

Social Regionalism in the Global Economy

**Edited by Adelle Blackett and
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Montreal, September 2009

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Introduction

Social Regionalism in the Global Economy

Adelle Blackett and Christian Lévesque

This book is concerned with the production and the diffusion of labour relations norms and practices within and across regional space. It rejects a widespread assumption that the economic can effectively be regulated at the regional governance level without addressing the social. It recognizes that accommodating the social has been a critical part of economic bargains of the industrial era in western market economies, and contends that finding a suitable mediation should be part of globalization's future. Rather than turning directly to the prospect of constructing a cosmopolitan multilateralism, however, the focus on social regionalism in this book suggests that a *mélange* of intermediate spaces at or through the regional level may offer fertile loci for the kind of experimentation that the social in the economic requires. Social regionalism seeks to comprehend the dialectical process of a deepened regional integration that acknowledges and addresses—rather than denying and undermining—the social as an intimate part of the economic. This book engages conceptual and theoretical approaches to understanding the social in regional integration drawn from the intersection of industrial relations, labour and trade law, international political economy and labour and management studies. It moves beyond textual analyses of regional agreements to offer alternative accounts of regional integration that recognize the social to be intimately linked to the economic.

In this regard, the approach focuses attention on the decisions of enterprises and trade union actors in an effort to assess how institutions and labour market actors reconstruct and renegotiate regulatory space in a changing economic environment characterized by regional impulses. It also identifies the sometimes quite pronounced, and in some cases newer role of traditional actors, like judges. It postulates that there is a dynamic interplay between institutions and actors of social regulation. This interplay occurs at several levels. The book maps both how actors shape institutions as well as how institutions shape social actors' ability to affect regulatory processes. Indeed, our mapping suggests that the range of choices is hardly predetermined, and is in fact quite variable.

This introduction contains two parts. The first part briefly outlines traditional approaches to regional integration and shows the movement

beyond social dimensions approaches addressing the rise of regional agreements to a social regionalism framework grounded in embedded liberalism. It explicitly reads social regionalism alongside the literature on multi-level governance. The second part discusses the contributed chapters to this volume in light of that trajectory. It maps social regionalism into the future, by considering the contributions and limits of the volume, and the scope for future research.

PART 1: MAPPING SOCIAL REGIONALISM

On Regionalism

Regional integration agreements have expanded exponentially over the past decade. They have become a significant, if at times controversial, factor in the expanse of economic globalization. There are several kinds of regional integration agreements, and their variety continues to multiply. The classic distinctions are between free trade agreements and customs agreements. In the former, although trade barriers are reduced, each country retains its own tariff structure *vis-à-vis* third countries. In the latter, a common market is established, allowing for the free movement of the factors of production. Over time, some customs unions have developed into tighter degrees of union, from economic union that entails a degree of harmonization of national economic policies to monetary union entailing the adoption of a common currency (Hoekman & Kostecki 1995: 213). These are ideal types, however; regional integration agreements “borrow and bend”¹ features to meet a range of objectives, not least political ones. This may lead free trade arrangements like the North American Free Trade Agreement (NAFTA) to be considered an “ephemeral institutional arrangement” with a significant impact on national judicial institutional frameworks (Maravel 1996: 344). One example is that increasingly, free trade agreements have significant investment dimensions, which provide rights of access and establishment to private enterprises. This shift is seen to accompany an emphasis on “good governance” in which investment liberalization is accompanied by overall policy “credibility” emphasizing “sound macro-economic policies, well-defined property rights, and efficient financial and banking sectors” (Schiff & Winters 2003: 18). The Economic Partnership Agreement (EPA) process by the European Union (EU) has become emblematic of this development, as it also reflects a significant shift away from preferential, non-reciprocal trade concessions justified as measures to promote economic development. As the divergence between typologies and the proliferating agreement increases, commentators are increasingly required to focus on the actual degree of integration.

There is an important spatial feature to the rise of regional integration initiatives. Certainly there had been early instantiations of regionalism including colonial preferential arrangements and reciprocity agreements

such as between Canada and the United States. With the advent of the European Coal and Steel Community in 1950, however, followed by the Treaty of Rome of 1957 establishing the European Economic Community (EEC) and the European Atomic Energy Community and the subsequent merger into the European Communities in 1967, regional integration through the development of supranational institutions was enhanced to promote peace and economic development between neighbours.

With the dawn of independence in much of the developing world, regional groupings developed. They similarly entailed a broad mix of objectives, often built on notions of political solidarity as a way to counter or undo the impact of artificial colonial boundaries. Indeed, many of these arrangements were decidedly South-South. However, many were jealous of guarding newly won political sovereignty, so rarely entailed relinquishing governmental control to the supranational levels.

While bilateral economic agreements between countries of the North and the South have proliferated in an era of economic liberalization, there has been a significant shift by major economic integration entities like the EC to negotiate chiefly with newly-reconfigured “regional” groups. For example, the CARIFORUM was constructed to include the Dominican Republic and became the signatory to the EPA with the EU, rather than the Caribbean Community (CARICOM). Regional space is again being rewritten, and spatial configurations are not neutral.

Similarly, there is an important temporal dimension to the classification of trade agreements. In the 1960s, membership in the General Agreement on Tariffs and Trade (GATT) was not generalized, and the influence of the United Nations Conference on Trade and Development (UNCTAD) and dependency theory was significant for the kind of trade arrangements into which members entered. Many of the members adopted variants of import-substitution based economic policies domestically, which influenced the nature of regional engagements. Over time, given the impact of the Washington Consensus on international institutional lending and debt restructuring practices, as well as on a neo-liberal approach to governance, trade liberalization became the central policy focus. World Trade Organization (WTO) membership expanded dramatically, and regional integration agreements have proliferated (Fernández Jilberto & Mommen 1998). Whereas bilateral agreements remain plentiful, the nature has changed, with greater focus on establishing investor rights to promote market access for foreign direct investment (FDI). This pull toward regional integration mirrors and in many cases surpasses the direction of trade liberalization initiatives within the framework of ongoing WTO negotiations.

Social Dimensions Approaches to Regional Integration

Mainstream accounts of liberal trade have tended to exclude discussions of any social dimension to multilateral or regional trade. Instead, one of the more familiar and recurring analytical approaches to analyzing regional integration

initiatives considers only whether they promote or hinder liberal trade at the multilateral level of the WTO. This focus has led some trade economists to question why “regionalism [is] so popular if it is just a pale imitation of nondiscriminatory free trade” (Schiff & Winters 2003: 15).

Both within and beyond that prevalent debate, however, there has developed a willingness to consider regionalism on distinct terms, through an appreciation of multiple geometry. That literature is an attempt to come to terms with the nature and quality of integration. Regionalism offers the prospect of addressing governance challenges that may simply not be feasible within the multilateral framework. The factors that may facilitate regional governance of issues include shared path dependency of members of the region and a history of interactions, including geopolitical ties despite an absence of geographical proximity, a compelling need for peaceable coexistence even despite (or indeed because of) historical patterns of aggression, shared environmental or social problems due to border sharing or other forms of geographical proximity in addition to sheer economic interest, narrowly defined. Social dimensions have emerged as one element justifying, or at least explaining, their proliferation in some regional trade agreements.

The justification within trade theory for considering labour at some level is basic: labour is a factor of production. Simply put, this means that labour relations are inherently linked to the production process and to the movement of factors of production so central to fully free trade.

However, labour is not just like any other factor of production: human beings’ capacity to labour has to be translated into actual work in order to permit capital accumulation. The indeterminacy of the labour process is fundamental to understanding both the dynamics of cooperation and conflict between capital and labour, and social relations within the broader political economy (Edwards 1986; Hyman 1989). There is structural antagonism over the control of labour power and the distribution of the surplus; there is also scope for cooperation, albeit necessarily understood within the framework of asymmetrical power and structural conflict (Edwards 1986; Murray *et al.* 2000). Although workers enter the market in their capacity as a factor of production, their subordinated participation is expected to be other than that of a traded commodity. The actors and institutions of labour law in particular infuse their market participation with dignity, both through the modern employment relationship, and through collective labour relations (Blackett 2001: 418).

The relationship between employment and trade policies was reportedly “widely appreciated” in policy circles when an International Trade Organization (ITO) was being negotiated (Gardner 1956: 104–106). The 1948 Havana Charter of the ITO, a lengthily negotiated compromise document between industrialized countries and developing countries, explicitly envisaged a social clause in Chapter III. However, the GATT was ultimately ushered in as a self-executing agreement between “contracting parties”

with neither a permanent secretariat nor a clause addressing unfair labour conditions (McRae 1996; M'Rini 2005).

It is of course difficult to disentangle the impact of trade policies on labour and employment policies; however, there has been a growing acceptance in mainstream literature since discussions regained their vigour in the 1990s. The literature is increasingly textured, and recognizes that “the employment effects of trade have differed significantly across countries” (ILO & WTO 2007: 6). Economist Eddy Lee notes in particular a “fallacy of composition” effect inherent in simultaneous trade liberalization by all developing countries in the absence of growth and increased market access (Lee 2005). Studies that assume full employment also overlook the gender dimensions, when women who might not previously have been part of the formal labour market are mobilized into export-oriented production (Hildegunn *et al.* 2004; Ghosh 2003; Standing 1991). The existence of labour market substitutability across national, indeed North-South borders, in a manner that reproduces and expands labour market segmentation in both real and relative terms (Hoekman & Winter 2005; Rodrik 1997) leads some at least to question whether wage stagnation in the U.S. and high unemployment in Europe are not the result of a trade-focused globalization (Ruggie 2009: 238). Krugman (2008), who has been arguing that trade, in contrast to domestic policies, has negligible effects on wage inequality in the U.S. (1998) has recently moderated his position. He recognizes that the rapid growth of trade since the 1990s with developing countries, particularly China and Mexico, has had significant distributional effects in the U.S.

Well before the economic literature came to support the relationship between employment and trade, a familiar approach to engaging the incidence of a social dimension in regional integration, particularly but not only amongst legal academics, has been through textual analyses of regional agreements, and where they exist, the social institutions created by them.² It is all too easy to caricature this approach, although it has yielded many valuable insights on how social dimensions develop: often incrementally and rarely in a linear fashion, as well as beyond the model of the “most developed” social dimension, the EC (Itturraspe 1998; Ferreira 2002; Blackett 2002). The problem, of course, with this approach is that it yields predictable results. Discussions of the North American Agreement on Labour Cooperation (NAALC) in the NAFTA are a particularly good example. The procedures are lengthy, complex, uneven and essentially unused. Many a commentator on the NAALC has concluded with a lament about the lack of progress made either in harmonizing or ensuring enforcement of labour laws (Bensusán and Thomas in this volume). Many others have simply decided no longer to engage with the procedures in their scholarly texts.

Most scholars would now agree that traditional approaches to analyzing regional integration have yielded a valuable but limited appreciation for

the scope of regional action. Ultimately, for most the traditional approach became a necessary first step, which allowed them to step outside of a particular frame of analysis, to focus on the existence of social dimensions beyond the text of the NAALC. In the context of the NAFTA, this has in its most fruitful instances for legal academics led to prescient comments on the differences between the NAALC and NAFTA Chapter 11 (Barenberg & Evans 2003). In the industrial relations tradition, scholars have also captured the development of transborder solidarity through union activism in the NAFTA region, developed in light of the NAALC (Hathaway 2000; Bensúsán in this volume). Although these new agreements and their enactment have created space for coalition building (Kay 2005; Robinson 2002), much regional action between trade unions has taken shape in the shadow of these agreements, and goes far beyond, for example, the NAALC (Babson 2003; Huxley 2003; Lévesque & Dufour-Poirier 2005). The rise of these regional actions, such as solidarity and corporate campaigns, has attracted attention, as has the emerging prospect of transnational bargaining, for example amongst MERCOSUR member states (Bronfenbrenner 2007). Contemporary industrial relations also now examines more closely how multinational corporations (MNCs) are shaping employment relations and building regional pattern of norms and practices (Almond *et al.* 2005; Edwards 2004). The concentration of the decision-making process at the regional level is often considered as an example of denationalization of the territory and the sovereignty of the state. For example, Arthurs (2000) assesses the relocation of corporate head-offices from Canada to the U.S., to argue that the hollowing-out has weakened the position of Canada as a centre of corporate decision-making. These studies move us beyond a social dimensions approach, to considering the implications of looking at the social as inextricably linked to the economic.

Beyond Social Dimensions: The Influence of Embedded Liberalism

It is surprising that until recently, discussions of trade liberalization tended to overlook the impact of embedded liberalism as coined by John Gerard Ruggie, even though it was part and parcel of the starting assumptions for the GATT and the EEC when both were established. With the construction of modern trade relations in the supranational economic order, there was a “double” movement entailing embedded liberal policies enshrining social citizenship rights and social welfare entitlements, at least for the paradigmatic worker in the North, in exchange for progressive economic liberalization abroad (Polanyi 1944, 2001: 79–80; Ruggie 1982). This relationship is colloquially referred to as Adam Smith abroad—John Maynard Keynes at home. It was at the core of the elaboration of European integration, allowing the founding treaty to presume that social policy would in its essence remain at the nation state level, “unaffected by the [European Community] EC mantle” (Giubonni 2006: 54).

The commitment to embedded liberalism and more precisely the quest for domestic stability took different forms as highlighted by the bulk of research on the ‘varieties of capitalism’ (Hall & Soskice 2004). In coordinated market economies, it was attained through a sophisticated system of protection, participation and co-decision-making rights for workers as well as the collective regulation of the labour market through negotiations between highly organized employer associations and trade unions. In liberal market economies the assumption is that firms function through hierarchical, competitive market arrangements, which in labour relations translates into a more individualistic, coercive relationship reliant upon a skeletal legal framework for worker organizing with individual employers and limited protective regulation aimed in part at shielding market actors from competition (Godard 2004; Thelen 2004; Hepple 2005). Even though significant variations within these both types have been underscored (Crouch 2005), and their scope of application is explicitly limited by Hall and Soskice to a select number of liberal market economies (2004), a crucial point illustrated in some of the research is that the gap between the two may be seen to be growing in labour relations. While liberal market economies may seek greater flexibility through deregulation and union avoidance, coordinated market economies have fostered flexibility through controlled decentralization with a strong tendency toward coordination (Thelen 2004: 78). It has similarly been argued that the paradoxical consequence of this research as applied to globalization is that “[b]ecause of comparative institutional advantage, nations often prosper, not by becoming more similar, but by building on their institutional differences” (Hall & Soskice 2004: 60). The differences in the form of embedded liberalism are further influenced by the configuration and relative power of actors, including as they affect the prevailing, often path dependent, understandings of the nature of the trade-off between economic integration and social protection.

The notion of embedded liberalism was meant to capture not only an equilibrium between liberalization and domestic stability; for Ruggie, it was meant also to reflect a social constructivist methodology capturing the following insight: the embedded liberal “institutional framework reflected not merely the configuration of state power and interests, but also prevailing social expectations, norms and economic ideas that were widely shared among the capitalist countries” (Ruggie 2009: 2). Ruggie underscores the role played by largely like-minded governments in instituting and sustaining the embedded liberalism compromise, by “moderating the volatility of transaction flows across borders and providing social investments, safety nets, and adjustment assistance—and all the while pushing international liberalism within a framework of multilateral principles, norms and institutions relations” (Ruggie 2009: 3). For Lang, embedded liberalism offers

a framework within which to reformulate the terms of current debates about the trade regime. Instead of arguing primarily about how open

the trading system should be—that is, how far down the road of trade liberalization we want to go—Ruggie shows us that we should also be debating what ‘social purpose’ we want the trade regime to embody (Lang 2009: 15).

Under a traditional approach to embedded liberalism, the assumption is that compromise would be struck at the national level. For this reason, concern has been expressed that discussions of embedded liberalism have too often been imagined within the limited confines of a single nation state (Blackett 2002; Lang 2009). Even in a regional framework like the EU, the founding treaty reflects the attempt to retain the embedded liberalism bargain at the level of the nation state. As Giubonni argues in the context of the EU, the mutual recognition of national differences becomes an alternative to harmonization, in that it makes “economic integration possible without replacement of national regulations at the supranational level and without the creation of supranational political institutions” (Giubonni 2006: 78–79). However, Giubonni characterizes the EU social construct on the basis of this embedded liberal compromise as an “unstable chemical compound” (Giubonni 2006: 18) whose equilibrium is increasingly difficult to ensure. Giubonni therefore places considerable hope on the construction of a framework of fundamental social rights within the fabric of an EU constitution (Giubonni 2006: 272), an initiative that has ultimately prevailed (see Moreau in this volume).

Another point central to Polanyi’s work is often overlooked when one considers the embedded liberalism compromise at the state level. It is the importance of colonial exchange for metropolitan territories that extracted raw goods from the peripheries without extending the embedded liberalism compromise to them. In the process, they commodified the labour power of colonial peoples (Polanyi 1944; 2001: 171ff). Certainly colonialism was subject to intellectual challenge during the multilateral trade negotiations leading to the 1947 GATT, including by the few developing countries that were present at the negotiations (M’Rini 2005). Most were subsumed as part of the territories of the main contracting parties and facilitated the construction of the embedded liberal compromise. Moreover, despite initiatives to establish social welfare systems in newly industrialized states of the South (Bunwaree 2004), Ruggie aptly notes that many developing countries “never enjoyed the privilege of cushioning the adverse domestic effects of international market exposure in the first place” (Ruggie 2009: 4). That privilege is even less present now, and necessarily complicates attempts to extend an historically specific, embedded liberalism compromise across undivided global terrain.

On Social Regionalism

The notion of social regionalism was introduced into transnational labour law scholarship to capture first the recognition that the economic

cannot be effectively regulated at the regional governance level without addressing the social; second, the often incremental process occurring across governance levels integrating to varying degrees the social in the economic; and third, the invariably imperfect, evolving outcomes reflective of the distinct forms of social mediation over time (Blackett 2002; 2010). The incrementally crafted institutional frameworks, sometimes arrived at through international technical cooperation, may create or at least retain spaces for ongoing negotiation over the social character of regional economic reconstruction.

Social regionalism also has as a distinct starting point from social dimensions approaches to regionalism, an acknowledgement of the initial embedded liberal compromise. That compromise mediated the social through the economic not only through legislative change, but also through redistributive social policies, meted out chiefly at the national level. Focusing on distributive justice makes a social regionalism approach attentive to questions of development as they line up alongside regional reconfigurations across North-South lines. Indeed, it conceives of trade relations, and the limits of the embedded liberal bargain, from a spatial and temporal perspective, by focusing on those regions that have been relegated to the peripheries in a colonial and post-colonial pattern of exchange that entailed the extraction of goods and the commodification of labour power outside of the metropolitan construction of social policy. It recognizes the structural asymmetries in trade relationships that complicate the task of incorporating the social into the economic through a distributive justice framework, and that render looking beyond the nation state so crucial.

Social regionalism does not necessarily seek to recreate a renewed compromise for the social within the economic within the same 20th century paradigm. However, it seeks to anticipate, understand and even kindle the development of different forms of distributive justice, including across the borders of trade. Examples involving actors and institutions from different regions include a discussion of WTO decision-making, local cooperative production structures, multinational investors, and various levels of state actors in the CARICOM (Blackett 2002: 913–916) as well as the relationship between local firms, international investors, regional trading relationships, trade unions and non-governmental organizations (NGOs) in Cambodia (Blackett 2010: 120–25).

Yet social regionalism is not a blueprint. Far from it insists that attention is needed to the prevailing logic and historical context influencing the regional instruments through which the integration takes place. Social regionalism has been characterized instead as a challenge, both to the globalization rhetoric that forecasts the disappearance of the nation state and the paradoxically state-centred focus of multilateral trade by turning attention to governance levels as sites of contestation and change in which social actors have an important role. This affirmation is no longer startling; it is entirely consistent, not only with the post-Washington Consensus but