European Union (EU) and China at the expense of some smaller Less Developed Countries (LDCs) who were expected to lose, especially through the reduced worth of preference schemes. For some of the unskilled and the poor the prospects were mixed therefore.

To the extent that unskilled jobs are shifted towards the developing economies, opposition to liberalisation grows amongst competing workers in the developed economies, possibly followed by skilled opposition if their wages are sticky as the result of institutional forces, a process given formal and empirical substance by Adrian Wood (1994, chs. 2 and 8). Export and domestic growth in the developing economies in labour intensive industries may lead to more unskilled jobs at least for those with basic literacy skills, raising their wage rates relative to skilled workers. Expanding services trade can extend such effects, with part of the cost being borne by restructuring on the part of their trading partners. This restructuring, to the extent that it is opposed, will lead to calls for "fair labour standards". By virtue of the extension of trade through WTO and other agreements it is plausible to suggest that whereas at the time Wood wrote there was some dispute as to whether or not the magnitude of this effect was significant (Wood, 1994, p. 8), it is now appropriate to accept the effect as significant and focus the debate more on the likely responses to it. Wood revealed downward bias in the earlier estimates of the effect both through the factor content of trade approach, due to non competing goods and the accounting decomposition of the sources of change in employment approach, due to trade-related productivity effects (Wood, 1994, pp. 9-10).

Cases to Consider:

Thailand:

According to World Bank figures, Thailand recorded a National Income average figure of just over US\$2,000 in 2000, and is a low middle-income economy, with a high percentage of its income coming from export receipts (now 66% compared to 24% twenty years earlier) reflecting a high and growing degree of openness. It is still dependent upon its agricultural sector, which only accounted for just over 10 per cent of National Income, but for more than half of total employment, down from the 70 per cent mark of twenty years ago (Acosta, 1998, p.14). This latter figure is above the ASEAN average although below that for Vietnam. Many of its construction and other service workers are casual and short-term migrants to urban centres from poorer regions such as the North East. Some significant changes in the composition of the workforce have occurred along with a significant rise in average incomes. As trade has developed industries such as textiles and shoe production have expanded employment of process workers, along with auto parts and other manufacturing concerns. Lay offs in these sectors since 1997-8 saw a drift back to countryside and the farming sector for sustenance, but the long term trend of this “open” developing economy is to expand employment outside of agriculture.

Thai workers in the manufacturing sector have been in competition with the developed countries’ labour force and themselves are being increasingly threatened now by low-wage competition from elsewhere in the region. The agricultural sector is their support base in poor times. Within the agricultural sector regulation and protection has continued, with tariffs being maintained at higher rates for this sector even where preferential schemes have been generally adopted. Trade in food is relatively small compared to total trade, with rice exports as the major food trade item. Food imports currently account for less than 3 per cent of total imports by value. Employment in agriculture and through it income support has been seen as important, especially since farm sizes are relatively small.

Rice as an export crop in Thailand operates with marketing organised through Government and Farmer’s Co-operatives. Sugar exports also involve guaranteed prices and regulated sales. WTO initiatives in areas such as opposition to single desk selling and state involvement could thus be as important a “labour force” issue as any direct imposition of labour standards. Migrants from the region Burma/Myanmar and elsewhere, along with internal migrants, are likely to be found in many of the lower paid occupations. Exposure to regional and global effects could thus be described as large. Manufacturing and the service sector grew rapidly during the 1980s, before some problems emerged in the second half of the 1990s. Employment in these sectors is directly affected by the high degree of integration with the external economy.

Thailand has a comparatively open regime not only with respect to trade, but also with respect to the movement of “natural persons” as defined in WTO language. It has been part of the globalisation process for a considerable period. In many areas of activity it is seen as a competitive threat to its neighbours, as well as to others more distant. Much of its trade is regionally rather than globally focussed.

Whilst environmental and labour standard issues are unlikely to be used against it by its neighbours, they have already emerged in terms of its trade with America, in prawn production and trade for example. The prawn production case taken by America, was essentially a dispute between competing rival U.S. firms, with the initial target being prawns supplied by one U.S. corporation which sourced its product from Thailand. Other Thai based suppliers to the U.S. were subsequently caught up in the dispute. Environmental concerns were raised, but essentially it was a fight for market dominance within America, arguably not an issue of fair trade and certainly not an issue of free trade. Other problems arose with the safety of sea turtles in Thai fishing process. Whilst there are problems in Thai aquaculture and fishing methods, where studies have revealed cases of overfishing, habitat degradation and pollution from both industrial and agricultural activity, as well as waste discharge from aquaculture (BOBP, 1999, p. 50), these were not the major concern of those raising the turtle issue. Competitive advantage or rent-seeking was a greater motivator.

In general terms the concern with environmental standards in both manufacturing and agriculture is relatively low in Thailand. Externalities tend to be shared as a social cost. Regulations may be put in place to give the appearance of a satisfactory code, but the reality is everything from mundane low temperature incineration of rubbish through to poor handling and storage of irradiated material. It could be expected that as incomes rise a greater public demand for higher standards will emerge.

In the international trade negotiations arena, Thailand is in an intermediate position. It is likely to resist the imposition of Western Standards as disadvantageous to its trading position and see their imposition on some of its regional competitors as advantageous. Potential protectionist positions would underpin both of these attitudes.

In terms of labour effects, Thailand is simultaneously perceived as a low-wage threat to developed nations in terms of shoes and textiles for example, and a high-wage economy itself under threat from its neighbours in those self-same industries. The fair traders in Thailand will predictably wish for labour standards to be imposed on those with lower wage levels and may well resist having any more onerous western standards imposed on their own industry or reject complaints concerning the effective implementation of their own existing standards.

Wider issues such as superannuation provident funds and their use are of moment, especially in an economy with some 35% of bank loans classified as non-performing. In Wood terms this is an economy caught on the cusp of development, low skilled workers are likely to see the jobs they have gained from the developed economies by liberalisation in the past, passed on in turn to the lower-wage emerging competitors. If skill levels can be raised Thai workers are likely to benefit from further work transfers from the developed economies and to incur further antipathy from the workforce in those economies.

Vietnam:

Vietnam is currently far less open than Thailand. Trade to GDP ratios are particularly problematic in this case with estimation of real exchange rates and other issues to be

confronted. Vietnam is not a market economy, nor is it an open one. It is, however, moving rapidly in such directions. Both exports and imports have risen over time relative to economic activity, with the Asian Development Bank (1998) estimating the ratio of Exports and Imports to GDP at 82.6% by the mid 1990s compared to less than 20% a decade earlier. Externally the currency is not convertible and trade remains relatively regulated. Internally much activity is non-market and where prices are given they are likely to be regulated rather than market related. Per capita National Income is low at US\$390 for 2000. Changes as the result of the entry of Vietnam into the global environment can therefore be expected to be significant. As stated earlier agriculture is extremely important as an employment source (70%) and contributes some 25% to National Income. Positive impacts from any boosting of manufacturing and service sectors' employment levels need to be contrasted with adjustment difficulties in the agricultural sector. Transfers of labour to growth areas is not frictionless and may leave the transferees subject to greater volatility of income.

As Ghosh (1999), indicates as likely to happen in the world in general, the development of a more liberal regime will increase information levels and interest by international investors, but not do much to increase employment and certainly not generate large out migration of the unskilled. Whilst Thailand as a member of the global system at both the regional and global level has adjusted previously to some of the effects of liberalisation and change, Vietnam is a relative newcomer to the system. An initial examination of the bilateral agreement it recently concluded with the United States gives some idea of the issues to be faced. The following excerpt is from Chapter 8 (US-VN Trade Agreement, 2000).

Article 8

Entry, Sojourn and Employment of Aliens

1. Each Party shall permit nationals and companies of the other Party to transfer employees of any nationality, subject to the Party's laws relating to the entry and sojourn of aliens, to their operations in the territory of the Party in the event that those employees are executives or managers or possess specialized knowledge relating to those operations.
2. Each Party shall permit nationals and companies of the other Party to engage, within the territory of that Party, top managerial personnel of their choice, regardless of nationality, subject to the Party's laws relating to the entry and sojourn of aliens.
3. The foregoing paragraphs shall not preclude a Party from applying its labor laws, so long as they do not impair the substance of the rights granted under this Article.

Skilled, temporary migrants are covered. Elsewhere the agreement covers freer movement of goods and services, of investment, *but not free movement of labour*. Labour and Environmental standards as such are explicitly absent from the agreement.. The preamble to the agreement talks only of the importance of trade and economic ties as well as the

protection of intellectual property rights. This particular agreement reflects the general tone of WTO concerns. The first items for the Seattle Ministerial meeting's agenda were: Agriculture, Services Trade and Intellectual Property. The first two were part of the so-called "built in agenda", the third reflects American negotiators' concerns. The underlying issues of environment and labour standards remain implicit in both the bilateral agreement and the WTO discussions, however.

A particular case in point: Vietnamese Livestock sector:

Vietnam currently has a large number of barriers to developing its livestock industry and market structure, some of which are directly related to the prospects for labour and consequences on the environmental standards and are symptomatic of many areas of activity. Stanton, Emms & Sia (1996) in a report for Agriculture and Agrobusiness Canada postulated the fundamental problems as:

- The poor state of the local consumer market, low disposable incomes both today and tomorrow are a general constraint over livestock industry and market development. Vietnam's retail distribution system is one of the most underdeveloped in Asia primarily because of the lack of a consumer base for which a modern system could be developed and sustained.
- Government policies which are rigidly linked to rural development rather than to the development of a more efficient and effective livestock farming sector. There are few commercial incentives for any foreign investor outside the dairy processing industry to work with household (private) farmers in the production of pork, chicken, duck or eggs. Working in such an environment makes production susceptible to diseases and does not allow for economies of scale to be achieved.
- The poor state of the local livestock processing and the lack of an effective cool/cold distribution chain for livestock products. Abattoirs do not meet international quality standards. All distribution is currently small scale and over very short distances. Most livestock products are consumed within 10 kilometres of the farm.
- The poor state of the local farming sector. Both the state-owned farms and household (private) sector have significant weaknesses. Indeed sources from the state-owned poultry breeding sector do not think the sector can survive major competition with foreign investors. Chareon Pokphand (Thailand) has already had a major impact on the market for day old chicks in Vietnam's southern provinces.
- The deficiencies in the quality of animal feed supplies and forecast shortages for the future.

From this it can be seen that Canada is looking for new opportunities in Vietnam as Thailand already has. Most Vietnamese workers in agriculture, are concerned with production which is marketed within a few kilometres radius. Although rice is traded internationally, many producers are small and are likely to be adversely affected by any new more efficient

suppliers. If regulated prices move upwards, domestic demand will be reduced, all other things equal, and if more efficient foreign producers follow Chareon Phokphand's example, many existing producers will need to move into new sectors and any imposition of labour or environmental standards is likely to restrict their opportunities for such a relocation.

As with Thailand current environmental standards are generally poor, particularly in the fisheries and aquaculture sector. Fishing areas can be adversely affected by intensive farming and run off in their hinterlands, particularly affecting intensive aquaculture. Whilst satisfactory environmental standards to achieve sustainability can in the long term be useful for Vietnam, developed countries using them as disguised protective devices will not be.

From a Wood perspective Vietnam represents a competitive low-wage threat to both the developed economies and the higher wage developing economies such as Thailand. Negotiators from both are likely to want to try and apply labour standards and environmental standards to Vietnam as a disguised form of protection. Multifunctionality may well be claimed by Vietnam as a justification of its support to its own agriculture and fisheries sectors for social and/or environmental purposes, in part as a counter to the imposition of any compulsory standards.

With rapid growth in manufacturing having occurred in the last two decades, Viet Nam could expect to benefit from further liberalisation and from obtaining full integration into the global economy. According to a World Bank Study of developing countries interests in Liberalising manufactures trade, only China generally and Hong Kong particularly, would be likely to see similar returns to those accruing to Viet Nam. It should be noted that such benefits are reduced if a more realistic monopolistically competitive environment is used in the modelling (for details of the approach see Venables, 1987). Even allowing for this, the main sticking point to obtaining such benefits from any move towards greater manufacturing employment, could well come from the imposition of labour and environmental standards.

Conclusions

There is little new in the competition between free trade and fair trade. In the classical era of British adherence to free trade, in the late nineteenth and early twentieth century, there was a major push for "fair" trade, including a political campaign by Joseph Chamberlain. Movement of labour and capital was relatively high at that time given technology and the transaction costs associated with such movement. In the modern era, such movement of labour is somewhat more constrained by rules and regulations, whilst investment is far more open. Freer trade in goods and services, has been achieved, but the WTO agreement represents "fair" rather than "free" trade. Much of the development has been in search of competitive advantage rather than comparative advantage and there is a real danger that environment and labour issues will emerge more as Non Tariff Barriers rather than as true environmental and social protections. Such barriers would seriously reduce any benefit to countries with large levels of agricultural employment, such as Thailand and Viet Nam, slowing their move to increase employment in other more productive sectors.

Adrian Wood's analysis of the impact of liberalisation on labour markets puts this aspect of future negotiations into an economic perspective. He argues persuasively that traditional economic analysis's assurance of negligible impacts was incorrect, because it understated such effects through inbuilt biases. With international activity growing so rapidly, the impacts apply to a growing range and level of economic activity. Thus more pressure can be expected to be applied by interest groups in high-wage economies to ensure the application of standards in a protective manner.

Particular cases have their individual characteristics and consequences, but both Thailand and Vietnam probably stand to lose relatively if environmental and labour standards are imposed. Given their different state of development the consequences are likely to be different. In the case of labour standards, Thailand is in something of an intermediate position, whilst Vietnam is in a clear position of wishing for a laissez faire approach. As for environmental standards both countries currently exhibit a large level of neglect, consistent with a lower general level of income and development. It is unclear if either country would gain from a tradeable permits approach, if such a policy is chosen by the international community. Environmental costs are generally likely to be valued less highly in their case than in higher income countries. Their costs of cleaning industry, however, may be lower than the world average, giving them a saleable commodity.

The biggest threat is that Social or Environmental standards will be used in the guise of assisting labour or the environment will actually be aimed at protection of developed economies industries and will constitute non tariff barriers, similar to those associated with the mis-use of sanitary and Phyto-sanitary standards for protection.

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