Mega-FTAs and its implications on Asian Workers

Rochelle Porras and Otto de Vries
Ecumenical Institute for Labor Education and Research

Introduction

The past years have seen the collapse of World Trade Organization (WTO) multilateral negotiations principally brought by the strong resistance of people’s movements against intensified neoliberal attacks. In a bid to overcome the WTO deadlock, monopoly capitalists have diverted their focus on Free Trade Agreements (FTAs), which go beyond WTO rules and aim to dismantle existing labor, environmental, health and financial standards enshrined in national laws while boosting corporate profit and control.

A total of 147 FTAs involving 48 countries in Asia and the Pacific has been signed and are in effect within and outside the region (with only three discontinued). Singapore leads the ASEAN-countries with involvement in over 30 FTAs in its push to strengthen its footing in Southeast Asia. The city-state has sealed more FTAs compared to South Korea (25), Japan (24), and China (23). Almost 300 bilateral and plurilateral FTAs currently exist (signed or under negotiation) in Asia and the Pacific.¹ Asia in the past decade has experienced more FTAs proposed, negotiated and implemented than any other region in the world. These FTAs, though diverse, are not mere mutually exclusive agreements as they complementarily fortify regional control in the guise of regional integration.

Cross-regional mega-FTAs are now being preferred over bilateral and plurilateral trade agreements in terms of the economic and political scope.² Mega-FTAs have wider targets and involve more economic resources. The intensified push for trade deals in Asia, and in particular, the shift to the South, is seen as a consequence of the heightened rivalry among imperialist powers with vested interests in region’s cheap labor and raw materials.

¹ Asia Regional Integration Center, Asian Development Bank (2017)
Asia recently witnessed the signing of the largest regional trade agreement to date, the Trans-Pacific Partnership Agreement (TPP) led by the United States and later abandoned by its President Donald Trump after five and a half years of negotiation. The rise of Regional Comprehensive Economic Partnership (RCEP) is China’s response to the competition, as US is sidelined from RCEP, and China is excluded from TPP.

Mega-FTAs like TPP and RCEP threaten people’s rights and welfare in Asia and the Pacific. These mega-FTAs aim to satisfy the interest of the corporate elites, but neither TPP nor RCEP target to address the legitimate demand for a global fair trade and economic order that responds to people’s needs. The past decade has experienced the widespread proliferation of FTAs that has resulted in continuous
decentralized neoliberal attacks in the different sub-regions, undermining workers’ rights, and displacing peasant and national minority groups from productive lands. With the TPP side-lined by the US in 2017, China-led RCEP continues to get nods from ASEAN leaders, and negotiators are unsurprisingly expediting the process.

Asia recently witnessed the signing of the largest regional trade agreement to date, the Trans-Pacific Partnership Agreement (TPP) led by the United States and later abandoned by its President Donald Trump after five and a half years of negotiation. The rise of Regional Comprehensive Economic Partnership (RCEP) is China’s response to the competition, as US is sidelined from RCEP, and China is excluded from TPP.

Mega-FTAs like TPP and RCEP threaten people's rights and welfare in Asia and the Pacific. These mega-FTAs aim to satisfy the interest of the corporate elites, but neither TPP nor RCEP target to address the legitimate demand for a global fair trade and economic order that responds to people's needs. The past decade has experienced the widespread proliferation of FTAs that has resulted in continuous decentralized neoliberal attacks in the different sub-regions, undermining workers’ rights, and displacing peasant and national minority groups from productive lands. With the TPP side-lined by the US in 2017, China-led RCEP continues to get nods from ASEAN leaders, and negotiators are unsurprisingly expediting the process.

The Regional Comprehensive Economic Partnership

The rapid rise of FTAs originates from dissatisfaction of global economic managers from the Doha Round of the WTO negotiations, after WTO councils failed to clinch all member countries on the negotiation table. Issues with agricultural subsidies, tariffs and trade investment, intellectual property and other technical barriers continue to question the validity of WTO negotiations. To bypass this hurdle, competing monopoly capitalists and world leaders negotiate through FTAs to maintain the current economic order in their favor. The results are diverse, yet overlapping FTAs across Asia fixated on the neoliberal economic landscape, while undermining sustainable development (“noodle-bowl” problem).

Proposals for mega-FTAs soon happened to “address the noodle-bowl” situation and integrate East Asia with Asia-Pacific regions. The 16-member RCEP composed of the 10 ASEAN nations (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and six free trade agreement partners (China, Japan, Korea, India, Australia and New Zealand), was recognized during the 21st ASEAN Summit in Phnom Penh, Cambodia in November 2012 and formal negotiations were launched in early 2013.
However, RCEP does not aim to address the “noodle-bowl” situation, since bilateral and plurilateral FTAs between and among the Asian countries will continue to exist. RCEP simply takes on a more elastic approach, at least compared to other mega-FTAs, to gain wider regional control through regional economic integration, merging ASEAN and more countries into a single market. The ASEAN+6 bloc RCEP-members hold almost half of the world’s populations and nearly 40 per cent of the world’s economy, estimated to be more than US$ 75 trillion. RCEP’s accession clause guarantees it could magnify its reach and jurisdiction by including other members.

The proposed RCEP is built upon existing ASEAN+1 mega-FTAs, covering a wide range of economic provisions on goods, services, investment, intellectual property rights (IPR), competition, international dispute settlement, e-commerce, small and medium enterprises (SMEs), among many other issues. More and more prospective ASEAN+1 members are endorsing RCEP because of the China’s strengthening foothold in the region.

The recent decade showed an increase in production and manufacturing relocation in China because of lower labor costs. In addition, China’s concurrence with WTO in 2001 has opened its market to the US and other developed countries, and contributed to increasing its global trade since 2002. China-ASEAN trade has rapidly reached US$ 78.3 billion in 2003 with a growth rate of 42.9 per cent, the highest since 1997 Asia financial crisis until 2002. China’s export to Asia has jumped 50 per cent since their pre-crisis peak, while export to the US increased by about 15 per cent. China’s exports to Asia amounting to US$ 90 billion are three times more than its exports to the US.

For over two decades, people’s movements in Asia have continued to resist the series of negotiations for mega-FTAs. In fact, the negotiations for RCEP are highly secretive, to seemingly devoid the public the chance to examine its provisions.

- Post 1997-98 East Asia financial crisis, governments in Asia proposed an ASEAN-centered regional economic integration. This included the 2001 ASEAN+3 (China, Japan and Republic of Korea) East Asia Free Trade Agreement (EAFTA) proposal and 2006 Japan’s proposal to establish an ASEAN+6 Comprehensive Economic Partnership in East Asia (CEPEA), adding Australia, India and New Zealand to the negotiation table.
- Subsequently, Pacific-4 bloc (New Zealand, Chile, Singapore and Brunei) concluded the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) FTA in 2005.

---

3 RCEP Joint Statement of the First Meeting of the Trade Negotiating Committee (10 May 2013)
4 Asia Pacific Research Network (2016)
5 http://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership (October 2016)
would include the US in its later chapter negotiations and enforcement, and eventually give way to the US-led Trans-Pacific Partnership Agreement.

- In 2009, representatives from ASEAN nations, China, India, Japan, the Republic of Korea, Australia and New Zealand pushed for CEPEA to proceed, seeing that a more comprehensive FTA will reap more benefits.7

- In November 2011, ASEAN ended the 5-year standstill between EAFTA and CEPEA by laying the foundations and endorsing the Regional Comprehensive Economic Partnership (RCEP). In the same year, APEC leaders formally announced the TPP negotiations in a meeting in Honolulu, Hawaii. On November 2012, RCEP-members officially launched the negotiations in Phnom Penh, Cambodia.

- In 2017 ASEAN summit held in the Philippines (chair), economic ministers agreed upon expediting the negotiation process to gain realistic achievements from its apparent stalemate. This included the liberalization of tariff lines and phasing out any remaining barriers (between 0 and 3%).

---

**Impediments and threats of Mega-FTAs on industrial policies**

Asia has the third highest concentration of world trade next to North America and Europe. In terms of foreign direct investments and world trade share, Asian developing countries combined have surpassed other developing countries8 with East Asia providing for

---


8 Ibid.
more than 95 per cent of total trade in the region (US$ 5.2 trillion). Global economic forecast suggests that policy stimulus in the US and China would increase activities with Asia's trading partners. Once signed, RCEP is expected to boost and intensify trade among East Asia and ASEAN countries.

Central to mega-FTA policy guidelines, including TPP and RCEP, is reforming domestic industrial policies of participating countries to be favorable to international production networks. Reforms often emulate policies and processes of more technologically advanced countries, rather than considering comparative advantages of the participating countries. Development of production networks is ignored which leads to stagnation of the latter. As such, these countries become import-dependent: from the necessary equipment and technology, to ingredients and raw materials, and to finished products and good. Mega-FTAs target maximum reduction of tariffs on trade of goods and facilitate the engagement of small and medium enterprises (SMEs, including micro-enterprises) in global and regional supply chains to remove costly yet extremely important variables: acquisition of technological advancement, knowledge, skills, and production capacities.

Reforms on industrial policies often give way for trans-national corporations (TNCs) to thrive on tax holidays and other incentives brought by volatile trade agreements. TNCs will gain the most in engaging SMEs, since industrial chains are built upon interconnectivity. SMEs comprise 90 per cent of the businesses in the 16 RCEP-participating countries. Mega-FTAs and institutional clustering of countries allow TNCs to invest and impose regional control over natural resources, production, and consumption through liberalization of industrial policies. Since there is no real competition, small companies are forced to link with the TNCs' global networks through receiving offshore and outsourced production processes (see Trade effects on labor and employment section).

Moreover, the liberalization of industrial policies would serve as stimulus for conformation and standardization of procedures, as well as provision of trade-related infrastructure and services to cater new and emerging international production networks. Mega-FTAs after all, facilitate the trade agreements and the easier movement of products, investments and services of big corporations.

As monopoly capitalists continue to establish the global production process in their favor, mega-FTAs play a critical role in wide-scale coordination and intensification of international production networks. Monetary institutions like the World Bank and Asian Development
Bank take advantage of less developed countries through aggressive official development assistance (ODA) and other forms of bilateral and multilateral loans to fund mega-infrastructure projects including transportation, telecommunications, and ICTs. The structural adjustment programs (SAPs) that come with these loans further open and deregulate the market for competing developed countries and capitalists.

China has laid its plans on increased infrastructure spending. The new Asian Infrastructure and Investment Bank (AIIB) established by China is another multilateral financial institution with the same function and framework of what WB for the US and the ADB for Japan did before. AIIB reflects China's success in attracting more and more allies in the global economic landscape. will provide China with financial muscle to press their development aggression in other countries. It will provide investment capital for the development of infrastructure from Myanmar to Russia. In Mindanao, Philippines AIIB plans to invest in public transport, not for public welfare but to extract and ship out the mineral and natural resources of Mindanao in the cheapest way possible, marking China's broader economic agenda.

Meanwhile, the development remains favorable only to the private sector while the general public is expected to pay higher taxes to access new infrastructure and services. As it has been in the past two decades, the liberalization of industrial policies with promises of investments, job generation, and prosperity has fueled financial speculations and economic reforms, which led to massive debts and economic crises. Global trade has weakened after the financial crisis in 2008, momentarily climbing in 2010 and 2011. The focus of main economic players remains on maximizing short-term profit and corporate ownership and control, while leaving economic, environmental, and social risks unaddressed resulting to widespread inequality.

**Attack on Asian Workforce**

**Worsening labor conditions**
The consequences of mega-FTAs on trade, labor and employment is much shown in many developing countries where, in order to maintain competitiveness, must adhere to “lowest common denominator rules”\(^\text{11}\) rather than meeting the highest possible standards. Recent developments in trade liberalization have permitted monopoly capitalists to dictate the cheapest value of labor and other production facilities, thereby disregarding decent standards, to accumulate bigger profit.

This concerted break-down of standards enable the TNCs in establishing global value chains and easily shifting the production to

the cheapest source in the region, as they secure massive profits. Mega-FTAs like RCEP are intended to reassure greater corporate control by orchestrating the race to the bottom of member countries which have weaker lobbying power to overcome pressure from the front runners (i.e., Japan, China, and South Korea compared to Southeast Asian countries).

Decades-long forced implementation of neoliberal trade agreements gave way for monopoly capitalists to create their own rules and labor standards that do not meet the prescribed international labor standards enshrined in conventions. ILO findings indicate that 21 million people are working in slave-like conditions, majority of whom are exploited by private individuals or enterprises globally. More than half of them are living in Asia-Pacific region, with domestic work, agriculture, construction, manufacturing and entertainment are among the sectors as most concerned.12

The following figure indicates the negative relationship between long working hours and the GDP per capita, implying that poorer countries particularly in Southeast Asia, tend to work longer hours, or the high incidence of overtime work13 against standard practice. In addition, wage growth in Southeast Asia remain lowest in comparison to other Asian blocs (see next figures). Workers in the region still earn extremely low wages compared to workers in developed countries, indicating a widespread wage inequality.14

![Figure 4. Working hours and GDP per capita in Asia](image)

Source: Asian Development Bank, September 2016

14 Global Wage Report 2014/15, Asia and the Pacific Supplement: Wages in Asia and the Pacific: Dy-
RCEP will further open the Asia Pacific countries to more aggressive foreign investments that promise jobs and prosperity by easing trade barriers and eliminating government regulation. These prescriptions lead to depression of wages, worsening conditions in workplaces and labor flexibilization that have prevented countries in the region to build strong industries and generate decent and regular jobs for the workers.

Migrant workers
Mega-FTAs like RCEP fail to genuinely consider the unequal development among its member countries. Implementing RCEP will maintain export-oriented and import-dependent economies reliant on contractual labor and poor quality of jobs in weaker negotiating countries, of which impacts will be felt deeper domestically. This framework compels less developed countries to apply flexible rules in addressing the demands of investors, particularly for cheap labor. These push factors force workers to migrate to other countries in the hope of better opportunities. However, the mobility of workers is restricted and they are trapped in similar slave-like conditions, often prone to long hours of work, degrading and low-paying jobs, fraud contracts and illegal recruitments. Migrant workers continue to be vulnerable since they are treated as commercial goods through cross-border markets.

Public health and other social services
RCEP poses new challenges to the provision of quality public health and social services to the region, including sustainable access to medicines. Patent protections included in the treaty may reduce access to medicines in the poorer member states by granting pharmaceutical companies monopoly rights to keep cheap generic medicines off the market. This would have devastating effect to public health, particularly of poorer nations.

Figure 5. Cumulative real growth in wages in Asia Pacific Region and the world (1999-2013)
Source: ILO Global Wage Database
In India for example, rejection of patents on HIV drugs through Trade-Related Aspects of Intellectual Property Rights (TRIPS) health safeguards resulted in over half billion dollars in cost savings.\(^\text{15}\) This means that India not only can produce cheaper generics for its people, but can also export to other poor countries where the drug is not patented so that more people can access the life-saving medicines.

**Intellectual property rights**

Civil societies in Asia and the Pacific has expressed concerns about RCEP’s chapter on intellectual property. Apart from patent protections for pharmaceutical companies and copyright infringement, there are critical issues on food security in relation to patenting of farmers’ seeds. Leaked chapters of RCEP indicate a proposal that seeks to penalize and impose criminal sanctions against seed-saving without authorization from patent holders. This would leave poor farmers already suffering from extreme working conditions more vulnerable. Monopoly control of the biggest agro-corporations is expected to intensify as they have wide open access to patenting plants and seeds. Moreover, foreign agricultural products continue to flood and compete with the domestic markets of poorest ASEAN members, destroying the livelihood of small-scale food producers, agricultural workers and peasants in the region.

**Science and technology**

Manufacturing industry in ASEAN has grown slow and contribution to value added and employment has been limited despite massive rise in the number of FTAs signed in the region. Industrial structure remained “hollow” or “missing” in middle and medium enterprises, and has never seriously challenged the large entrenched incumbents. This has resulted to linkages between SMEs and large enterprises to remain limited.

Heavy concentration of ASEAN exports on three major products groups: electronics, garments and textiles, and auto parts are in low value added and labor-intensive products sectors. Though processes of more technologically advanced countries are adopted through policy reforms in FTAs, comparative advantages of the participating countries are completely disregarded. Often, these countries become import-dependent and export-oriented and acquisition of technological advancement, knowledge, skills, and production capacities become sidelined.

There are also concerns about digital freedoms and privacy, and there will be extensive negative impacts on digital users’ freedom of expression and right to privacy. For one, RCEP provisions affecting the digital sphere are questionable and while e-commerce provisions

include Online Consumer Protection and Online Personal Data Protection, digital rights groups, privacy groups, and IT advocates believe that these will be offset by negative impacts created by provisions on Cross-Border Transfer of Electronic Information and the Prohibition on Requirements to Locate Computing Facilities locally. With data now driving a multi-billion industry dominated by a few, easing regulations that protect citizen as well as national data will have serious repercussions for privacy and security on different levels.

RCEP and agriculture
Political pressure through trade sanctions is much more evident vis a vis widespread culture of impunity and cases of violation of human rights. International pressure to correct this is expressed in trade sanctions. Considering the cases of North Korea or of Russia in occupation of Ukraine and of the EU protesting the implementation of death penalty in the US, all using trade sanctions to pressure or threaten other countries that do not abide by the preferred order of the ruling party.

Land continues to be heavily concentrated in the hands of big landlords and businesses with less than a third of landowners controlling over 80% of agricultural lands in the ASEAN region while half of all farms are under tenancy, lease and other forms of unfavorable tenurial arrangements. Widespread landlessness remains, where majority of ASEAN citizens live in the rural areas.

RCEP will infringe on the rights of indigenous peoples and farmers to land and resources, their right to development and self-determination. Once enforced, RCEP will allow the entry of more foreign investments and greater foreign ownership of these lands. This means more land grabbing, increased poverty and hunger incidence, intensified militarization and exclusion of genuine agrarian reform programs that aims to break up land monopolies and give ample government support services like the distribution of organic seeds and fertilizers, adoption of sustainable agriculture practices, conservation, improvement and protection of indigenous and local seed varieties, provision of credit and subsidies as well as agricultural infrastructure such as adequate and accessible farm-to-market roads, free irrigation services, post-harvest facilities, among others.

ISDS and core labor standards
Through its endorsement of the Investor-State Dispute Settlement (ISDS), RCEP will further liberalize economic policies and give more power to the TNCs. It will deregulate destructive and extractive operations such as large-scale mining and privatization of provision of basic services (energy, water, and other utilities). ISDS is a flawed framework in which only one party (the foreign investor) has the right
to raise claims against another (the State). There is no justification for such a biased adjudication system in which States can never win, as even when they do not lose, they shall bear the cost of litigation.

The ISDS is another mechanism for corporations to bypass established labor, environmental, social and economic policies, and to circumvent regulatory measures to allow them to operate at their own rules at the expense of people's welfare.

Limiting social movements

New protectionist stance of developed countries and continuing surge of mega-FTAs in Asia and the Pacific aim to further divide the working class. Mega-FTAs are drafted precisely to allow ease of corporate access to cheap labor and abundant raw materials of the region, which would result to lowering of wages, state-abandonment on public services, and various other neoliberal policy reforms to allow foreign investors to operate freely.

Benefitting largely from free trade, non-unionized workplaces will compete against each other while workers are pushed to worsening labor conditions through flexibilization of labor, leaving them no time to freely exercise their right to organize. Workers' rights are gradually sliced and the victories achieved in the previous century are taken away (i.e., compressed workweek schemes attack on the 8-hour work victory).

Negotiations and implementations of mega-FTAs in general have met massive protest actions that have resulted to state violence committed against legitimate demands of the people. People's movements for national industrialization, access to social protection, food security and protection of the environment are all sidelined in RCEP strictly closed-door negotiations. Without genuine representatives from trade unions, grassroots formations and civil society organizations advocating for peoples’ rights and welfare, a truly transparent, democratic, and people-oriented trade will never be reached.

Conclusions/Recommendations

RCEP’s agenda is to streamline procedures and rules but has no genuine intent on improving the disarray in global trade and its members. It aspires to surpass previous FTAs to gain deeper footing and control in Asian trade, ensuring bigger profits for monopoly capitalists. This intensified push for mega-FTAs, particularly RCEP, is a consequence of the increased neoliberal rivalry between the imperialist powers, foremost between US and China. Mega-FTAs only enable the neocolonization of Asia’s less developed countries through trade agreements that establish corporate control over the region.
Mega-FTAs will funnel the Asia's wealth and resources in the hands of the 1% who control the TNCs, and will benefit mostly from increased trade liberalization, privatization and investment protections. Such trade agreements will worsen living conditions of workers and farmers across Asia, as floor wage continue to flounder and cases of land grabbing persist. Clearly, RCEP will not address the demand for an alternative global trade system and economic order that responds to people's needs.

**What we can do**

The Asian-wide resistance against the widespread injustice and corporate plunder of the region's natural, social and human resources must be strengthened. Workers, peasants, urban poor, the peoples' organizations and civil society should continuously defend people's democratic rights and oppose neoliberal policies on trade and economy.

People across Asia Pacific must mobilize against RCEP and similar ambitious trade agreements that pushes neoliberal agenda, oppression, and inequality. A people-oriented trade system that aim to improve and protect the lives of people can be achieved through a coordinated campaigns and international solidarity.

**Demand transparency** – RCEP negotiations are highly secretive and the negotiators have been speeding up talks to reach an agreement. The draft text of the trade agreement is kept from the public. However, leaked chapters show TPP-like contents and in some chapters, even worse prescriptions. Past FTAs that have been secretly negotiated greatly compromised the people's democratic and economic rights and have driven less developed countries to accumulate massive foreign debts, leading to widespread inequality. The public must demand transparency of the trade negotiations in order to protect their country’s sovereignty and people's welfare.

**Launch information and educational discussions** – The impacts of FTAs to people's rights, food and agriculture, environment, healthcare, and sovereignty of Asian countries must be critically examined. Small groups to community and multi-sectoral level discussions aid in deeper understanding of FTAs and spreading the grassroots' basic concerns. Country-level information campaign is key to ensure public awareness and engagement.

**Join the protest actions** – Organized mass actions is crucial in pressuring the governments and ASEAN leaders to withdraw from RCEP negotiations. The public should demand a people-oriented trading system that upholds democracy and advances people's rights.
The ASIA PACIFIC RESEARCH NETWORK is a network of leading research NGOs in the Asia-Pacific. It is active in promoting exchange, coordination and capacity building support in research.

Address: 114, Timog Avenue Quezon City 1103, Philippines;
Phone: (632) 9277060; Telefax: (632) 9276981
Email your comments, inquiries, write-ups, and contributions to secretariat@aprnet.org

References:


This paper was written by Rochelle Porras and Otto de Vries of the Ecumenical Institute for Labor Education and Research (EILER) - Philippines. The views of the authors are their own and do not necessarily reflect those of APRN.

The authors wish to convey their sincere appreciation to the Asia Monitor Resource Center (AMRC) and the Asia Pacific Research Network (APRN) for their support to this research.