

Business & Labor Dialogue

Winter 1997

Vol. I/No. 1

NPA Inaugurates New Newsletter

Business & Labor Dialogue is a new quarterly newsletter focusing on the U.S. role in international development from a private sector perspective. It will explore some of the objectives and concerns raised by our labor and business participants over the three years of NPA's Aid and Development Project, present features by public and private sector leaders involved in international development, and provide a forum for further dialogue. NPA's Aid and Development project is designed to facilitate the exchange of information and ideas on the role of U.S. foreign aid and development assistance in the post-Cold War world.

This first issue of *Business & Labor Dialogue* features comments from four private and public sector leaders about international development. The authors describe the important role that can be played by each of their sectors—government, business, labor, and private voluntary organizations—in raising living standards abroad and at home, and they explore opportunities for working in partnership.

U.S. Foreign Aid and Agribusiness: Achieving Mutual Objectives in Foreign Policy and Trade

by Steve Daugherty, Director of
Government Affairs - The Americas,
Pioneer Hi-Bred International, Inc.

The future economic success of the United States, including that of the agricultural sector, is increasingly dependent on international trade. New markets for agricultural products must come from developing nations, and this will happen only if they have increased purchasing power.

Government has certain roles and responsibilities in undertaking foreign aid programs that the private sector cannot fulfill. While the time for direct price supports may have passed, the U.S. government must not abandon foreign assistance efforts that meet both humanitarian and development needs. When properly undertaken, these efforts generate growth and political stability as well as business opportunities here and abroad.

However, many in the United States are debating the value of foreign assistance when such aid has never been more needed. Although the American public may be frustrated by an apparent lack of direct and immediate benefit from U.S. aid programs, policymakers

(continued, p. 3)

Ensuring Workers' Rights in a Global Economy

by Barbara Shailor, Director of
International Affairs, AFL-CIO

In an increasingly global economy, U.S. foreign assistance must be used to ensure that workers around the world share in the benefits of economic development and do not bear the burden of change alone.

Today, capital flows freely across international borders. Technology is almost completely mobile. It has become simple for companies to shop the world for the least expensive and best trained workers. The employment and investment standards of one country may lose out against the economic desperation of another, where workers' rights and families' needs can be repressed.

Denying workers' rights has consequences for developed nations as well as developing ones. In developing nations, millions of workers with inadequate standards of living lead lives of misery and desperation. In developed nations such as the United States, the violation of workers' rights in developing countries threatens the standard of living of many Americans and the very existence of their jobs.

Until workers' rights criteria become an integral part of multilateral

(continued, p. 2)

New Partnerships for International Development: A Focus on Africa

by C. Payne Lucas,
President of Africare

International economic development is of paramount importance to the business and labor communities because the United States needs economically viable, environmentally sound, and peaceful neighbors. Consider, for example, the case of Africa. In the coming decade, Africa will experience strong economic growth fueled by higher levels of trade and investment, increasing entrepreneurial spirit, and abundant new sources of energy. With 53 nations and nearly one-fifth of the world's population, Africa may well become the largest emerging market of the 21st century.

Yet much of Africa is just beginning to cultivate what is called a "civil society"—the web of institutions, associations, and connections that enable a people to identify with one another, sharing and developing resources in pursuit of a common destiny. By facilitating this process, nongovernmental organizations (NGOs) help create a framework that enables individuals—and the private sector—to generate wealth, and through that wealth to promote greater well-being. The private sector has a vested interest in developing working relationships with NGOs because a strong civil society signals that the local body politic can begin to nurture the seeds of private initiative.

That private initiative is needed now. The erosion of foreign assistance means that limited aid dollars must catalyze and complement local initiative. The development gap in

Africa must be filled by the private sector, which, after all, exists to produce, to create, to add value.

Many American NGOs already specialize in working with the informal and small-scale private sectors. Others, including Africare, seek to integrate their development work with business enterprise. Innovative partnerships are emerging as corporations, government agencies, unions, and nonprofit organizations uncover fertile common ground. International and indigenous NGOs are excellent resources in identifying worthwhile investments, strengthening the small-scale and informal sectors, promoting domestic savings, transferring technology and management skills, and fostering the growth of a middle class.

Without private initiative at all levels, the growth of social and political systems in Africa that are capable of sustaining peace and development can scarcely be expected. This is the surest way, possibly the only way, to release Africa from its economic and political shackles and to enable it to engage more productively in the world marketplace.

Africare is the largest American NGO focusing exclusively on Africa.

(Shailor, con't)

trade and assistance arrangements, such structural problems in the global economy will persist.

U.S. labor believes in exporting goods and services—which is in the best interest of the United States—but will always be opposed to exporting U.S. jobs. Foreign assistance that facilitates the creation of sustainable democracies whose citizens can purchase what America produces can help correct the lingering trade imbalance.

Therefore, in examining U.S. assistance and trade proposals, we need to ask certain questions. As we work to promote economic growth, how can we ensure that we are not imposing new hardships on poor and working people in both developed and less developed nations? How can we ensure that workers prosper along with the wealthy? And how can we ensure that any burden is shared equally by all citizens and not imposed just on workers?



NPA Announces Name Change, New Website

The National Planning Association has changed its name to the National Policy Association. The Board of Trustees voted in November to make this change to reflect more accurately the work of NPA. We are currently in the transition process and expect to have our new name incorporated

on all of our materials by February 1997.

The NPA website featuring the Aid and Development Project is now on the Internet. You can reach us to obtain information, to share your views, and to learn about NPA and our project activities www.npa1.org.

NPA Aid and Development Project Survey

So that we might better understand public perceptions about foreign assistance policy and continue to improve and refine NPA's Aid and Development Project, we ask you to take a few minutes to complete and return this survey. Please mail or fax to: Aid and Development Project Coordinator, National Planning Association, 1424 16th Street, N.W., Suite 700, Washington, D.C. 20036 FAX (202) 797-5516.

1) Do you believe that international economic development is important to the United States? Why or why not?

2) How important is U.S. foreign assistance to overall U.S. foreign policy?

Very important				Not important at all
5	4	3	2	1

3) How important do you think the following objectives are to U.S. foreign assistance policy?

	Very important			Not important at all	
	5	4	3	2	1
a) promoting domestic economic growth	5	4	3	2	1
b) promoting economic growth in developing countries	5	4	3	2	1
c) building democratic institutions abroad	5	4	3	2	1
d) establishing military security	5	4	3	2	1
e) decreasing population growth	5	4	3	2	1
f) protecting the environment	5	4	3	2	1
g) decreasing cross-border drug trade	5	4	3	2	1
h) advancing security in certain strategic regions such as the Middle East and the former Soviet Union	5	4	3	2	1
i) decreasing pressures to emigrate to the U.S.	5	4	3	2	1
j) providing humanitarian assistance in times of need	5	4	3	2	1
k) preventing crises	5	4	3	2	1

4) Which of the above goals should be the first priority of the United States?
Other suggestions?

5) What do you anticipate will be the most important goal of U.S. foreign policy by the year 2010?

6) In your opinion, how effective are U.S. foreign assistance policies? Why?

(NPA Aid and Development Project Survey, continued)

- 7) On the whole, do you favor or oppose giving aid to other nations for purposes of economic development? Why or why not?

Business & Labor Dialogue Survey

- 8) Overall, how useful is the information in this newsletter?

Very useful
5 4 3 2 1
Not useful at all

- 9) What is the single most important insight or item of information (e.g., idea, perspective, specific data) you gained from this newsletter? .

- 10) How might you make use of this information?

- 11) What did you like best about this newsletter?

- 12) What suggestions do you have for improving future newsletters?

- 13) What topics would you like to see covered in future newsletters that address the goals and strategies of U.S. foreign aid and development assistance?

- 14) What other forms of communication would you find useful in discussing international development (e.g., e-mail, conferences, a web site, mailings, meeting packets)?

- 15) What is your affiliation?

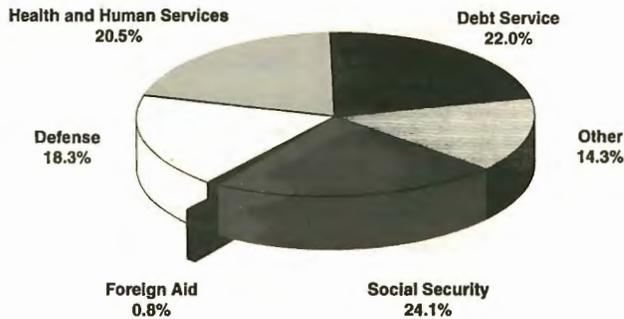
Business__ Labor__ Nonprofit__ Academic__ Government__ Other__

Name and address (optional): _____

**THANK YOU FOR YOUR COOPERATION.
PLEASE RETURN THIS FORM AS SOON AS POSSIBLE TO:**

**Aid and Development Project Coordinator
NATIONAL PLANNING ASSOCIATION
1424 16th Street, N.W., Suite 700, Washington, D.C. 20036
FAX (202) 797-5516**

U.S. Budget Outlays, FY96



Source: United States Department of the Treasury

(Daugherty, con't.)

should not underestimate the value of indirect and long-term benefit.

Past efforts clearly show that U.S. foreign assistance can help establish and maintain a good trade and investment climate for U.S. agribusiness in developing countries. Many of the best consumers of U.S. agricultural products today were aid recipients decades ago. U.S. foreign aid helps develop a foundation of solid relationships and good will for U.S. agribusiness that can produce dividends later.

Pioneer Hi-Bred International sells seed in the United States and other countries, and we view U.S. foreign assistance as helpful to our customers at home and abroad. Aid can help develop foreign markets for the grain produced by the seed we sell. This demand can be met in part by local producers planting our seed. However, increased demand for grain historically has outpaced the ability to produce it locally, leading to increased imports. Foreign aid programs can help ensure that those imports are from the United States. This is the nub of the issue—foreign aid has worked, can work, and must work to the mutual benefit of the giver and the receiver.

Foreign assistance, therefore, must have an agricultural component, yet agricultural development does not appear to have a high priority on the foreign aid agenda. U.S. foreign assistance providers must work closely with U.S. agribusiness to maximize investments and achieve mutually beneficial objectives in the areas of foreign policy and trade. Programs must be expanded, fully funded, and completely executed to capitalize on the opportunities afforded by the transition to market-driven economies around the world. Making and keeping foreign assistance programs results-oriented and tied to U.S. business opportunities will also build credibility and support among Americans.

In sum, the U.S. government needs to focus on targeted programs that link market access, economic development, technology transfer, and training. At that point, aid becomes trade, and everyone wins. What could be a better foreign policy tool?

Pioneer Hi-Bred International, Inc. is the world's foremost supplier of agricultural genetics and a leading integrator of agricultural technology.

Resource List

AFL-CIO

International Affairs Department
815 16th St., N.W.
Washington, D.C. 20006
TEL 202-637-5018 FAX 202-508-6986
Internet: www.aflcio.org
Voluntary federation of unions supporting democratic institutions and free trade unions internationally.

Export-Import Bank

811 Vermont Ave., N.W.
Washington, D.C. 20571
TEL 202-565-3946, 800-565-3946
Internet: www.exim.gov
Finances exports of U.S. goods and services.

Overseas Private Investment Corporation (OPIC)

1100 New York Ave., N.W.
Washington, D.C. 20527
TEL 202-336-8400
Internet: www.opic.gov
Provides financing for U.S. companies investing overseas.

PACT-CORECOM Project

1901 Pennsylvania Ave., N.W., Ste. 501
Washington, D.C. 20006
TEL 202-466-5666 FAX 202-466-5669
Promotes corporate participation in international development.

Technoserve

49 Day St.
Norwalk, CT 06854-3106
TEL 800-999-6757 FAX 203-838-6717
Works to improve the well-being of the poor in developing countries through skills training and technical assistance.

U.S. Agency for International Development (USAID)

Office of Private and Voluntary Cooperation
BHR/PVC, USAID
Washington, D.C. 20523-0804
TEL 703-351-0221
Internet: www.info.usaid.gov
Coordinates U.S. foreign assistance around the world.

U.S. Department of Commerce

Trade Information Center
14th St. and Constitution Ave., N.W.
Washington, D.C. 20230
TEL 800-USA-TRADE
Internet: www.ita.doc.gov
Offers information about U.S. trading partners and export opportunities for U.S. firms.

USAID:
**Helping to Advance
 America's National
 and Security Interests**

by J. Brian Atwood, Administrator of
 the U.S. Agency for International
 Development

When the U.S. Agency for International Development (USAID) was created, President John F. Kennedy declared, "To those people in the huts and villages of half the globe who are struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves." For more than 30 years, USAID has kept that commitment. Humanitarian relief is our most visible activity, especially during this period of ethnic, religious, and tribal strife, but our goal is always to move as quickly as possible from relief to sustainable development.

Our mission is to advance America's

national interests and security. Building a peaceful, prosperous world is essential for America's security and its future economic growth.

USAID's operations, including humanitarian relief, cost the average American only about \$11 a year. Fully 80 percent of our grants and contracts are directed through American firms, universities, and nonprofit groups and provide jobs for hundreds of thousands of Americans. We clearly get a lot for our investment. Most of America's major trading partners once received U.S. aid. The value of U.S. exports in 1995 alone to Korea, Taiwan, and Thailand far exceeded all the American aid over many years to those countries. The same is true of American exports to the fast-growing Latin American market.

Emerging markets do not happen automatically. USAID helps create the conditions necessary for trade. This includes assistance in improving

infrastructure, education, and health; developing micro enterprises; increasing agricultural production; writing commercial codes; reforming export laws; building tax, customs, and financial systems; and helping numerous other local and national institutions that prepare countries for business on a modern, global scale.

Developing countries are now the fastest growing segment of the U.S. export market. They are particularly good customers for high value exports of pollution control equipment, computer and communications equipment, and expert services at which American workers and businesses excel. By the year 2000, four out of every five people in the world will be living in what are now developing countries. USAID is making investments today in the countries of Latin America, Africa, and Asia that will be customers for the next generation of Americans.

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Business & Labor Dialogue

Spring 1997

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In This Issue

Business & Labor Dialogue is a quarterly newsletter addressing the U.S. role in international development from the perspective of the private sector.

This issue is devoted to the views of labor on overseas development. *Dialogue's* Summer issue will focus on this topic from the perspective of business. John T. Joyce, President of the International Union of Bricklayers and Allied Craftworkers, responded to a series of questions *Dialogue* posed to him about labor's views on the U.S. government's foreign assistance priorities. Mr. Joyce offers some thought-provoking comments on USAID's activities in the promotion of democracy and the development of free markets.

On page 2, *Dialogue* summarizes the international development activities of the AFL-CIO and several unions, including the International Union of Bricklayers and Allied Craftworkers, the American Federation of Teachers, and the Communications Workers of America.

This issue also includes a resource list of organizations that design and implement programs to build democracy or that conduct other policy research in the area of foreign aid and development.

We welcome your comments and ideas. Please contact Heidi Brooks at the address and fax number on page 4, or e-mail hbrooks@npa1.org.

The Goals of Foreign Aid: Promoting Democracy and Economic Development

by John T. Joyce

President, International Union of Bricklayers and Allied Craftworkers

To maximize the effectiveness of U.S. foreign aid, two tasks should be the focus of foreign assistance: promoting political democracy and human rights, and supporting economic development. We believe that it is consistent with labor's ideals and interests to make freedom of association a central goal. It is, after all, through freedom of association, assembly, and expression that the people of any nation can best decide which forms of social and economic organization are most appropriate to their needs, traditions, and aspirations.

Those who differ with us argue that the goal of economic development requires that political democracy and social reform be deferred. But societies that delay freedom for bread produce neither bread nor freedom. Rather than defer freedom and social reform to promote economic development, we advocate freedom of association as a means toward economic, social, and political vitality in a developing country. We believe that political democracy is the basis not only of freedom and human dignity, but also of economic and social well-being.

During the 1960s, many commentators noted that the Soviet

economy was catching up to the West and would soon surpass us (or "bury" us, in the language of the day). After an initial period of rapid economic growth in the USSR, however, the limitations on freedom caused growth to plateau. Then when the Soviet Union collapsed, we learned that it was really comprised of developing countries. The current myth is that China's rapid expansion will bury us. But as we learned from the Soviet case, when freedom is absent and party hacks and their friends run large enterprises as well as the government, there are real limits to the possibilities for economic growth. These kinds of undemocratic regimes never quite catch up with their freer counterparts.

The International Union of Bricklayers and Allied Craftworkers (BAC) has proposed and promoted practical processes by which our foreign aid might have greater economic and political impact. To ensure that foreign aid projects have the greatest impact on their intended beneficiaries, we favor the establishment of tripartite and multipartite boards in the host and recipient countries.

The inclusion of the social partners, business and labor, as well as

(continued, p. 3)

U.S. Labor Unions Working for International Development

The regionally focused international institutes of the *AFL-CIO* share the goal of encouraging the development of civil society and democratic institutions in the developing world. Plans to consolidate the institutes into the *AFL-CIO*'s international division are under way.

Founded in 1965, the *African American Labor Center* (AALC) aims to strengthen African trade unions so they can better serve their members and participate in the democratization and development of their countries. AALC provides direct assistance to free and independent African trade unions in 35 countries in areas such as leadership training, worker education, vocational training, credit unions, health, and trade union research.

The *American Institute for Free Labor Development* was founded in 1962 to provide technical services to develop and strengthen democratic unions and related organizations in Latin America and the Caribbean.

The *Asian-American Free Labor Institute*, established in 1968, works throughout Asia, the Pacific, and the Near East to expand human and trade union rights. It supports efforts to eliminate child labor, promote labor law reform, and encourage the creation of democratic industrial relations systems.

The *Free Trade Union Institute* began conducting programs in central and eastern Europe in 1983, and later in the former Soviet Union, to help achieve democracy and foster free trade unionism through exchange programs, support of local democratic institutions, and regional conferences.

The *American Federation of Teachers* (AFT) has been promoting educational activities related to the teaching of democracy and civics around the world since 1989. Its Education for Democracy/International Project includes three major areas: teacher training and curriculum development; democratic skills and leadership training; and publications on democracy and education. AFT has:

- conducted short-term civic education projects in 16 countries;
- compiled an international civic education database of programs, materials, and groups in 70 countries;
- implemented the Classroom-to-Classroom Program linking U.S. teachers and students to their counterparts in developing democracies.

The *Communications Workers of America* has been very active in promoting international dialogue and workers' rights throughout the world and has been affiliated with the International Trade Secretariat since 1959. Recent activities include:

- collaboration with the National Committee for Labor in Israel, the Histadrut, to establish a cultural center for Jews and Arabs in an underserved part of Jerusalem, offering job training, as well as activities to help facilitate communication and cultural exchange between these historically antagonistic groups;
- provision of material support and development of infrastructure in South Africa during the apartheid era, helping trade unions protect the human rights of workers;

- implementation of 13 programs in Latin America, helping unions maximize democratic participation through training and civic education.

The *International Union of Bricklayers and Allied Craftworkers* (BAC) has a long history of international involvement. It has built successful vocational training programs in Poland, El Salvador, and, most recently, South Africa. BAC has:

- collaborated with the Confederation of South African Trade Unions to establish a training site to upgrade the skills of black workers, train blacks as instructors, and conduct a nationwide literacy campaign;
- established a training program in the construction-related trades in El Salvador that is still in place five years after BAC transferred control to local partners.

UPCOMING NPA SYMPOSIUM

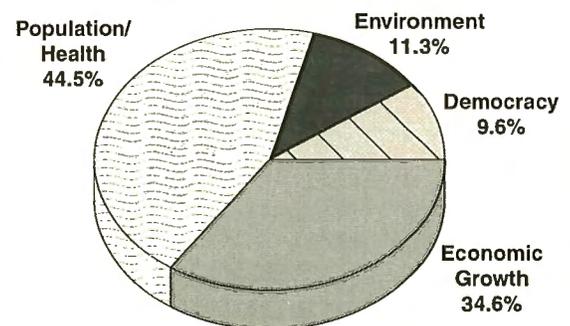
"Private Sector Perspectives on Building a Coherent Development Policy"

May 20, 1997

Minneapolis-St. Paul, MN

For information, contact Heidi Brooks,
Acting Project Coordinator,
202-884-7628, or
e-mail hbrooks@npa1.org

Sustainable Development Funding, FY 1996



Source: U.S. Agency for International Development.

(Joyce, continued)

government, in the development process

to ensure practical private sector participation before, during, and after project implementation. When appropriate, representatives of agriculture or other local parties can be called on for input into programs intended to benefit the ordinary people of developing countries.

No longer would this be a process controlled solely by elites as purely a government-to-government enterprise. Indeed, the aid granted should be contingent on acceptance of and continued progress toward the protection of personal and economic liberties, as well as freedom of expression, respect for human rights, and an independent system of equal justice. Thus, the building of democratic institutions would be appropriately treated as the key to democracy, social reform, and economic development.

The essence of this idea derives from the International Labor Organization, the oldest arm of the United Nations. The ILO has utilized the tripartite business-labor-government method successfully in the establishment and enforcement of international labor standards that have been so much discussed in recent years.

Although international treaties against slavery have existed since the 1800s, oddly enough some argue that today's system of international trade would be overburdened by limitations on forced and child labor and other core labor standards embodied in ILO conventions.



Using mud instead of mortar, a trainee in masonry in South Africa learns his trade.

BAC has initiated joint labor-management vocational training programs in a variety of countries utilizing funds from the U.S. Agency for International Development. Most notable is our program in El Salvador, a partnership with the construction union SUTC and the employer association CASALCO. The program is now in its fifth year of sustained operation without direct BAC assistance.

BAC initiated a similar vocational training program in newly democratic South Africa as a result of contacts made with black trade unions by BAC representatives who traveled to South Africa illegally in the mid-1980s. The training site near Soweto has 23,400 square feet under roof and a hostel equipped to serve 300 trainees on more than 130 acres. In the words of the leaders of the Confederation of South African Trade Unions (COSATU), the project was established to develop "a practical and effective program for the upgrading of the skills of black workers." Vice President Al Gore visited the site in December 1995.

Seven black instructors with the program recently passed the qualifying trades tests that had heretofore been the sole preserve of white craftworkers.

(continued, p. 4)

Resource List

American Enterprise Institute for Public Policy Research

1150 17th St., NW
Washington, DC 20036
TEL 202-862-5800 FAX 202-862-7177
Internet: www.aei.org

Research organization sponsoring original studies of government policy, the U.S. economy, and American politics.

The Brookings Institution

1775 Massachusetts Ave., NW
Washington, DC 20036
TEL 202-797-6000 FAX 202-797-6004
Internet: www.brook.edu

Private, independent research institution addressing current and emerging policy challenges and offering practical recommendations.

International Republican Institute

1212 New York Ave., NW, Suite 900
Washington, DC 20005
TEL 202-408-9450 FAX 202-408-9462
Internet: www.iri.org

Nongovernmental organization conducting nonpartisan, democratic development programs.

National Democratic Institute for International Affairs

1717 Massachusetts Ave., NW, Suite 503
Washington, DC 20036
TEL 202-328-3136 FAX 202-939-3166
Internet: www.ndi.org

Nonprofit corporation conducting nonpartisan international programs to help promote, maintain, and strengthen democratic institutions.

National Endowment for Democracy

1101 15th St., NW, Suite 700
Washington, DC 20005
TEL 202-293-9072 FAX 202-223-6042
Internet: www.ned.org

Private grant-making organization created by Congress to strengthen democratic institutions internationally through the enhancement of civil society.

Organization for Economic Cooperation and Development

2001 L St., NW, Suite 700
Washington, DC 20036-4910
TEL 202-785-6323 FAX 202-785-0350
Internet: www.oecdwash.org

Unique forum in which representatives of industrialized countries study and formulate economic and social policies.

(Joyce, continued)

BAC trained instructors in bricklaying, tilesetting, cement masonry, plastering, carpentry, painting, and sheetmetal and electrical work. Subsequently most of them were certified as instructors. In 1996, the program was accredited as the first black-run vocational training program that could certify its own graduates, and on January 1, 1997, South Africans took over management of the project.

Our programs illustrate that sustainable projects that have a political and economic dimension are possible with the direct involvement of unions and employers before, during, and after initial financial assistance from donor governments. When these practical players are involved, the development of democratic institutions goes hand in hand with the economic development of the country, and the goals of political

and economic development become far less abstract and their achievement much more likely to last. Under conditions that encourage private sector involvement and foster democracy, foreign aid goes, as it should, to the ordinary people of poor countries.



MEETING PACKETS NOW AVAILABLE!

NPA has compiled materials to help local community groups organize their own discussion of international development issues. The meeting packets include topic ideas, background information, suggested contacts, and a how-to guide. Please contact Heidi Brooks at 202-884-7628 or e-mail hbrooks@npa1.org for more information.

CHECK OUT NPA's NEW WEB SITE—www.npa1.org

- Give us your feedback on foreign assistance priorities.
- Link to other aid and development resources on the Internet.
- Learn about NPA's committees.
- Peruse our publications list.
- Read the NPA President's Report.

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Business & Labor Dialogue

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In This Issue

Business & Labor Dialogue is a quarterly newsletter addressing the U.S. role in international development from the perspective of the private sector.

This issue features a business view on overseas development, complementing a labor perspective on foreign assistance presented in the Spring issue. The article by F. William Hawley, Director of International Government Relations at Citicorp/Citibank, is based on several questions *Dialogue* posed to him regarding the U.S. government's foreign aid priorities.

Mr. Hawley focuses on the importance of using foreign assistance to create the basis for sustainable market-based economic growth in recipient countries.

On page 2, *Dialogue* reviews the international development activities of a number of corporations, including Citicorp/Citibank, N.A., Land O'Lakes, Inc., The Coca-Cola Company, American Express Company, Procter & Gamble Co., Phillips-Van Heusen Corporation, and Eli Lilly and Company.

This issue also includes a resource list of organizations that encourage private-public sector partnerships in the area of international economic development.

We welcome your comments and ideas. Send letters and faxes to the Aid & Development Project Coordinator at the address and fax number on page 4, or e-mail tkent@npa1.org.

Foreign Aid: A Private Sector View

by F. William Hawley

Director, International Government Relations, Citicorp/Citibank, N.A.,
and President, Bankers' Association for Foreign Trade

Against the backdrop of the current U.S. federal budget debate, criticism and skepticism toward foreign aid is to be expected. In fact, in the post-Cold War world, the American public questions why so many taxpayer dollars must still be spent outside the United States for any purpose. One response is to find ways of getting what in the public's mind is expressed by the phrase "more bang for the buck." Fortunately, there are ways in which this can be done.

In my view, the mission of foreign aid is primarily to create the basis for sustainable market-based economic growth in recipient countries. This means avoiding simple unconditional transfers of resources and instead emphasizing the importance of adopting and implementing sound economic policies by developing nation governments. While some transfer of public resources is needed, all of the government aid programs cannot by themselves meet the development needs of these countries; only the structural reform and sound management of these economies will attract from the global marketplace the huge amounts of private capital required for sustainable development.

U.S. participation in multilateral development institutions provides further leverage of our aid funds. For every dollar the United States contributes, another five or six dollars are added by other donor governments.

Economic policy changes are the most vital, immediate goal of foreign aid. They are important because, once in place, they make the achievements of other significant development goals much more likely. These goals include improvements in public health and educational standards, protection of the environment, promotion of accountable governance, and reduction of corruption.

Of course, none of these results will occur if the United States fails, as we have in recent years, to meet our financial commitments to the multilateral development banks. If we remain a "deadbeat" on the governing boards of these institutions, America will inevitably lose influence. This means we will have less and less ability to ensure that the resources we provide are used wisely and that the conditions we consider important are attached to aid programs. This risks waste of even the relatively limited resources the United States does provide.

Should we continue to press the multilateral development banks to improve performance, transparency, and efficiency? Of course we should, and such work is under way, as the ambitious program of World Bank President James A. Wolfensohn shows. Much has already been accomplished in improving the management of the various regional development banks.

An important contribution to sustainable development is the provision of

(continued, p.3)

Good Corporate Citizenship: Business Partnerships for International Development

This article describes the activities of a number of U.S. companies involved in community-based international development. The examples demonstrate ways in which some businesses have moved beyond philanthropy to joint ventures with private voluntary organizations (PVOs). According to Dr. Shirley Buzzard, Executive Director of Heartlands International Consulting, these partnerships are good business investments and also accomplish worthy social objectives. Dr. Buzzard provided *Dialoguc* with information about many of the case studies cited here.

Citicorp/Citibank, N.A., became involved in microenterprise lending more than 20 years ago as a donor to ACCION International, a microlender in the Americas. Over time this partnership has been strengthened and expanded. Citibank recently gave \$1.5 million over a period of 5 years to help ACCION build businesses and experiment with lending innovations. Citibank's contributions to the partnership with ACCION have also included the provision of financial services and technical advice. Citibank's company-wide collaboration with ACCION and other microlenders is designed to help both borrowers and lenders in Latin America eventually become self-sufficient, with the goal of increasing their access to the formal economy and capital markets. Citibank has worked to expand microlending programs internationally, and it encourages its businesses to become involved in community development programs of this type in the United States and abroad.

Land O'Lakes, Inc., a food and agricultural cooperative owned by farmers, ranchers, and member cooperatives, provides agricultural products and ser-

vices to its members and markets a variety of food products. Its International Development Division was founded in 1981 in recognition of the increasing integration and interdependence of international agricultural markets. Through training, technical assistance, and feasibility studies, Land O'Lakes development programs have assisted private sector agribusinesses and cooperatives in more than 30 developing countries.

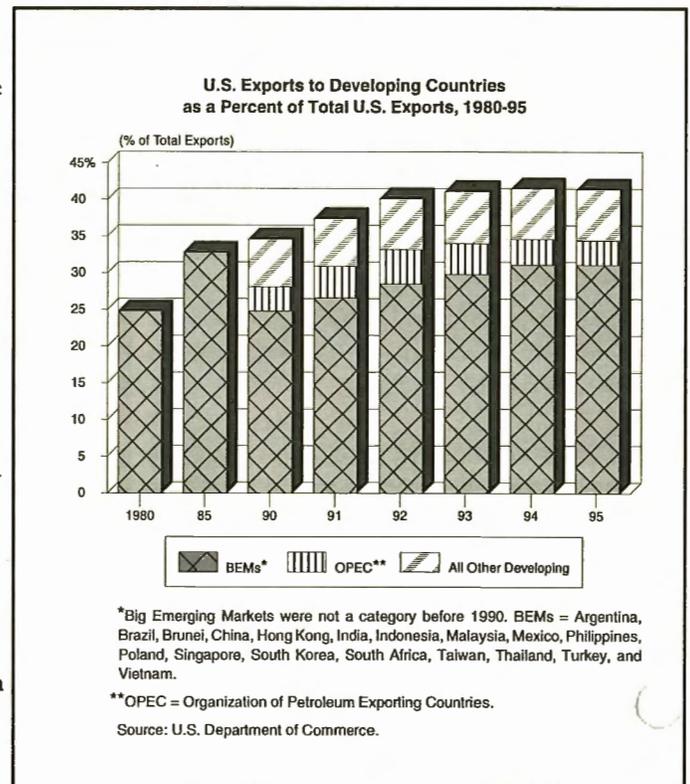
The Coca-Cola Company engages in a variety of international development activities. For example, when the company had difficulty getting its products into Mexico's crowded urban areas, Coca-Cola adopted an innovative approach: it hired young people to market its products on specially made carts, and sold the products to these distributors on an installment plan. This approach enabled unemployed youth to earn money and Coca-Cola to expand its market in a hard-to-reach area. When it became evident that Mexican women could get a Coke more readily than they could obtain oral rehydration solution (ORS) for their children with diarrhea, local nongovernmental organizations (NGOs) worked with Coca-Cola to use the same system to distribute ORS packets, making the remedy as accessible as the soft drink.

The American Express Company funded a training program in the Dominican Republic for the employees of small firms in the tourism sector. Developed by Partners of the Americas, a U.S. PVO, the training included planning, promotion, marketing, management skills, and traveler's check and credit card processing. In addition, AmEx collaborated with local NGOs to jointly train unemployed youth as tour guides. The presence of

attentive, knowledgeable workers in the tourism industry helped to stimulate tourism and the hotel and restaurant industry. The program was so successful in increasing tourism revenue that the government negotiated a better exchange rate for credit card purchases, and as revenues went up, so did AmEx card use. The program has now been expanded to other countries in Latin America.

Procter & Gamble Co. successfully collaborated with a PVO, a university, and the Philippine government to improve the health of poor people in the Philippines. To determine whether the nutritional fortification of Star margarine would increase its profits and volume, P&G funded studies by Johns Hopkins University to test the effectiveness of nutritional fortification on the health of poor people. The Philippine Department of Health, the Nutrition Center of the Philippines, and Helen Keller International were involved in project planning and development and in helping to educate the public about nutrition and publicize the product. This partnership was a success because it delivered micronutri-

(continued, p.4)

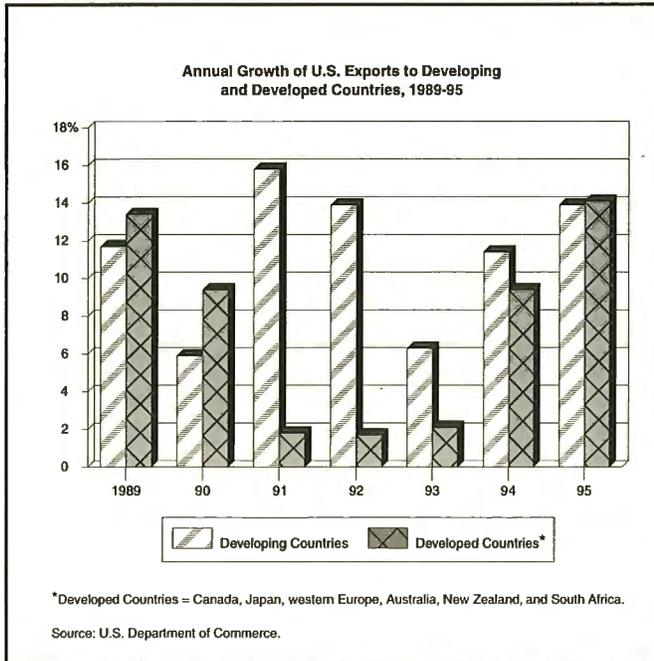


(Hawley, continued)

technical know-how. Such know-how includes expertise on creating domestic financial markets and regulating them effectively, as well as expertise on creating the kind of legal system and accounting standards that will help attract foreign investors. These efforts have been major challenges for some economies (e.g., those in transition from former communist regimes), and U.S. bilateral and multilateral aid programs have enabled significant work to be done in these areas.

Know-how alone, however, is not sufficient in helping a developing economy grow. To develop a financial sector capable of truly meeting the needs of the domestic economy, the market must be opened up to competition. Countries with overprotectionist policies pay dearly in terms of denying users of financial services access to modern, efficient, and global institutions. Competition and the technology transfers from global firms that result can greatly increase the quality of services provided and lower the cost of capital. The multilateral banks have done significant work in recommending more liberalized approaches to the advancement of the banking and financial systems of developing countries. Further, in April 1997, the new World Trade Organization resumed formal negotiations aimed at achieving more open financial service markets. Successful negotiations will serve the mutual interests of developing countries and global suppliers of financial services.

Countries that respond with policy changes along the lines outlined above will more effectively compete for private capital to meet their own development objectives. The demands for such capital today are enormous, especially given the



large-scale infrastructure needs of the developing world. These include huge energy and telecommunications projects. Economic policy reforms, open economies, and viable financial markets will be important factors in the completion of these projects.

Why should American businesspeople, factory workers and other employees throughout the country care about the growth of the developing countries? The answer is that the successful development of other countries creates important markets for U.S. goods and services. An example: The World Bank's International Development Association (IDA) provides loans on concessional terms to the poorest countries. As these countries' per capita incomes increase over time, they lose their access to IDA funds, which can then be redirected to poorer nations. The countries that have graduated from IDA in this way now account for \$60 billion of purchases of goods and services each year from the United States alone, an important contribution to U.S. jobs and income.

From the point of view of an international corporation, the U.S. economic interest is served both by the rising demand for U.S. exports, and by the growth of markets for U.S. companies active within the developing world. For

(continued, p.4)

Resource List

Agricultural Cooperative Development International (ACDI)
50 F St., NW, Ste. 1100
Washington, DC 20001-1530
TEL 202-638-4661 FAX 202-626-8726
E-mail: info@acdi.org
Nonprofit, private voluntary organization providing technical and management assistance and training to improve the economic well-being of farmers worldwide.

Business Alliance for International Economic Development
601 13th St., NW, Ste. 510-S
Washington, DC 20005-3807
TEL 202-783-5588 FAX 202-783-5595
Internet: www.milcom.com/alliance/
Dedicated to informing the American public about the correlation between properly implemented foreign economic assistance and the expansion of U.S. exports and jobs.

Center for International Private Enterprise (CIPE)
1615 H St., NW
Washington, DC 20062-0001
TEL 202-463-5901 FAX 202-887-3447
Internet: www.cipe.org
Affiliate of the U.S. Chamber of Commerce designed to strengthen democracy worldwide through the promotion of private enterprise and market-oriented reforms.

Corporate Council on Africa
1660 L St., NW, Ste. 301
Washington, DC 20036-5603
TEL 202-835-1115 FAX 202-835-1117
Nonprofit membership organization representing U.S. corporations doing business in Africa.

Michigan State University-Center for International Business Education and Research (CIBER)
The Eli Broad Graduate School of Management, International Business Center
7 Eppley Center
East Lansing, MI 48824-1121
TEL 517-353-4336 FAX 517-432-1009
Internet: ciber.bus.msu.edu/
A national resource center that assists businesses in addressing the challenges of global competition.

U.S. Trade and Development Agency
Rm. 309, SA-16
Washington, DC 20523-0001
TEL 703-875-4357 FAX 703-875-4009
Internet: www.tda.gov
Federal agency that helps U.S. companies compete internationally for infrastructure and industrial projects through orientation visits, training grants, feasibility studies, and technical assistance.

(Hawley, continued)

example, I do not have to point out the importance of the emergence of a middle class in these countries as a promising market for U.S. financial institutions with operations there, whether in the banking, securities, or insurance sectors.

How can aid programs best serve U.S. foreign policy? In the post-Cold War world, U.S. foreign policy is, to an important extent, economic policy. This includes U.S. bilateral and multilateral aid programs. Correctly implemented, these programs will not only contribute to peace and stability abroad, but they will also increase jobs and income for U.S. workers. Thus, aid programs serve the interests of business, labor, and government. But we must ensure that they are implemented properly. To influence the institutions involved and to push for the positive benefits outlined here, the United States must remain actively engaged and must provide the relatively modest resources expected of us. ■

(Business Partnerships, continued)

ents to a larger segment of the population while increasing sales for P&G.

When senior executives from **Phillips-Van Heusen Corporation**, an American clothing manufacturer, traveled to San Pedro Sacatepequez, Guatemala, to inspect a new factory, they were astonished by the poor level of education in the area. They committed to making life better for the people of the area, especially the children. In partnership with the community and the American Jewish World Service, the company developed a coordinated plan to improve educational infrastructure. Phillips-Van Heusen funded the project, through which 3,500 children in seven schools are benefiting from an increase in the number of teachers and from new facilities and materials. Teacher training, health and nutrition education, and night classes have also been implemented.

Eli Lilly and Company, a pharmaceutical manufacturer, conducts a number of programs with health education

organizations around the world. For example, the company worked with the American International Health Alliance, the Gundersen Lutheran Medical Center in La Crosse, Wisconsin, and the medical community in Dubna, Russia, to develop innovative self-care programs in Russia. Diabetes self-management was one of the initial programs, and Eli Lilly as an insulin manufacturer was invited to participate. The company has given approximately \$2 million for a two-year supply of insulin for each patient and has donated \$10,000 in equipment for five sites. The program has resulted in a reduction in the number of diabetic hospitalizations. Despite the challenges of language barriers, developing evaluation criteria, and handling Russian hierarchy, the program has become a model for similar projects to treat tuberculosis and depression. ■

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Business & Labor Dialogue

Autumn 1997

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In This Issue

Business & Labor Dialogue is a quarterly newsletter addressing the U.S. role in international development from the perspective of the private sector.

This issue spotlights NPA's 12th Regional Aid and Development Symposium held in St. Paul, Minnesota, on May 20, 1997. Over 50 members of the business, labor, academic, government, and nonprofit communities met to discuss private sector views on building a coherent development policy.

Articles by G. Edward Schuh, Dean of the Hubert Humphrey Institute of Public Affairs at the University of Minnesota, and by Kelly Kammerer, Acting Assistant Administrator for Asia and the Near East at the U.S. Agency for International Development, have been excerpted from their remarks at the symposium.

On page 3, *Dialogue* presents quotes from other speakers at the day-long meeting, including Malcolm Lovell, President of NPA, Norm Coleman, Mayor of St. Paul, Larry Nowels of the Congressional Research Service, Martha Cashman of Land O'Lakes, Bernard Brommer of the Minnesota AFL-CIO, and Vernon Ruttan of the University of Minnesota. This issue also includes a resource list of organizations that encourage private-public sector partnerships for international economic development.

We welcome your comments and ideas. Send letters and faxes to the address and fax number on page 4, or e-mail tinak@npa1.org.

U.S. Foreign Assistance: Past, Present, and Future

by G. Edward Schuh

Dean, Hubert Humphrey Institute of Public Affairs,
University of Minnesota

There is no part of U.S. policy on which Americans are more inadequately informed than the U.S. foreign aid program. It is widely believed that the United States gives a large share of its wealth to other countries, thereby neglecting the poor and disadvantaged at home as well as future U.S. growth. According to several recent polls, very few people seem to realize that the U.S. foreign aid budget accounts for less than 1 percent of the federal budget and for only about 0.12 percent of gross domestic product (GDP). Nor do many people realize that the United States ranked 20th out of 20 developed countries in the share of gross national product devoted to foreign economic assistance in 1995. However, I believe that Americans are a generous people; the evidence for this view is the finding in those polls that American citizens say we should be contributing 5 to 10 percent of the federal budget for the disadvantaged in other countries.

The motivations of past U.S. foreign economic aid programs went through two basic stages, both driven by the threat posed by the former Soviet Union. In the immediate post-World War II period, America was concerned that the countries of Western Europe would collapse due to that struggle and the destruction of Europe's physical infrastructure and its capacity for economic production. To rebuild Europe we launched the Marshall Plan, an unusual program of international assistance and cooperation. As Western Europe re-

covered and the threat of the former Soviet Union in that region declined, a new threat emerged in the developing countries. We believed that if we could help raise the per capita incomes of people in those countries, they could avoid succumbing to the appeals of socialist policies.

The reconstruction of Western Europe was accomplished in a relatively short period. Political support for it was strong and sustained. Later development and modernization programs presented a more complex challenge, covering a larger population in a larger area over a longer timeframe. In retrospect, it is incredible that we believed we could accomplish so much with so little; it is thus no surprise that some disillusionment and "aid-tiredness" set in.

When the former Soviet Union broke up, the motivating force for U.S. economic assistance programs in the developing world declined significantly. In addition, the international economic environment changed dramatically. From a world characterized by a collection of autonomous nation-states linked by relatively modest flows of trade and even smaller flows of capital, we have emerged into a world in which international trade has almost continually grown faster than global GDP and in which international financial flows are now at about \$1 trillion per day.

In this global economy, successful participation in international trade can be a source of foreign exchange earnings that can finance stronger domestic development programs. Nations that get their economic

Excerpted from remarks at the NPA Regional Aid and Development Symposium, St. Paul, Minnesota, May 20, 1997.

(continued, p. 4)

Foreign Assistance— Good for Others, Good for the United States

by Kelly Kammerer

*Acting Assistant Administrator for Asia and the Near East,
U.S. Agency for International Development*

Critics of foreign aid contend that poor people in developing countries are no better off now than they were decades ago. Yet an examination of the lives of people in developing countries over the past four decades tells a far different story. The average person in the developing world today is better educated, healthier, lives longer, has fewer children, eats better, and has a higher income than ever before. Some of this progress can be attributed to internal factors, such as the availability of natural resources and sound economic policies, but much of it is the direct result of sustained external cooperation.

Of the 2.2 billion people who live in USAID-assisted countries, nearly two-thirds are in countries that achieved annual per capita economic growth above 2.4 percent in this decade. According to USAID and World Bank analyses, if per capita income increases 2 percent a year for two decades, the share of the population living below the poverty line is cut in half. More rapid growth will, of course, get the job done even more quickly. For instance, in Indonesia, a growth rate of 3.4 percent in per capita income over 13 years reduced the population living in poverty from 58 percent to 17 percent!

There is a connection between economic cooperation and long-term economic growth. In most cases, countries that have had long-term U.S. assistance have become active trading partners with the United States. They are eager purchasers of U.S. technology and services, and many have become donors themselves.

USAID recently examined 90 countries, with a total population of 3 billion, that received a total of \$120 billion in U.S. economic aid from 1962 through 1990. Fifty of the 90 countries are either no longer poor or are still poor but making clear,

steady progress. They account for 2.4 billion people, about 80 percent of the total.

The other 40 countries, with 580 million people, are still poor and making intermittent progress at best. Among these are Kenya, Tanzania, Mali, and Honduras, countries where there has been some progress and where steadier progress across the board is clearly within their grasp. This group also includes the development failures, roughly 10 countries (Burundi, Rwanda, Zaire, Sudan, Somalia, Burma, Liberia, Afghanistan, Gambia, and perhaps Zambia and Central African Empire) with about 180 million people, only 6 percent of the total. The countries that represent development failures are clearly a small minority, vastly outweighed in population by the countries that have succeeded and are succeeding. Moreover, this status is by no means perpetual. At various times, the outlook seemed hopeless in South Korea, Taiwan, Indonesia, Bangladesh, Uganda, and Ethiopia, among others.

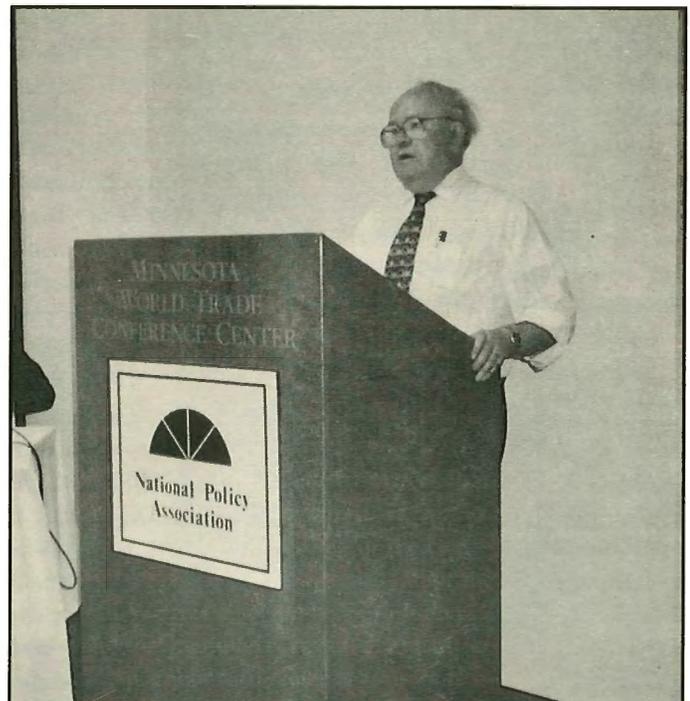
Economic assistance is not only good for the world, but also good for us. The World Bank forecasts that developing economies will grow by 60 percent during the next decade, double the growth for industrialized countries. By the year 2000, four out of five consumers in the world will live in developing countries. America's future growth lies more in developing nations than in countries that have been its traditional trading partners. Remaining competitive demands that the United States continue to open new markets and look to the future in expanding economic opportunity for all Americans.

The development dividend has already been substantial. For example, the United States exports more in a single year to South Korea than it ever gave that nation in foreign assistance—even though U.S. assistance was considerable. In 1994 alone, the United States exported goods and services worth over \$17 billion to Taiwan, more than 15 times that country's total economic assistance from the United States. In countries such as Thailand, Uganda, and Argentina, the annual growth of U.S. exports is more than 20 percent.

In each of these cases, the pursuit of free market policies—when combined with open, transparent governments and investment in human capital—spurred the capital flows and investment necessary to drive lasting economic growth. USAID was a catalyst moving the process forward, and in each case, America's economy benefited tremendously from expanding U.S. trade relationships.

Trade does not just happen. The enabling environment must be right before private capital can begin to flow. Companies do not want to invest in countries where their investments are not given fair treatment under law, where fair business and labor codes do not exist, or where un-

(continued, p. 4)



Dean G. Edward Schuh of the University of Minnesota speaking at the May 1997 NPA Regional Symposium.

Excerpted from remarks at the NPA Regional Aid and Development Symposium, St. Paul, Minnesota, May 20, 1997.



(L to R) Claudia Liebrecht, Director, International Marketing and Investment, Minnesota Trade Office; Malcolm R. Lovell, Jr., President and CEO, NPA; St. Paul Mayor Norm Coleman; and James Jarvis, Associate Director, Minnesota Trade Office, at the NPA Regional Symposium.

Remarks from Other Speakers at NPA's Aid and Development Symposium, May 1997

"How the U.S. chooses to use or not to use its influence will importantly affect how the people of this globe live and work together in the decades ahead and indeed how secure and affluent we Americans will become."
—Malcolm R. Lovell, Jr., President and CEO, National Policy Association

"We talk about this concept of global village, but the reality is that because of changes in technology we have the capacity to touch one another in a much more personal way . . . instantaneously, because we have fax, and we have Internet. Technology has given us the ability to bridge divides in a way that we didn't have before."
—Norm Coleman, Mayor of St. Paul, Minnesota

"Some of the major findings of NPA's programs have been that foreign aid should support American political and strategic interests, it should advance U.S. economic interests, it should project American values, and it should be used to address global humanitarian needs. The difficulty is how do you deal with all of these widely disparate demands with a limited amount of resources?"
—Larry Nowels, Specialist in International Affairs, Congressional Research Service, Library of Congress

"At Land O'Lakes we believe that effective development of global ability must involve both international development and international business activity. After all, [all] human beings . . . want to have a life with dignity, and so the best humanitarian assistance is economic empowerment and participation."
—Martha Cashman, Vice President for International Development, Land O'Lakes, Inc.

"If policymakers and opinion shapers seek a rationale for foreign assistance that will inspire broad public support and counter xenophobia and protectionism, which retard development of a constructive U.S. foreign policy for the post-Cold War era, they need look no further than the need to build a world economy that serves working families."
—Bernard Brommer, President, Minnesota AFL-CIO

"When development assistance was dominated by security concerns it was not as valuable. We got less bang for the buck. . . . I was hoping that with the end of the Cold War there would be a peace dividend that could be redirected, at least in a small amount, to seeing that more people in the world have a chance."
—Vernon Ruttan, Professor of Applied Economics, University of Minnesota

Resource List

African Development Bank

North American Office
E-123 IADB Building
1300 New York Avenue, NW
Washington, DC 20577
TEL 202-623-1125 FAX 202-623-1600
Internet: www.africandevbank.com
A multinational development bank designed to promote economic and social development in Africa through loans, equity, investment, and technical assistance.

Asian Development Bank

P.O. Box 789
Manila Central Post Office
0980 Manila, Philippines
TEL 632-632-4444 FAX 632-636-2444
Internet: www.aisandevbank.org
A development finance institution engaged in promoting the economic and social progress of its member countries in the Asian and Pacific regions.

Citizens Network for Foreign Affairs

1111 19th Street, NW, Suite 900
Washington, DC 20036
TEL 202-296-3920 FAX 202-296-3948
Internet: www.cnfa.com
A nonprofit organization that builds partnerships between the public and private sectors to promote sustainable growth and position U.S. enterprises in the world's emerging economies.

Hubert H. Humphrey Institute of Public Affairs

301 19th Avenue South
Minneapolis, MN 55455
TEL 612-626-8910 FAX 612-625-3513
Internet: www.hhh.umn.edu
An affiliate of the University of Minnesota that addresses the major social, political, and economic issues facing the country.

Inter-American Development Bank

1300 New York Avenue, NW
Washington, DC 20577
TEL 202-623-1000 FAX 202-623-3096
Internet: www.iadb.org
The oldest and largest regional development bank helps accelerate economic and social development in Latin America and the Caribbean.

(Schuh, continued)

policies in order can now supplement their domestic savings substantially from international sources. Concessional transfers of capital have become almost minuscule in light of the large sources of foreign exchange earnings from trade and from borrowing on the international capital market.

I believe the evidence is overwhelming that international cooperation is in this nation's best interest. We must eliminate the term "foreign aid" from our lexicon. It does not serve us well because it smacks so much of a patron/client relationship. We must substitute in its place the concept of mutually beneficial economic cooperation.

In the future, two motivations should drive U.S. policies toward the global economy: increasing international competitiveness and expanding markets. Collaborating with other countries so they grow at a more rapid rate is in our best interest because in expanding markets lie higher U.S. rates of economic growth. Similarly, engaging in international cooperation in such a way that we increase our own stock of knowledge is a key to becoming more com-

petitive in the international economy.

There are many ways to do this, including:

- investment in the human capital of developing countries, which includes education and training, health care and nutrition, science and technology, and institutional arrangements;
- international cooperation, especially collaborative research, by the exchange of scientists and by joint programs in health, nutrition, science, and technology; and
- investment in the modernization of agriculture to distribute the benefits of economic development widely. This especially favors the poor and disadvantaged because low income people spend a larger share of their budget on food.

The more powerful and pervasive way to promote economic development is through freer trade and capital markets. Investing in the global stock of human capital can be highly complementary to such policies. Bringing about the changes in policy necessary to focus our investments in these areas will not be easy. However, they are in the best interest of the United States.

(Kammerer, continued)

stable, authoritarian regimes rule.

That is why USAID is helping nations liberalize markets, remove institutional and legal trade barriers, and foster cultures receptive to foreign investment. That is why USAID supports investing in people through programs in education, health care, family planning, and child survival, all of which promote growth and increase productivity.

The future of America demands that we pursue our self-interest with diligence and vision. Opening new markets and promoting democracy and American ideals abroad remain vital not only to our foreign policy, but to our long-term economic health as well.



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Business & Labor Dialogue

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In This Issue

Business & Labor Dialogue is a quarterly newsletter addressing the U.S. role in international development from the perspective of the private sector. In addition to sponsorship by the Carnegie Corporation of New York, *Dialogue* is now partially sponsored by the U.S. Agency for International Development as part of an NPA project to stimulate discussion on international development issues.

This issue highlights labor and environmental issues in Mexico. Francisco Hernández Juárez, of the National Union of Workers and the Mexican Telephone Workers Union (STRM), focuses on the effects of globalization on Mexican workers and on the need for strong labor unions to further Mexico's democratic development.

Louis E. Moore, of the Communications Workers of America, presents on page 2 the history of CWA's cooperation with STRM and with the Communications, Energy, and Paper Workers Union of Canada and emphasizes the importance of this trilateral union relationship.

On page 3, Andrew Mangan, of the Business Council for Sustainable Development-Gulf of Mexico, highlights the private sector development initiatives of the BCSD-GM, which brings together business leaders from the United States and Mexico to engage in projects that help achieve sustainable development.

This issue also includes a list of organizations involved in economic, social, and political development in Latin America.

The National Union of Workers: Restructuring Labor Unions in Mexico

*by Francisco Hernández Juárez
Joint President, National Union of Workers,
and Secretary General, Mexican Telephone Workers Union*

In spite of decreasing union membership and the general weakening of union influence worldwide, the necessity of maintaining representative, democratic unions is stronger than ever. Unions are critical institutions not only for workers, but also for employers and society in general.

The recent decline of unionism is related to the restructuring of the world economy. Globalization is deepening social inequalities and increasing unemployment rates, which magnifies the need for independent, strong unions. Business competitiveness, productivity, and efficiency are closely linked to a higher participation of workers and human resource managers as businesses face today's technological, production, and marketplace challenges.

Globalization also highlights the fact that economic, social, and political systems are not self-regulating. These systems can be most effectively regulated through dialogue, social contracts, collective bargaining, mutual expectations, and commitment between labor and manage-

ment. Managers who believe that the best future for business is not to have unions, or to have unions controlled by business or government, are more mistaken today than ever before. Without a change in this "business culture" of union intolerance, the next generation of business leaders and managers will have no representative and reliable interlocutors from organized labor at a time when businesses' most important asset will be human resources. Worker skills, creativity, and lifetime commitment to a business will be key to business success and to the success and development of the global economy.

These factors underscore the necessity of transforming and reinvigorating labor unions, particularly in Mexico where the process of globalization is well under way. To this end, a group of leading unions attempted to transform and democratize the Mexican Congress of Labor (the main insti-



*Francisco
Hernández Juárez*

(Continued on page 4)

The Communications Unions in North America Cooperate to Promote Labor Rights and Development

by Louis E. Moore

Director, International Affairs, Communications Workers of America

The Communications Workers of America (CWA) has long recognized the significance of free and independent union movements in strengthening civil society and as a pillar of democratic development. Through its involvement in Communications International (CI), CWA has promoted the concept of assisting communications unions in Central and South America and other parts of the world to develop, to become stronger, and to be more representative.

In 1992, two years prior to the passage of the North American Free

Trade Agreement (NAFTA) and the side agreements on Labor Cooperation, the Mexican Telephone Workers Union (STRM), the Communications, Energy, and Paper Workers Union of Canada (CEP), and CWA entered into a formal alliance. The alliance's objectives include strengthening the respective North American labor organizations; promoting international solidarity with full national autonomy; facilitating the exchange of trade union information, knowledge, and experience; and working together to defend worker and human rights in North America.

Although the relationship among the three telecommunications unions in North America goes back many years both within CI and on a bilateral basis, it has been strengthened by the formal alliance. Constant communication and meetings have brought together the leadership of these unions—Morton Bahr, CWA; Francisco Hernández Juárez, STRM; and Fred Pomeroy, CEP. The leadership has developed strategies to maintain a united front vis-à-vis the effects of NAFTA not only on telecommunications workers, the industry, and its unions, but also on the three countries' trade union movements in general.

When Southwestern Bell, whose workers are represented

by CWA, purchased 49 percent of TelMex and created a common employer for telephone workers on both sides of the Mexican-U.S. border, CWA and STRM began joint training of organizers in border towns and intensified the sharing of information and data. This also helped create new relationships among other local unions on both sides of the border.

The trilateral union relationship has played an important role in implementing the NAFTA labor side agreement in resolving labor disputes involving the United States and Mexico. The alliance has worked in several NAFTA cases to protect worker rights to organize and to bargain collectively for higher wages, job security, improved working conditions, and a rising standard of living. In *Sprint vs. CWA* in 1995, CWA and STRM filed a joint complaint under the labor side agreement accusing the U.S. government of allowing Sprint to violate labor laws by blocking an organizing campaign among workers at the La Conexion Familiar telemarketing division of Sprint. In 1996, CWA filed a complaint on behalf of STRM and the Federation of Goods and Services Companies of Mexico charging that Mexico had failed to enforce its labor laws when Maxi-Switch tried to prevent its workers from joining a union of their own choosing.

These examples underscore that the special cooperative relationship between CWA and STRM has resulted in more worker freedom to organize and improve conditions. The relationship among the communications unions in North America pro-

(Continued on page 4)

MEXICO IN BRIEF

Population, 1997 (millions)	94.8
Population annual growth, 1991-97 (%)	1.8
GNP, 1997 (US\$ billions)	348.9
GNP per capita, 1997 (US\$)	3,680
Life expectancy at birth, 1995 (years)	72
Infant mortality, 1996 (per 1,000 births)	32
Population living on less than \$1 per day, 1992 (%)	14.9
Access to safe water, 1995 (% of population)	83
Illiteracy, 1995 (% of population age 15+)	10
Average wage, manufacturing, 1997 (US\$ per hour)	1.5
Agriculture, 1997 (% of GDP)	5.8
Industry, 1997 (% of GDP)	28.3
Services, 1997 (% of GDP)	65.9

Sources: World Bank, *World Development Indicators* (Washington, DC, 1998); and INEGI, *Encuesta Industrial Mensual* (monthly industrial survey).

The Business Council for Sustainable Development - Gulf of Mexico

*by Andrew Mangan
Executive Director, BCSD-GM*

The Business Council for Sustainable Development-Gulf of Mexico (BCSD-GM) is a non-profit assembly of business leaders from the United States and Mexico dedicated to creating cross-border public-private partnerships for promoting and implementing sustainable development. Established in 1993, BCSD-GM was founded on the belief that business success will be increasingly measured by its contribution to economic, social, and environmental sustainability. The Council's goal is to pursue projects and policy options that offer concrete, measurable ways to achieve sustainable development.

The Council's projects include:

- Finding by-product synergies to convert waste streams into product streams. By-product synergy has been successfully implemented by TXI and Chaparral Steel in the United States as well as a by a group of companies in Tampico, Mexico.
- Sustainable forest management projects on the Mississippi River Delta and in Campeche, Mexico.
- Ecosystem recovery in La Laguna, Mexico.
- Education on sustainable development through a museum exhibit and university partnerships.
- Environmental cost accounting.

BCSD-GM has a U.S. and a Mexican chapter that share common

goals and serve both sides of the border. Beginning in 1998, BCSD-GM is supported by two organizations, the Foundation for Sustainable Development, a non-profit corporation dedicated exclusively to the charitable and educational promotion of sustainable development, and the BCSD-Service Organization, a self-sustaining for-profit corporation providing actionable sustainable development projects to the world network of regional BCSDs.

Member companies are represented by senior executives of their respective companies. Members in Mexico are Grupo Primex, ICA Fluor Daniel, Celanese Mexicana, Inmobiliaria Intersterial, Grupo IMSA, Alpek Alfa, Albright & Wilson Troy de México, Dupont, Centro Empresarial de Tampico, CEDES Latinoamerica, Campechana de Vehículos, NHUMO, Cryoinfra, and Petróleos Mexicanos. U.S. members are TXI, Radian International, Temple-Inland Forest Products, Thompson & Knight, Bechtel Corporation, Conoco, Vinson & Elkins, CSW International, Triangle Pacific, TU Electric, Westvaco, and Hatch Associates Consultants.

BCSD-GM is a regional arm of the World Business Council for Sustainable Development, a 125-member group focused on global sustainable development policy issues, based in Geneva, Switzerland. ■

Resource List

Business Council for Sustainable Development-Gulf of Mexico
4425 South Mopac, Bldg. III, Suite 500
Austin, TX 78735
TEL 512-892-6411 FAX 512-892-6443

Inter-American Dialogue
1211 Connecticut Avenue, N.W., Suite 510
Washington, DC 20036
TEL 202-822-9002 FAX 202-822-9553
Internet www.iadialog.org
A Washington-based center for policy analysis and exchange of information on Western Hemispheric affairs. Works to inform the debate on hemispheric problems and to encourage regional political and economic cooperation. Recent issues explored include fortifying political institutions, assuring continued economic growth, reducing poverty and inequality, and expanding access to education in the Americas.

Organization of American States
17th and Constitution Avenue, N.W.
Washington, DC 20006
TEL 202-458-3000 FAX 202-458-6421
Internet www.oas.org
The principal forum in the Western Hemisphere for political, economic, and social dialogue. Concentrates on hemispheric development, democracy, human rights, education, trade, the environment, and combating corruption and drug trafficking.

Pan-American Development Foundation
2600 16th Street, N.W., 4th Floor
Washington, DC 20009
TEL 202-458-3969 FAX 202-458-6316
An independent, nonprofit organization that works to improve the quality of life in Latin America and the Caribbean through public and private sector programs.

Partners of the Americas
1424 K Street, N.W., 7th Floor
Washington, DC 20005
TEL 202-628-3300 FAX 202-628-3306
Internet www.partners.net
A network of citizens from Latin America, the Caribbean, and the United States who volunteer to work together to improve the lives of people across the region through nonpolitical, community-based activities. Major initiatives in Mexico include developing sustainable environmental practices and increasing the status of women in society.

(Hernández Juárez, continued)

tution of the Mexican labor movement from 1966 to the late 1980s), but were confronted by many difficulties within the traditional and corporatist structure of the Mexican political system. After extensive dialogue among these unions, they established the National Union of Workers (UNT) in November 1997. The goal of the UNT is to democratize unions in Mexico and to encourage democratization of the Mexican state. UNT currently represents more than 200 unions and 1.5 million Mexican workers nationwide.

UNT's formation provides the basis for a new union structure in Mexico that is more closely linked to the workers, is independent from the previous government-controlled

labor structure, and is distinct from other independent unions. The decision to end the long history of corporatist control and patronage was strategic. Further, UNT did not seek confrontation with the government; instead, it sought to initiate more rapid change through a new structure. UNT is not a top-down initiative but is worker-created to provide an option to deal with the challenges presented by globalization, multinational corporations, high unemployment, and low wages. This young organization is seeking a better way to build political pluralism and representative democracy in Mexico as well as to strengthen the productive role of unions. It is also striving to build relations with unions in other countries to promote a new international unionism. ■

(Moore, continued)

vides a model for other unions to work together across borders for the benefit of people in their respective countries. ■



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- Link to other aid and development resources on the Internet.

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Business & Labor Dialogue

Winter 1998

Vol. II/No. 4

In This Issue

This issue of *Business & Labor Dialogue* highlights development issues in the countries of Southeast Asia and features the perspective of Edward E. Masters, President of the United States-Indonesia Society, on Indonesia's recent financial and political crises. Mr. Masters describes the difficulties that overwhelmed Indonesia beginning in 1997, the effects of the economic crisis on the country, and the situation today.

On page 2, *Dialogue* presents examples of the role of businesses and nonprofit organizations in the development process in Southeast Asia. Focusing on their efforts in workforce development and training, this article highlights the activities of the Academy for Educational Development, Bell Atlantic, the Center for International Private Enterprise, Exxon, Lucent Technologies, and Motorola.

This issue also includes a resource list of organizations involved in economic, social, and political development in Southeast Asia.

Indonesia in Crisis

by the Honorable Edward E. Masters
Former U.S. Ambassador to Indonesia and
President, United States-Indonesia Society

"No country in recent history, let alone one the size and importance of Indonesia, has ever suffered such a dramatic reversal of fortune. . . . Indonesia is in a deep crisis." "Indonesia in Crisis," World Bank, July 1998

Prior to 1997, Indonesia experienced solid growth of between 6 and 8 percent for 25 years. In the mid- to late 1960s, annual per capita gross domestic product was US\$70; by 1996 it had reached \$1,200. Poverty had been substantially reduced, and infrastructure, the basis for the growth of a modern economy, had been extensively developed.

In 1997, however, this growth picture changed when Indonesia was hit simultaneously with four difficult situations. The two major problems were the Asian financial crisis, which also affected other parts of the world, and Indonesia's political transition, both of which are ongoing. The two less serious, but nonetheless significant, problems were the most severe drought in 50 years that sharply reduced rice production and the steep decline in world prices for oil and minerals, two of Indonesia's major exports.

MASSIVE ECONOMIC AND SOCIAL PROBLEMS

When the financial crisis hit Indonesia, a surprise to almost everyone,

the common view was that the country would weather the storm because its economy was fundamentally sound. But there were vulnerabilities that neither the International Monetary Fund (IMF) nor others had observed. The banking system, for example, was extremely shaky. In 1988, Indonesia had opened up its banking sector, which resulted in about 240 banks. Banks and other businesses borrowed short-term money overseas, mainly from Japan, to finance long-term projects such as shopping malls and apartment buildings. Companies ran up an enormous debt of about \$80 billion, now almost all in default because they cannot repay it at current exchange rates. The rupiah was trading at 2,450 to the dollar in July 1997, but by January 1998 it had gone through the floor to 17,000/dollar. It has now stabilized, at least for the present, at 7,500/dollar.

Indonesia was also impacted by external factors beyond its control. The rupiah rose in part because it was loosely pegged to the dollar, and as both currencies strengthened, Indonesian exports became

(Continued on page 3)

International Workforce Development Efforts in Southeast Asia

Southeast Asia has been a primary center of investment and business growth for two decades. Along with expanding their operations in the region, U.S. companies have been investing in training local employees. U.S.-based nonprofit organizations are involved in similar skills training and education improvement. This article presents an overview of how several organizations promote workforce development in Southeast Asia.

The Academy for Educational Development (AED) addresses social, economic, and environmental challenges through education and human resource development. Training and technical skills development are re-emerging as a focus of AED's programs in Asia, with funding from governments, multilateral development banks, and the U.S. Agency for International Development, AED's primary grantor. Under a grant from the Japanese government, AED and a Japanese firm are working on an agricultural and horticultural project in Indonesia to train farmers on how to increase crop productivity as well as improve their agribusiness capabilities. In Bangladesh, AED recently won five social sector projects, funded by the World Bank, including a review of education to determine the country's educational development needs.

Bell Atlantic's activities in Asia include one of the world's largest private communications infrastructure projects. In 1992, Bell Atlantic joined with Charoen Pokphand Group, Thailand's biggest business conglomerate, in forming TelecomAsia to build over 2.6 million telephone lines in Bangkok. To facilitate the transfer of technology and management skills to the local work-

force, a three-phase approach was adopted. Bell Atlantic initially managed the operation functions and then co-managed with TelecomAsia over the next four years to prepare Thai managers to assume full responsibility for the network. As local knowledge and experience grew, the final phase of mentoring and advising local managers was gradually implemented. The project was completed one year ahead of schedule, due largely to the successful transformation of TelecomAsia from startup to professionally managed telecommunications company.

Center for International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce in Washington, D.C., aims to strengthen private institutions such as business associations and reform-oriented think tanks in developing countries by helping these organizations become more effective advocates of private business interests. CIPE recently organized management training workshops with business associations in Vietnam and Tibet to improve the internal management skills of indigenous business associations and to enhance their ability to provide quality services to local entrepreneurs.

Exxon has training centers or affiliates in several emerging market countries of Asia, including Malaysia, Thailand, India, and the Philippines. Its major training

center, the Asia-Pacific Regional Training Skill Center (RTSC), opened in April 1998 in Kuala Lumpur. RTSC provides world-class learning opportunities through its leadership and individual effectiveness programs to the more than 5,500 professional employees from Esso/Exxon's petroleum and chemicals businesses. RTSC also administers complex technical/functional programs for the region and identifies resources in response to affiliates' needs.

Lucent Technologies has established an internal university, the Learning and Performance Center, to develop and deliver core curricula that are aligned with the company's key business priorities. While the content of each of the technical, management, and business curricula strongly emphasizes skills that are needed in common across the company, the delivery of the curricula is managed locally by Lucent's regional learning and development centers to ensure that local needs are met. The Learning and Development Director for Asia, for example, works with Lucent's businesses to accomplish these goals. Numerous partnerships with Asian universities have also been established to maintain high standards in the adaptation and delivery of the core curricula.

(Continued on page 4)



(Masters, continued)

less competitive. China's devaluation in 1994 and the recession in Japan, Indonesia's largest market, further hurt Indonesia's export competitiveness.

At about the time that the economy reached bottom, Indonesia underwent a political transition. Suharto had been in power for 31 years and had done a great deal for the country, but he had not developed the institutions or the people to handle a transition. When he was forced to resign, his hand-picked successor, Vice President Habibie, took over, despite his lack of political experience.

The depreciation of the rupiah, the fallout from the Asian crisis, and the internal political upheaval have created grave economic and social problems for Indonesia. Factories can no longer afford to import raw materials, and many have closed. Unemployment is estimated at 20-25 percent. Inflation is about 80 percent, domestic interest rates are 60-70 percent, and the economy is expected to contract by almost 20 percent in 1998. Agriculture is also having problems because of the drought and the economic slowdown. The price of rice, the basic staple for most Indonesians, has increased three-fold, and there is real risk of malnutri-

tion, which could give rise to a major humanitarian problem. At the same time, Indonesia's export earnings from oil and mineral products have been cut from an annual income of \$15 billion to about half that amount by declining world prices.

The financial and other crises have had several unanticipated impacts. Because of the widespread increase in poverty, many parents cannot afford to send their children to school. Enrollment is down from 85 percent in 1996 to about 60 percent today. There is danger of losing a generation of educated Indonesians, which has profound long-term implications for the country.

Also affected is Indonesia's family planning program, one of the most successful noncoercive family planning programs among developing countries. The program is now at risk because people can no longer afford to participate. The result is likely to be a significant increase in the population growth rate.

PUBLIC AND PRIVATE SECTOR AID

Although the IMF badly mishandled the Indonesian financial crisis at the outset, it is now providing much needed financial support for the economic reform program. The United

(Continued on page 4)

Resource List

The Academy for Educational Development

1875 Connecticut Avenue, N.W.
Washington, DC 20009-1202
TEL 202-884-8000 FAX 202-884-8400
e-mail admin@aed.org
Internet www.aed.org

An independent, nonprofit service organization committed to addressing human development needs in the United States and throughout the world.

Asia-Pacific Economic Cooperation (APEC)

APEC Secretariat
438 Alexandra Road
No. 14-00
Alexandra Point
Singapore 119958
TEL 65-276-1880 FAX 65-276-1775
e-mail info@mail.apecsec.org.sg
Internet www.apecsec.org.sg

The primary vehicle for promoting open trade and practical economic cooperation throughout the region. Its goal is to advance Asia-Pacific economic dynamism and sense of community.

Human Rights Watch/Asia

350 Fifth Avenue, 34th Floor
New York City, NY 10118-3299
TEL 212-290-4700 FAX 212-736-1300
e-mail hrwnyc@hrw.org
Internet www.hrw.org

Dedicated to protecting the human rights of Asians. Its aims include preventing discrimination, upholding political freedom, protecting people from inhumane conduct in wartime, and bringing offenders to justice.

United States-China Business Council

1818 N Street, N.W., Suite 200
Washington, DC 20036
TEL 202-429-0340 FAX 202-775-2476
e-mail info@uschina.org
Internet www.uschina.org

The principal organization of U.S. companies engaged in trade and investment in the People's Republic of China. The Council serves more than 300 corporate members through offices in Washington, Beijing, Shanghai, and Hong Kong.

The United States-Indonesia Society

2000 L Street N.W., Suite 200
Washington, DC 20036
TEL 202-416-1611 FAX 202-416-1813
e-mail USINDO@aol.com

A private, nonprofit organization dedicated to expanding the understanding of Indonesia and the importance of the U.S.-Indonesia relationship by working with public and private sector leaders, educational institutions, the media, the business community, and other nongovernmental organizations.

**Selected Asian Economic Indicators, 1997-98
(Percentage Change from One Year Earlier)**

	GDP	Industrial Production	Consumer Prices
China	+ 7.6 Q3	+ 10.6 Oct	- 1.1 Oct
Indonesia	- 16.5 Q2	- 3.0 Q1	+ 79.3 Oct
Malaysia	- 6.8 Q2	- 10.5 Sep	+ 5.2 Oct
Philippines	- 1.2 Q2	- 17.0 Aug	+10.2 Oct
Thailand	- 0.4 Q4	- 6.1 Sep	+ 5.8 Oct

Source: *The Economist*, November 28, 1998, p. 110.

(Masters, continued)

States has also responded to Indonesia's urgent needs not only by retaining the U.S. economic aid program that was scheduled to be phased out, but also by increasing this aid from about \$40 million annually to \$75 million. Emphasis is on four key areas—economic reform, social safety net, democratization, and environmental improvement. In addition, the U.S. government is providing large-scale food aid (wheat and rice) and a \$1 billion line of credit to finance U.S. exports.

Private sector support is also necessary. The United States-Indonesia Society participated in Project Uplift International, airlifting 30 tons of medicines and medical supplies to Indonesia in September 1998. The planes for the airlift were donated by Federal Express. Other U.S. businesses are funding projects to help Indonesian students stay in school.

To conclude, a major nation—the world's fourth most populous—that has played a constructive role in regional and world affairs faces its greatest challenge in 30 years. Much depends on the political situation. Although Indonesia is considerably freer today than under Presidents Sukarno and Suharto, it remains in a turbulent state. However, with continued outside support, the Indonesian economy should recover over the next several years. ■

NPA Announces New President and CEO

The National Policy Association announces the appointment of **Anthony C.E. Quainton** as President and CEO effective February 1, 1999. He succeeds **Malcolm R. Lovell, Jr.**, who is retiring.

(Workforce Development, continued)

Motorola's corporate training institute, Motorola University, initiated its Asian operations in 1990 with the development of the Singapore Design Center. This joint venture with the Singapore Productivity Board was designed to renew the skills of an aging workforce in light of rapidly changing technology. Since then, Motorola University has served Motorola businesses, their customers and suppliers, and governments throughout Southeast Asia. In China, for example, Motorola University supports corporate-wide training and education initiatives to meet the growing needs of Motorola businesses. The China Advanced Management Program was designed to rapidly develop high potential associates to quickly assume local management roles. ■

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Business & Labor Dialogue

Spring 1999

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In This Issue

This issue of *Business & Labor Dialogue*, a quarterly newsletter that addresses the U.S. role in international development from the perspective of the private sector, focuses on humanitarian assistance efforts of the U.S. government, private corporations, and unions.

Hugh Q. Parmer of the U.S. Agency for International Development's Bureau for Humanitarian Response outlines USAID's work in the area of humanitarian response, including disaster relief, emergency food aid, and refugee assistance, and its collaborative efforts with nongovernmental organizations (NGOs).

Benjamin Davis of the American Center for International Labor Solidarity, AFL-CIO, describes the response of organized labor in times of disaster, focusing on the devastation caused by Hurricane Mitch in Central America. He underscores the importance of maintaining respect for workers' rights in reconstruction efforts following a disaster.

Corporations are also regular players in the area of humanitarian aid. Juliette Schindler of the National Policy Association discusses the extent to which businesses, such as pharmaceutical companies, are deeming humanitarian assistance an important aspect of corporate responsibility.

This issue also includes a resource list of organizations involved in humanitarian assistance worldwide.

America Responds to Foreign Disasters

by Hugh Q. Parmer

Assistant Administrator, Bureau for Humanitarian Response (BHR)
U.S. Agency for International Development (USAID)

Natural disasters and wars have struck increasing numbers of people worldwide in recent years.

Low income people, particularly in developing countries, live in unstable houses on land prone to flooding, landslides, and earthquakes. Hurricane Mitch, which hit in October 1998, killed 10,000 Central Americans and devastated national economies. Its force is a reminder of the fragility of dwellings, electrical and communications networks, and even roads and bridges in the face of nature's wrath.

U.S. General Disaster Relief Efforts

Critical to the U.S. response are nongovernmental organizations (NGOs) such as CARE and Catholic Relief Services that provide logistical expertise, health care workers, engineers, and relief supplies. USAID's Office of Private and Voluntary Cooperation (BHR/PVC) supports NGOs in many ways, including child-survival grants, the farmer-to-farmer program, and the ocean freight program. PVC also coordinates the Denton Program that sends development and humanitarian relief supplies abroad on U.S. military flights. In the United States, citizens offer assistance to survivors of foreign disasters by mobilizing through schools, unions, places of worship, and community groups.

USAID's Office of U.S. Foreign Disaster Assistance (BHR/OFDA) provides U.S. government disaster assistance worldwide, often in cooperation with other U.S. government agencies such as the U.S. Department of Defense. OFDA sends Disaster Assistance Response Teams (DARTs) to disaster areas to assess needs, manage the USAID disaster response, and provide critical assistance through funding to NGOs and United Nations agencies. Assistance is most often provided in the areas of medicines, public health, water, sanitation, nutritional programs, and plastic sheeting for temporary shelter.

The Office of Food for Peace (BHR/FFP) is the heart of USAID's efforts to use the United States's abundant agricultural, food-processing, and transportation resources to provide culturally acceptable, nutritious food commodities to people in need around the world. BHR/FFP coordinates the procurement and transport of emergency food and commodities with its implementing partners (U.S. farmers, processors, baggers, transporters, and longshoremen), NGOs, and international organizations such as the United Nations World Food Program. For example, after Hurricane Mitch, USAID airlifted food to Central America to meet the region's immediate needs.

(Continued on page 2)

Corporate Humanitarian Aid to Developing Countries

by Juliette Schindler

Globalization and Development Project Coordinator
National Policy Association

A growing number of companies are expanding the concept of corporate responsibility to include product contributions or cash assistance for humanitarian purposes in the developing world. These contributions are generally channeled through nonprofit organizations that distribute the aid. One such nonprofit is Project Hope, a health education and humanitarian assistance organization that receives over \$50 million a year in donated products such as medical supplies and pharmaceuticals. Helen Keller International (HKI), a private voluntary organization dedicated to preventing blindness and restoring sight, receives support from several pharmaceutical companies: Pfizer Inc. contributes the antibiotic Zithromax® to treat trachoma; Ethicon, Inc., a subsidiary of the Johnson & Johnson Family of Companies, donates sutures for cataract and trichiasis (trachoma) surgeries; and Leiner Health Products supplies vitamin A.

Merck & Co., Inc., is a leader in corporate giving among the major pharmaceutical companies, almost all of which make humanitarian contributions. In 1987, Merck developed the drug Mectizan® that safely treats onchocerciasis (river blindness), a parasitic disease carried by black flies that is endemic in 35 countries in Africa and Latin America. When Merck learned that many with the disease could not afford the drug, it established a donation program. Since October 1987, more than 100 million treatments have been given. In 1998 alone, an estimated 25 million people were treated, and the market value of Mectizan® donated was \$155 million, making the Mectizan® Donation Program the largest ongoing drug-donation program on record.

Merck works with about 25 nonprofit organizations, including Helen Keller International, who distribute the drugs. The World Health Organization provides technical oversight for the project, while the World Bank provides financial support through a fundraising program. The program's success and expansion are due to the contributions of each partner, including the involvement of local communities that help ensure the effective implementation and sustainability of the project.

Other pharmaceutical companies have used this public-private partnership as a model. Pfizer has set up an independent secretariat to administer its Zithromax® donation program in Ghana, Mali, Morocco, Tanzania, and Vietnam. Glaxo-Wellcome Co. has launched an antimalarial drug donation program with pilot projects in Southeast Asia and Kenya, and SmithKline Beecham Corp. donates a de-worming drug worldwide for the treatment of lymphatic filariasis. Corporations have also donated the transportation to get these much needed supplies to their destinations. Boeing Co. provided a 747 cargo aircraft to transport supplies to China after it was ravaged by floods in Summer 1998, and Federal Express Corp. donated flights to aid China and Indonesia.

The public-private initiatives and donation programs of these and many other companies are a key component of U.S. humanitarian aid to the developing world. ■

(Parmer, continued)

Assistance in Natural Disasters

Floods, hurricanes, and earthquakes can destroy in minutes the economic and social progress of families and communities. Recognizing that the first response is critical, USAID trains local governments and NGOs in disaster preparedness, mitigation, and response. OFDA response efforts galvanize local human resources, materials, and technologies to promote self-sufficiency.

During Hurricane Mitch, a DART assessed the affected areas, and OFDA responded by providing plastic sheeting for shelter, water containers, blankets, stoves, and medicines. USAID also coordinated the shipment by military aircraft of millions of dollars worth of relief supplies donated by U.S. citizens.

Help for Refugees and Displaced People

With the end of the cold war, many simmering nationalistic, ethnic, and religious conflicts have erupted. Wars from Kosovo to the Democratic Republic of the Congo have resulted in millions of refugees. While the State Department's Bureau for Population, Refugees, and Migration has primary responsibility for refugees, USAID assists refugees and internally displaced people in complex

(Continued on page 4)



A U.S. Department of Defense helicopter funded by USAID/BHR delivers relief supplies to a storm-ravaged community in Costa Rica.

Labor's Response to Hurricane Mitch

by Benjamin Davis

Coordinator for the Americas

American Center for International Labor Solidarity, AFL-CIO

Hurricane Mitch, which devastated Honduras and Nicaragua in October 1998, impacted organized labor particularly hard. Major employers such as Honduran banana plantations were forced to shut down, and many union offices were destroyed. The process of hurricane reconstruction, however, may be even more damaging to workers if massive flows of foreign aid and calls for trade liberalization undermine respect for core labor rights.

Mitch's impact was deadly. In Honduras, 5,657 people were killed, 1.9 million were displaced, and 8,052 are missing. In Nicaragua, 2,863 were killed, and 900,000 were left homeless. Much of the two countries' infrastructure was damaged or destroyed. It is estimated that one-half of the gross domestic product of Honduras was wiped out, including 95 percent of the transnational banana plantations, resulting in more than 16,000 unionized workers laid off for up to a year. Thousands of Honduran apparel workers also lost employment, although production in the *maquiladoras* is beginning to recover. Most union offices were destroyed by the floods, when the need for their assistance was greatest.

Through its Solidarity Center, the AFL-CIO responded swiftly to the crisis, providing almost \$100,000 in aid to unions affected by the hurricane. Much of the aid was contributed by AFL-CIO affiliates to a special hurricane relief fund established by President John J. Sweeney. In addition, a number of affiliates provided other aid directly or through the International Trade Secretariats. Among other uses, this aid has supplied food to 2,000 workers and small farmers affiliated with the Unified Confederation of Honduran Workers (CUTH) whose crops

were completely destroyed; purchased a brickmaking machine to assist housing reconstruction for homeless banana workers; and bought school supplies for over 4,000 children of unemployed women who had worked in the banana packing plants.

As hundreds of millions of dollars in international aid flows into Honduras, the unions are attempting to maintain respect for workers' rights during the reconstruction process by participating in the National Convergence Forum (FONAC), an advisory body established by the government. Despite this effort, economic reconstruction is accelerating processes that threaten the survival of organized labor. The Honduran Congress has approved, with little or no debate, a series of laws to "facilitate" reconstruction, including laws that give the President unilateral authority to privatize state enterprises without competitive bidding. In addition, Honduras has removed restrictions on land purchases by foreign enterprises and reduced agricultural tariffs, while granting subsidies to "independent" (nonunion) banana producers to rehabilitate their plantations.

Employers are taking advantage of the current climate to roll back workers' rights and cut wages. Banana unions have been forced to sign agreements that reverse union-won contract provisions on job security, medical benefits, workload issues, and health and safety. Salvage work on the plantations is being done by nonunion subcontractors. While these temporary jobs are also available to laid-off union workers, many are afraid to take them because they lack health and safety regulations; four salvage workers

(Continued on page 4)

Resource List

American Center for International Labor Solidarity, AFL-CIO

1925 K Street, N.W., Suite 300
Washington, D.C. 20006
TEL 202-778-4500 FAX 202-778-4525
Internet www.aflcio.org

Assists labor unions around the world to defend workers' rights, promote democracy, and gain social and economic justice. Provides technical assistance in organizing, collective bargaining, and communications through field offices in 27 countries.

Catholic Relief Services (CRS)

209 West Fayette St.
Baltimore, MD 21201-3443
TEL 410-625-2220 FAX 410-234-2987
Internet www.catholicrelief.org

Serves the poor and disadvantaged in over 80 countries by providing emergency and long-term assistance based on need, not creed, race, or nationality.

Cooperative Assistance Relief Everywhere (CARE)

151 Ellis Street
Atlanta, GA 30303
TEL 404-681-2552 FAX 404-577-4515
Internet www.care.org

Founded in the aftermath of World War II, CARE is one of the world's largest international development and relief organizations.

Helen Keller International (HKI)

90 Washington Street, 15th Floor
New York, NY 10006
TEL 212-943-0890 FAX 212-943-1220
Internet www.hki.org

Assists organizations in countries where the need is great to provide quality eye care and to protect the eyesight of children.

Project HOPE

Health Sciences Education Center
Carter Hall
Millwood, VA 22646
TEL 540-837-2100 FAX 540-837-1813
Internet www.projhope.org

Helps communities in 70 countries attain lasting improvements in health care by providing health education, health policy research, and humanitarian assistance.

USAID Bureau for Humanitarian Response (BHR)

Ronald Reagan Building
1300 Pennsylvania Avenue, N.W.
Washington, DC 20523-0016
TEL 202-712-4810 FAX 202-216-3524
Internet www.info.usaid.gov

An independent government agency that provides economic development and humanitarian assistance to advance U.S. economic and political interests overseas.

(Parmer, continued)

emergencies that are complicated by civil conflict. A DART sent to Kosovo in October 1998 in response to the civil war and interethnic killing is providing funds to NGOs and the United Nations to repair houses, disinfect and repair wells, and offer medical care. FFP is providing life-saving food rations.

War Recovery Support

USAID's Office of Transition Initiatives (BHR/OTT) provides support in the critical period immediately following a war, as in post-genocide Rwanda. OTI activities include retraining demobilized soldiers, strengthening judicial systems, and rebuilding vital infrastructure to jump-start local economies, helping to solidify peace and prevent new wars.

Business and USAID Collaboration

In general, U.S. disaster assistance—

provided by Americans through organizations and the government—maximizes the capacity of countries to plan for and respond to their own disasters while mitigating the negative effects. The United States utilizes local planning and delivery mechanisms to promote self-reliance in disasters, thereby protecting economic and social progress and limiting setbacks to development that natural disasters and wars can cause.

There are growing opportunities for collaboration between U.S. business and USAID in the delivery of humanitarian assistance. As U.S. business continues to expand in global markets and becomes more involved in emergency assistance efforts, USAID will develop new strategies to promote and work with this support. ■

(Davis, continued)

have already been hospitalized. The KIMI *maquila* in La Lima has used hurri-

cane damage as an excuse to suspend union contract negotiations for more than three months.

Maquilas and tourism, both low paying and largely nonunion, are being touted as the sectors to lead the reconstruction. Some Central American business interests are calling for access to the U.S. market at tariff rates equal to those offered to members of the North American Free Trade Agreement, without the workers' rights conditions that apply to Caribbean Basin countries, a position the AFL-CIO opposes.

The Clinton administration and Congress are negotiating the level of a hurricane relief package that will provide additional millions of dollars in aid to the region. Congress should move quickly to aid hurricane victims by enacting relief legislation ensuring that U.S. assistance is used to promote civil society participation and respect for workers' rights in the reconstruction effort. ■

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Business & Labor Dialogue

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In This Issue

This issue of *Business & Labor Dialogue* includes excerpts from NPA's regional symposium, "Labor and Business Perspectives on International Development in the New Millennium," held in Cleveland, Ohio, on June 8, 1999. The symposium was cosponsored by the Cleveland Council on World Affairs, the Cleveland World Trade Association, the Cleveland AFL-CIO Federation of Labor, the International Union of Bricklayers and Allied Craftworkers, and the National Alliance of Business.

The symposium session, "Aid, Trade, and Investment: Achieving an Effective Balance," is highlighted in this newsletter. Excerpts from the remarks of the panelists cover labor rights and proworker trade, the positive impact of international trade on the Cleveland region, and prospects for partnerships among international development organizations and the public and private sectors.

A list of resources is provided on page 3 that includes United Nations agencies as well as business and labor groups that address aid, trade, and development.

This is the final issue of *Business & Labor Dialogue* using funds generously provided by the U.S. Agency for International Development and the Carnegie Corporation of New York. Future issues of *Dialogue* will be published on an occasional basis as a part of NPA's ongoing commitment to serve as a policy forum for the 21st century.

Ensuring Fair Trade

by John W. Ryan

Executive Secretary

Cleveland AFL-CIO Federation of Labor

Imagine living in a community where the workers of one employer regularly suffer symptoms of toxic poisoning or in a neighborhood where 13- and 15-year-old girls are bused not to school but to jobs where they work 15 hours a day. While these conditions are not found in U.S. communities, they are common in many areas of China, Central America, and other nations from which Americans buy products.

Undoubtedly, an article in a U.S. newspaper about a local factory with any of these conditions would result in a public outcry, and the owner could no longer sell merchandise to retail stores. But because these conditions exist in distant places, Americans often do not question when U.S. companies buy products for resale in the United States. Too often, concerns about child labor end if the children being exploited are not our children or those of our neighbors. Even U.S. labor is frequently too preoccupied with the problems of working people in America to deal with global issues, although those issues directly affect union members.

For example, 100 percent of telephones sold by a major telecommunications company in the early 1980s were made in this country. However, even before the North American Free Trade Agreement and the General Agreement on Tariffs and Trade were on fast track,

the company realized that it could increase profits by manufacturing its products using cheap labor in China, Singapore, and Mexico. The company continued to move work to these starvation-wage countries until only phone cords were made in the United States. It did not leave this country because it was unsatisfied with the quality of American workers' production or because the unions representing their employees, the Communications Workers of America and the International Brotherhood of Electrical Workers, were obstructionists. Nor did the company move the means of production because it had outdated plants. It moved work for one reason—higher profits. Company cooperation and union concessions do not reduce the temptation for employers to move their work overseas.

In some islands in the Pacific Ocean, a \$1 billion garment industry has been building since the 1980s. The workers live in deplorable conditions, work up to 12 hours a day, seven days a week, and earn \$3.05 an hour, often without overtime pay. Yet, clothes made there carry the label "Made in the U.S.A." because the islands are part of the U.S. Commonwealth of the Northern Mariana Islands. Companies like Sears, The Gap, The Limited, and Wal-Mart profit from the sweat of these workers and from this loophole.

(Continued on page 4)

Progress Through Partnership: Balancing Aid, Trade, and Investment

by Vera Weill-Hallé

*Director, North American Liaison Office
International Fund for Agricultural Development*

Six billion people will be living in the developing world by 2015. Will they be well-fed, educated, and healthy consumers, laborers, and entrepreneurs? Or will they feel daily hunger and work long hours at tasks that rob them of their dignity and health in return for less than \$1 a day?

In many ways, the corporate world, governments, development agencies, organized labor, and other civil society groups will make that choice. The options are clear. On the one hand, these communities can continue with business as usual. They can change nothing, pursuing their separate goals on separate paths, while poverty, hunger, disease, conflict, and environmental degradation expand worldwide.

On the other hand, there is a second option in which the public and private sectors strike a balance and work together to fight poverty and hunger and tackle the global problems that multilateral development institutions were created to address. This second approach will help to fight the economic desperation that encourages poor countries to sacrifice core labor values and investment standards and will work toward developing educated consumers who demand imported products and have the incomes to buy them.

At first glance, the business, labor, and public sectors appear to have so little in common that striking a balance would seem impossible. The corporate sector is profit driven and highly competitive, whereas the public sector focuses on long-term returns on social and economic investment without profit. Organized labor in the United States has still another goal, that of preserving high paying, quality jobs for American workers. On the surface, labor organizations would seem to have little direct interest in public institutions that want to ensure the education,

health, and skills of other countries' workers. However, on closer examination, it is evident that the goals of business, labor, and development groups overlap to such an extent that cooperation is not only possible, but also essential. Today's global economy demands it.

The International Fund for Agricultural Development (IFAD) provides a clear example of such cooperation. Through IFAD, 161 countries, including the United States, combine their resources to combat rural poverty and hunger in low income countries. IFAD focuses mainly on smallholder and landless farmers struggling to cultivate harsh land in remote areas. The globalized world of freer markets and trade and of rapid technological and agricultural breakthroughs offers great opportunities for the rural poor in developing countries. It also poses the risk that they may not gain access to these markets and breakthroughs.

The challenges and opportunities are clear in eastern and southern Africa where free market reforms—particularly the liberalization of agricultural markets—are dramatically changing small landholders' production and marketing systems. Governments have withdrawn from most activities associated with agricultural inputs and produce marketing. While this has created exciting opportunities for smallholder farmers, few alternative commercially based marketing systems have been developed. The gap left by the withdrawal of the state needs to be filled by sustainable, equitable commercial links between smallholder farmers and markets.

In this environment, the aid community needs the expertise of the corporate community. Business needs the aid and development sector as well. Corpo-

rations' responsibility to their shareholders and customers to make a profit and to remain economically healthy increasingly requires seeking new markets. Developing countries are a rapidly growing market for U.S. goods. For example, U.S. agricultural exports total about 27 percent of gross farm income, and 60 percent of new sales growth is in developing countries. Studies show that when the agricultural production of developing countries is increased by one dollar, developing country demand for agricultural imports rises by 17 cents.

It is a tragic irony that poverty is also increasing at the same time that these markets are growing. Poverty, in turn, fuels conflict, violence, and instability. Companies have long recognized the importance of stable political and regulatory environments. They are increasingly realizing that these cannot be guaranteed in countries where inadequate social policies and infrastructure deny people access to fertile land, appropriate technology, education, and other means to help achieve sustainable livelihoods. These are the fundamental goals of development institutions.

The goals of labor and development activities converge similarly. Rising international demand for U.S. goods leads to a healthy domestic economy and to job creation. The work of multilateral organizations leads to stable, educated populations who are politically and economically empowered. Ideally, then, it becomes less likely that core labor standards will be ignored to drive down the cost of labor in a race to the bottom.

Foreign assistance contributes directly to U.S. economic and national interests. Despite this, public resources for development activities are decreasing. Business, labor, and development communities could promote their mutual interests by highlighting the links between international development and the economic well-being of business and labor and by raising awareness that aid is not just morally sound, but also makes sound business sense. ■

Globalization is Good for Business

by Jerry J. Torma

Director of Compensation and International Human Resources
Nordson Corporation

In considering the role of the private sector versus the public sector in assistance to emerging markets, it is important to note the benefits that U.S. companies have reaped from globalization. The booming U.S. economy is in large part due to the expansion of the global economy. The growing presence of foreign companies operating in the United States and of American companies operating abroad has been highly beneficial to U.S. workers as well as the economy. As a whole, U.S. subsidiaries of companies based abroad provide American jobs five times faster than all U.S. companies. Further, in 1998, American workers at U.S. subsidiaries of foreign companies enjoyed an average annual pay of \$42,212, 11 percent higher than the average wage paid by all U.S. companies. In northeast Ohio, there are more than 200 foreign-owned firms with a total workforce of over 42,000.

International trade is one of the fastest growing segments of the Greater Cleveland economy. *World Trade* magazine ranked Greater Cleveland "A top 10 U.S. city for international business." More than 2,300 area firms are engaged in international trade, creating and sus-

taining more than 70,000 jobs. Greater Cleveland exports amount to approximately \$5.2 billion per year. Its strategic Midwest location provides easy and cost-effective access to many international markets.

In my role as Executive Vice President (and incoming President) of the Cleveland World Trade Association (CWTA), a volunteer-based organization whose mission is to educate, develop, network with, and represent international businesses in northeast Ohio, I have seen firsthand the positive effects of the globalized economy. CWTA demonstrates the importance of international business regionally and of the partnerships among the various sectors that serve as a base for successful engagement in overseas markets.

Currently, more than 300 leading companies are active members of CWTA; its membership includes manufacturers, customs brokers, international lawyers and bankers, accountants, shippers, packers, warehousemen, export trading company managers, transportation specialists, and importers providing customer services. CWTA provides members with specialized programs that

cover specific areas of the world and that target some of the useful skills and resources available to those doing business abroad. Members form alliances with other members in various sectors to increase their presence and efficacy in overseas markets. An ex-

(Continued on page 4)



Panelists at NPA's regional symposium in June were (l to r) Ambassador Charles Dunbar, President, Cleveland Council on World Affairs (moderator), and the authors in this issue of *Dialogue*, John Ryan, Jerry Torma, and Vera Weill-Hallé.

Resource List

United Nations Development Programme (UNDP)

1 United Nations Plaza
New York, NY 10017
TEL 212-906-5315 FAX 212-906-5364
Internet www.undp.org
A UN agency promoting sustainable human development in more than 170 countries and territories around the world.

International Fund for Agricultural Development (IFAD)

1775 K Street, NW, Suite 410
Washington, DC 20006
TEL 202-331-9099 FAX 202-331-9366
Internet www.ifad.org
A specialized agency of the United Nations created in 1977 to mobilize resources for programs that alleviate rural poverty and improve nutrition.

International Labour Organisation (ILO)

1828 L Street, NW
Washington, DC 20036
TEL 202-653-7652 FAX 202-653-7687
Internet www.ilo.org
A specialized, independent agency of the United Nations, based in Geneva, Switzerland, with 174 member countries represented by workers, employers, and governments.

U.S. Export Assistance Centers

U.S. and Foreign Commercial Service/ITA/DOC
Herbert C. Hoover Building, Room 3802
14th Street and Constitution Avenue, NW
Washington, DC 20230
TEL 202-482-5777 FAX 202-482-5013
Internet www.ita.doc.gov/uscs/
Fifty-three branches throughout the United States and in over 70 countries abroad. Assists U.S. firms in realizing their export potential by providing counseling and advice, information on overseas markets, international contacts, and advocacy services.

Cleveland World Trade Association (CWTA)

3813 Euclid Avenue
Cleveland, OH 44115-2598
TEL 216-881-2982 FAX 216-881-1875
Internet www.cwta.org
Volunteer organization whose mission is to educate, develop, network with, and represent international businesses in northeast Ohio.

Communications Workers of America (CWA)

501 3rd Street, NW
Washington, DC 20001-2797
TEL 202-434-1100 FAX 202-434-1279
Internet www.cwa.org
The largest telecommunications union in North America, representing 630,000 workers in public and private employment in more than 10,000 communities in the United States and Canada.

(Ryan, continued)

Protecting Workers Throughout the World

It is apparent that American consumers care about working conditions of people who make products sold in the United States. According to a recent poll, 55 percent of respondents stated that they would pay more for an item of clothing if they knew it was not made in a sweatshop. Labor, especially the textile union UNITE, has been working with students and elected officials to eliminate sweatshop products from campuses throughout the country and from having U.S. tax monies used to buy uniforms from sweatshop countries.

The AFL-CIO is advocating a proworker trade agenda on Capitol Hill. It is supporting bills such as HOPE for Africa, which would ensure that goods are produced under conditions that protect workers' rights and the environment in a manner consistent with operations in

developed countries. The AFL-CIO is also supporting the Stop Sweatshop Act, which would help stop sweatshop abuses by holding manufacturers and retailers jointly responsible for violations of labor standards in the contracting shops that produce their products.

As U.S. Representative Marcy Kaptur (D-OH) said during her "Come Shop with Me" campaign, "Barbie is not so pretty when you look beneath the surface." The public seems to be in agreement. America must look under the surface of free trade to ensure, instead, fair trade. ■

(Torma, continued)

ample is Ferro Corporation, a producer of paint powder, and Nordson Corporation, a producer of application equipment, who work together for mutual gain to increase international sales.

Nordson is a regional company that relies heavily on its overseas markets. It

designs, manufactures, and markets systems that apply adhesives, sealants, and liquid and powder coatings to a broad range of consumer and industrial products during manufacturing operations. Headquartered in Westlake, Ohio, the company is supported by a network of Nordson international subsidiaries and independent distributors that contribute 60 percent of annual revenues. In the past 10 years, Nordson has opened the majority of its new offices and distributor relationships in developing countries.

Effective communication with its international employees is an integral part of Nordson's international human resources philosophy. Without cross-cultural skills, the firm's ability to work successfully in foreign markets would be greatly diminished.

Business, just as other sectors, must be sensitive to the environment in which it works to succeed in building the cooperative framework that is vital for trade and investment. ■

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