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**LAC LABOR STRATEGY DEVELOPMENT
AIFLD EVALUATION
FINAL REPORT**

**Contract No. AEP-0085-1-00-3002-00
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ACKNOWLEDGEMENT

Regrettably but inevitably evaluations are disruptive of the organization being evaluated. Meetings must be arranged, documents and records produced and other details must be seen to. All this takes its toll on normal work patterns leaving a good deal of catching up to do after the evaluators leave town. And, all of this takes place within the framework of the tension produced by the fact of the evaluation itself. For this reason we particularly want to acknowledge the unfailingly courteous and helpful manner in which the officials of AIFLD acceded to our numerous requests for data, files and help in a thousand little details. That assistance made our task easier.

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Notwithstanding the above, any errors of omission or commission are ours alone. We take full responsibility for them.

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EXECUTIVE SUMMARY

The Labor sector¹ in Latin America and the Caribbean represents an overlooked opportunity for furthering the U.S. objectives of promoting economic growth and strengthening democracy in that region. For, to the Labor movement in the hemisphere, those two objectives match their own in broad outline if not in full detail. Their interests, though not coextensive, are quite congruent with our own. We can further our own interests by helping them move toward the accomplishment of their objectives.

Labor in the region has been living through hard times for some years. Coming out of the depression of the '80's ("the Lost Decade") they suffered yet again from the painful stabilization measures their governments were forced to take, measures that cost jobs, kept salaries down and increased the cost of living. Subsequent structural adjustment measures resulted in further unemployment for significant numbers of public sector employees who will have a hard time finding alternative employment opportunities. And while, in a few countries, the promised benefits of those measures are starting to show up in the form of new investments and more jobs, the bulk of the jobs being created are in low wage, semi-skilled categories such as the ubiquitous maquila industry.

Meanwhile, however, the economic gloom of the '80's was accompanied by the political elation resulting from the restoration of democracy in the countries that had passed that era under military dictatorships. In most of those countries the Labor movement, persecuted or repressed in many of them, was prominent in the restoration movements. They had learned a lesson, if they needed one, about democracy.

Those two experiences of the '80's, the economic and the political, are coming together now. Having fought for democracy and having been the "victims" (as they saw it) of economic restructuring (a topic on which, in general though with some wide country-to-country differences, they were not consulted), they want a greater voice in the policies of their governments that affect their interests. But those labor leaders understand -- thanks in important part to the work of AIFLD -- that the world is not what it was and that their governments are not acting with absolute liberty but are forced to react to winds of change blowing from outside their countries. The chief of these currents is the rapid spread of "the Age of Global Competition." And the principle area of that competition is not that of goods imported into their markets but rather the

¹As used in this Executive Summary, the term "Labor" (with a capital L) refers to the organized labor sector. In its examination, the team attempted to cast a somewhat wider net and look also at the other parts of the labor sector, such as the informal sector and parts of the sector which, while not yet organized, are considered subject to organization. This report makes some reference to those groups. Perforce, however, particularly given the dual nature of the team's task (strategy and AIFLD) and because those other parts of the "larger" labor sector have no representatives, the team had little contact with those other parts of the labor sector.

competition among those countries for investment, domestic and foreign. Labor leaders see this, more clearly, it is believed, than their homologues in government or in the private sector. So they are more apt to see their role, vis-a-vis government, as one that should seek to collaborate against this external competition as opposed to the older, confrontational approach.

They are thinking more and more, too, about the possibility of collaborative approaches to management, approaches based on increased productivity (as long as the increased gains resulting from productivity increases are fairly shared). They may have been driven to this "new vision" by the realization that confrontational tactics are problematical during periods of high unemployment and significant pools of idle labor in all skills categories. But they are there.

In attempting to think through both approaches -- that to government and that to management -- most national labor movements are hampered by a lack of analytical capacity. Most of them have neither the wherewithal nor the expertise to collect the necessary data, to analyze it, and to transfer the distillate of that analysis into actionable strategies.

Labor is hampered too, in its search for non-confrontational approaches, by a general lack of "peaceful" means for settling labor disputes. The labor courts that are supposed to perform that function are generally understaffed, underfunded, undertrained and stumbling along on century-old procedures. Resolution of cases takes years. Mechanisms for extra-judicial resolution of disputes, conciliation, mediation, arbitration are relatively unknown. So the only perceived "solution" for many labor disputes -- even relatively minor ones -- is to strike. But the leaders don't want to strike.

This, then, is the situation that faces the U.S. today in Latin America and the Caribbean. By strengthening Labor we strengthen one of those pluralistic voices that help democracy thrive². (And it is a voice, let it be noted, that speaks for interests beyond those of its own constituency.) We also strengthen the principal institution that can be counted on to be aware of and to publicize violations of workers' rights.

The U.S. can help provide Labor with alternatives to disruptive dispute resolution methods by improving the labor courts and demonstrating models of alternative methods for resolution of disputes. We can help them think through and apply collaborative approaches to government and to management by helping establish labor research centers that can do the data gathering and analysis job and can also be tasked to seek, aggressively, examples of collaborative labor-management relations that have paid off for both sides and to analyze and disseminate the cases found. By taking these steps the U.S. can not only strengthen Labor but help it to move further along a path of collaborative participation with government and the private sector, thus helping to foster economic growth.

² See Democratic Development Regional Strategy Framework for Latin America, Draft, May 1991; p. 12.

Finally, by supporting Labor in its defense of workers' rights, the U.S. will be carrying out its own legal mandate and, not so coincidentally, giving the working men and women of Latin America and the Caribbean a closer, perhaps more accurate view of the United States.

Meanwhile, the principle U.S. instrument for strengthening Labor in Latin America and the Caribbean is and will remain the American Institute for Free Labor Development. AIFLD's education and training programs, conducted both in-country and at the George Meany Center in the Washington area have been highly successful. AIFLD has done a good job of refocussing its curricula for these courses on the new problems facing labor today, problems that arise both from the need for economic restructuring and from the advent and rapid spread of the global marketplace. These education and training activities, which comprise the great bulk of AIFLD's A.I.D.-financed activities should continue and should be extended, as possible, to many democratically-oriented groups that do not now profit from them.

AIFLD's activities, however, can profit from some tightening up. Two ancillary programs, judged to be of relatively lower pay-off than its core education and training programs, should be phased out. Programming should be tightened by requiring clearer and more precise statements of objectives and indicators. Outside professional guidance should be sought to help improve the management of its training programs and to bring the field and Meany Center programs into closer concordance. AIFLD continues to lag in its efforts to convince Latin American and Caribbean labor leaders of the value to their organizations of bringing more women into high-level positions in their federations and confederations. (AIFLD should also examine its own hiring and promotional practices in this regard.)

A.I.D.'s management of the AIFLD program has been deficient. While the A.I.D./W personnel in charge of managing this program admit to having no real country-by-country knowledge, A.I.D. field personnel never see either the program submissions of the AIFLD CPD's or the final program document as approved. Monitoring responsibility is unclear. Washington looks to the field to monitor AIFLD programs but the Missions deny they have that responsibility. (The program has been in existence for 30 years.) Specific steps are recommended in this report to get A.I.D. management back on track.

A.I.D. personnel in the field who would be in charge of carrying out the expanded labor program recommended in this study have little knowledge of Labor as either a productive force in the economy or a societal force of potentially great value as an ally in programs to strengthen democracy and encourage economic growth. A training program is recommended.

CHAPTER I

INTRODUCTION

A. Predicate of This Study

1. A.I.D. Contract; Summary of Scope of Work

This study was carried out under a delivery order entered into pursuant to A.I.D. Contract No. AEP-0085-1-00-3002-0G, November, 1992. The objectives of the delivery order were to "(1) prepare a recommended LAC¹ strategy for free labor development for the next five years, and (2) to evaluate the effectiveness and efficiency of the current AIFLD² program, in order to make recommendations for the design of a follow-on program from 1993 through 1997." Under the scope of work of this work, the contractor is to:

- "identify the major problems and opportunities for free labor development during the next five years in the region; describe the major players, the relative importance of the U.S. among them, and the rationale for whatever U.S. support is proposed; define the objectives of U.S. support and the kinds of interventions/programs needed to achieve these objectives; and estimate the resources needed (budget and staff) to carry out the proposed programs"; and
- "assess the effectiveness and efficiency of the current AIFLD program in achieving its objectives; advise on the clarity and appropriateness of those objectives; advise whether and how they should be altered in light of changed world political and economic circumstances, and in light of the recommended labor development strategy; examine the adequacy of LAC/DI and Mission monitoring of and involvement in the program, and the adequacy of AIFLD's own program planning, monitoring, evaluation and reporting systems, and make any recommendations for the improvement of these."

2. Methodology

The work was carried out by a six-person team working over a period of approximately 10 weeks. Two members of the team -- the labor education specialist and the economist -- worked in the Washington area and were engaged for less than the total 10-week period. The other four team members spent about 4 1/2 weeks in Washington and 3 weeks visiting various countries in South America, Central America and the Caribbean. The team would have preferred more time in the field at the expense of less time in Washington. However, the end date of the contract, which was dictated by extrinsic circumstances, plus the

¹ The Latin American/Caribbean Bureau of A.I.D.

² The American Institute for Free Labor Development.

known difficulty of finding people at work in Latin America during the Christmas season (which extends past the first week in January) dictated this division of the team's time.

The team's work was carried out through documentary research, formal and informal interviews and through focus groups. In Latin America and the Caribbean the team worked in two units. Two team members carried out their research in Chile, Argentina and Venezuela. The other two-person team visited Honduras and Guatemala, but split in the middle of their trip, one member going to Barbados and Jamaica and the other to Mexico.

The selection of countries to be visited was based on a combination of factors including the "importance" of the country to the U.S., the size, strength and relative "maturity" of organized labor in the country, the nature of AIFLD's involvement and specific factors or phenomena the team wanted to study on the ground because of their perceived importance to the themes of this study. Examples of the latter were the maquila industries in Central America, the joint labor research institute in Jamaica and lessons to be learned in Mexico which is relatively more advanced than other countries in the region in its efforts to find and apply the "modern" labor-management relations which became the unifying theme of this study. The regional breakdown of the countries visited was based on the important differences between the sub-regions of the continent.

Two important geographic omissions should be explained. The team did not visit Brazil, because its very size was deemed to preclude a reasonable examination within the given time frame, or the Andean region was not visited because an (admittedly late) attempt to do so proved impossible.

B. The Place of Labor in U.S. Policies/Programs

U.S. objectives in Latin America and the Caribbean, and the programs designed to attain them, fall into two broad, interrelated categories: (1) promoting democracy; and (2) helping to further economic development. Based on interviews in Washington and the field, the team believes that the U.S. government as a whole is not giving the labor sector in Latin America the weight it merits with respect to the attainment of either of those two objectives.

Rather, Labor seems to be viewed through an older optic, namely early detection and elimination of threats to U.S. interests. While this approach still has a certain validity in one or two countries, it is, primarily, a remnant of the Cold War era. Given the circumstances that pertain today, e.g., the establishment throughout most of Latin American and the Caribbean of democratic governments (however tentative or imperfect some of them may be), the accelerating movement towards an open, worldwide trading system and the lack of any foreseeable extra-hemispheric geopolitical threat, the team believes the time has come to re-evaluate the role of the labor sector in the hemisphere vis-a-vis U.S. objectives.

The team believes that the labor sector in Latin America and the Caribbean offers substantial opportunities for furthering U.S. objectives. This study recommends some specific

measures for taking advantage of these opportunities insofar as that lies within A.I.D.'s present mandate. The team, under its instructions to look at other programs dealing with the labor sector, also touches here on several other U.S. programs focussed on labor. However, to fully realize the potential opportunities to further U.S. objectives a broader approach is needed, one that would take into account the full range of U.S. instruments that might be available for this task.

CHAPTER II

FINDINGS

A. Background

1. Economics

a. A Tour d'Horizon

The Recent Past

For Latin America and the Caribbean (LAC), the 1980s were marked by a combination of recession, rampant inflation, domestic budgetary deficits, external trade and payments imbalances, and heavy foreign debt. The recession, which was heavily influenced by global trends, reached its peak in 1983. By the end of the 1980s, recovery had generally taken hold (except in Brazil) and the economic stagnation that had characterized most countries during the decade came to an end. Nevertheless, regional output was only 19 percent higher than it had been in 1980, while per capita output was 7 percent below what it had been in 1980.

Preliminary estimates indicate that GDP for the region as a whole grew by 2.4 percent in 1992, 4.3 percent excluding Brazil. This compares with 3.5 percent GDP growth for the region in 1991. A pronounced downward trend in the rate of inflation also continued: only five countries experienced significant increases compared to 1991, and only one country (Brazil) had inflation of over three digits. Most countries, however, have not yet managed to recoup the losses suffered in earlier years. Current real wage levels remain well below what they were before the prolonged crisis.

The Region's Future Prospects

Forecasting future economic prospects for a region where inflation and other aspects of economic activity have been highly volatile for over a decade, is particularly difficult. Nevertheless, except for Brazil, modest GDP growth of 3-4 percent can be expected in most LAC countries over the next 5-10 years, along with dampened inflation. The region's growth prospects continue to depend heavily on whether governments possess the will to sustain adjustment programs. Inflationary pressures have again become a key problem in Brazil, and could recur in other countries. This situation is all the more critical as growth in Latin America in the 1980s was the lowest in decades, and per capita income and investment levels fell significantly. These factors, combined with a lack of new external credit, could adversely affect the region's prospects.

Expanded trade, should it develop, would give the region a significant boost. Ongoing shifts in global trade patterns will present the LAC countries with opportunities for continued growth of both traditional and non-traditional manufactured exports. Governments will

need to proceed with the modernization and diversification of industry, and with the establishment of expanded links to export markets, if they are to capitalize on such opportunities.

For the 1990s, the LAC countries are facing a double challenge: (1) they must continue structural reforms in order to achieve an appropriate level of competitiveness in global markets; (2) they must apply social policies which, without compromising competitiveness, will preserve an equitable distribution of the costs and benefits of economic reforms.

b. Stabilization and Structural Adjustment

Economic restructuring including both stabilization and structural adjustment measures was introduced in Latin America to facilitate adjustment to the trade and financial crisis which affected the region from mid-1982 (except for Chile, where the process was begun in 1975). In spite of the crisis, enough jobs were created during the decade to absorb the growing workforce; total unemployment dropped from 5.2 percent in 1980 to 4.5 percent in 1990. In some countries, however, particularly in Central America and the Caribbean, the team was told that unemployment had increased. Figures for the region's urban areas, however, show unemployment at the end of the decade ranging from 8.0 to 8.5 percent, higher than the 6.7 percent rate recorded at the start of the decade. Based on its analysis of the regional situation over the past decade, the ILO has noted that there was a great degree of similarity among the countries of the region in their policy responses during periods of recurring economic crisis (galloping inflation, etc.), which it has attributed to the countries' common structural characteristics. This was followed, however, by a wide diversity of situations during the recovery phase, reflecting political and economic differences in the implementation of stabilization and structural adjustment policies.

More importantly, because adjustment policies vary in content, duration and intensity, depending upon the country in question, their effects also differ. In particular, economic restructuring strategies have differing effects on the labor market, insofar as both short- and medium-term economic policies and labor market measures are different. In most cases, it is believed, completion of the transitional phase of restructuring is followed by a sizeable increase in private formal sector employment, followed by a recovery in real wages in that sector.

Most of the experiences of the LAC countries with respect to restructuring show that the greatest negative impact on the labor market took place before the effects of the reform policies were felt, or soon after they were introduced.

The Results to Date -- Cost to Lower-middle and Middle Classes

Economic restructuring, in a context of recession and inflation, entails a cost in the short-run which manifests itself primarily in the labor market (workers are laid off or their employment is terminated), and is borne in large part by the working classes and the poor. In the final analysis, however, much of what economic restructuring accomplishes is the elimination of subsidies that benefit middle and upper income groups much more than the poor. These

include tariffs and other import barriers, negative real interest rates, low public utility charges, and free university tuition. (Wage workers and the poor, of course, do not "feel" most of these changes as they feel loss of jobs and increases in the cost of living.) Moreover, eventually prices level off and jobs are restored. This process can take time, however, and job skills requirements at the end of a recovery period are often dramatically different from those that pertained originally.

Reliable data on union membership are missing for most LAC countries, but those for which data are available suggest a span ranging downward from about a third of the labor force except in the Caribbean where some countries have much higher rates of organization. In the mid-1980s, Argentine and Venezuelan unions claimed about a third of the labor force, Jamaican unions a quarter, Mexican unions roughly a fifth. Data compiled by the U.S. Department of Labor show union membership in the region currently averaging around 18 percent.

Successes and Failures

A recent A.I.D. review of the impact of policy reform programs on the poor has noted that not all LAC countries have chosen to undertake restructuring programs, nor do all countries need to implement accelerated reforms. The review indicated that, despite sharply rising poverty and widening income disparities in the 1980s, Argentina had no structural reform effort truly deserving of the name until 1991.

A number of other countries were slow to take up reform measures:

- Colombia had only modest policy reforms until 1990, having less of a need than elsewhere. Real wage growth slowed after 1984, but employment grew rapidly and income inequalities narrowed.
- Bolivia has had a comprehensive and sustained reform effort since 1985. Real wages in the private sector fell steeply initially but rose 27 percent between 1987 and 1991. There also has been rising unemployment.
- Costa Rica initiated a gradual process of reform beginning in 1982. Real wages have recovered to pre-crisis levels. There has been a possible improvement in income distribution.
- In Guatemala, because of poor policies and social upheaval, per capita GDP fell 20 percent during 1980-1986. Significant reforms in 1986-88 were followed by some weakening since then, but GDP growth has still averaged 3.7 percent between 1987-1992.
- Mexico undertook major policy reforms in 1983, but recovery was halted by an earthquake and lower oil prices. Significant structural adjustment

measures have been undertaken since 1986. Real manufacturing wages fell 36 percent during 1982-1988 but have since risen. There has been strong employment growth.

Although the 1980s ended with a level of employment which was consistent with historical patterns, the decade witnessed an increase in unemployment for workers who, in the past, had already faced major obstacles to finding work. The problem is being complicated further by major changes in the types of jobs being generated, and in the deterioration of the quality and remuneration of these jobs.

Globalization of Manufactures Production and Service Industries

Falling costs of moving goods and information has spurred the globalization of manufactures production and made it more profitable for developing countries to export labor intensive manufactures on the strength of their labor cost advantages. The production of labor intensive goods is increasingly mobile, with low fixed costs, easily separable production steps (for example, manufacture, assembly, testing, packaging) and high-value-to-weight ratios.

Labor Cost Advantage

Low labor costs are a key factor in developing countries' international competitiveness. The central challenge for developing country exporters is to translate their labor cost advantage into export competitiveness.

Increased labor productivity means more output per unit of labor. Hence, increased productivity leads to lower labor costs. Countries which demonstrate increased productivity through labor skills improvement are in a better position to compete for new industries looking for productive labor.

Among its top 12 manufacturing exports, the Latin American region is most competitive in its exports of leather and footwear, both of which are unskilled labor-intensive products. Only three countries (Brazil, Mexico and Argentina) account for 96 percent, by value, of the region's high technology exports. Two LAC countries are currently showing rapid growth in technology intensive manufactures (Mexico and Brazil). According to a recent World Bank report however, this growth reflects U.S. and other foreign direct investment in the labor intensive stages of production. The report notes that U.S.-owned affiliates tend to locate in countries with large internal markets and high propensities to trade; labor cost is not an influential factor. It adds that developing countries will need to hustle just to compete for low-skill jobs, in view of the rapid expansion of the world's unskilled labor force and the steady displacement of low-skill jobs through technology improvements.

c. Demographics

Average annual population growth for the region fell to 2.0 percent in 1990-1991 compared to 2.2 percent in 1981-1990 and 2.4 percent in 1971-1980. While the overall trend is down, a number of LAC countries are burdened with the problem of rapid population growth -- population growth exceeded 2.0 percent in 13 countries in 1990-1991. This has led to rapid growth of the labor force and sizable annual increases in the economically active population and will continue to do so for some years to come. In most of these countries, entry into the labor force begins at 10-12 years of age. At this age few entrants possess the technical or managerial skills needed to add to the productivity of the labor force. Instead, they present leaders with the task of finding meaningful jobs for growing numbers of unskilled workers at a time of sustained low growth in GDP.

Growth of the Labor Force

Slower demographic growth during the decade did not reduce pressure on the labor market, since the labor force continued its accelerated growth at annual rates of 3.3 percent. This was chiefly the result of the increasing proportion of women workers, which rose from 32 to 38 percent between 1980 and 1990. Women accounted for 42 percent of the increase in the economically active population over the course of the decade.

Urbanization

The population continued its geographic shift towards the urban areas, which in 1980 employed three-quarters of the labor force. In 1980, 65 percent of the population in Latin America was living in urban areas. By 1991, the figure had risen to 72 percent. Six countries currently have urban populations exceeding the regional average: Argentina, Brazil, Chile, Mexico, Uruguay and Venezuela.

Possible Shortages of Skilled/semi-skilled Labor

An ILO study of technological change and labor relations in the major developed countries found that a number of craft skills (e.g., those of typographers) and other traditional skills (e.g., those of dockers), have mostly been eliminated by the computerization of work, and the new skills needed for operating computerized machines are increasingly under management control. The point being made in the study is that there appears to have been a transfer of skills and knowledge from workers to management.

It can be inferred from the ILO finding that in the case of industries in LAC countries (manufacturing, finance, transportation, telecommunications, tourism) where technology substitution for skilled/semi-skilled labor is or will likely be occurring on a broad scale, there undoubtedly will be pools of unemployed skilled/semi-skilled labor forming that could provide an incentive for further investment. A question also arises as to the transferability of these skills.

The computerization (or structural adjustment) process requires that new skills be developed and the ILO study in developed countries seems to indicate that there could be a shortage of required new skills depending upon the rate of computerization and restructuring. This shortage could inhibit new investment.

Changes in the labor force during the 1980s demonstrate a trend towards greater de facto flexibility. This is reflected in the high rate of informal sector growth, in the extraordinary growth of employment in small enterprises, in the tendency of large enterprises to subcontract to small enterprises or to the informal sector and, finally, in the spread of non-standard or precarious employment.

The Spread of "Precarious" Employment and Subcontracting

This has taken the form of short-term contracts; jobs not protected by laws governing minimum wage, social security and working conditions; and home work and subcontracting through agencies and individuals. There has been a substantial increase in the number of casual workers in the production of coffee, sugar cane, cotton, fruit and vegetables for export. The vast majority of these workers are not covered by labor laws and social security. This trend in agriculture is of a structural nature and has been reinforced by the recent economic crisis, as pressure was applied to introduce crops and technologies for the production of export crops, thereby generating a demand for seasonal labor. The other trend that has been gaining momentum and that carries negative implications for the quality of employment is the practice of subcontracting to smaller industries.

Despite the fact that it creates new jobs and sources of income, in most cases "precarious" employment has meant lower wages. Along with the crisis, "precarious" employment has begun to spread to the modern sector and is no longer restricted solely to the informal sector. This is especially true in agriculture; it has also become increasingly common in urban areas.

d. Growth

Roughly two-thirds of the LAC countries have had low or negative GDP growth for much of the last 10 years. Per capita GDP in the LAC region declined by 10 percent between 1980 and 1983, but little of this decline can be linked to policy reforms because in most countries policy reforms had not yet been implemented. Since the initiation of major policy reforms, trends in poverty and income distribution are mixed. Practically all countries experienced stronger growth in 1991 than in 1990, and total regional growth rose by 3.5 percent.

Only a handful of LAC countries have had relative price stability over the past 10 years, i.e., annual increases in consumer prices of less than 5 percent. Data for 1990-1991 show a generalized trend toward lower inflation. Sustained growth in GDP and price stability are critical elements of any strategy to improve living conditions for the workforce in LAC countries. Market forces guided by enlightened economic policies are the keystone to GDP

growth and price stability. Labor and wage policies are part of the mix, but have been largely reactive over the past decade because of lagging growth in GDP and wildly fluctuating price trends.

Relative to the growth of GDP, real wages have lagged in many LAC countries. The combination of real exchange rate appreciation, lower inflation, and reduced unemployment has allowed some recovery in 1991.

e. Investment

In 1992, the Latin American region recorded a sizeable net inflow of financial resources for the second year in a row. This inflow, amounting to over U.S. \$57 billion, is regarded as one of the most significant developments of the past two years. The increase was, in part, the result of widening differentials in real interest rates between those being offered in Latin America markets and those prevailing in the U.S., and a response to the extraordinary rates of return being derived from the region's economic recovery and privatization processes. A contributing factor is the growing perception among the international financial community that the countries of the region have largely recovered from the economic crisis of the 1980s, and have policies in place that will lead to a period of sustained growth.

The funds, which were used mainly to finance imports and investments, spurred a non-inflationary expansion of credit to the private sector (for both investment and consumption) and shored up the region's international reserves. The magnitude of the increase was sufficient to reverse the net flow of financial resources in Latin America's favor for the first time in many years, and allowed domestic savings to again be converted fully into new capital formation.

The outlook for a continuation of this trend is encouraging. Direct investment in the LAC region has been rising to increasingly higher levels in recent years, particularly in Brazil, Chile and Mexico (in the last case, in anticipation of the conclusion of the North American Free Trade Agreement). Notwithstanding current expectations of a capital shortage worldwide, adequate funds for Latin America are likely to be available as long as profitable investment opportunities can be found.

Public v. Private Sector

The current "return of external capital" to the region, is markedly different from the lending spree of the late 1970s and early 1980s. The funds now flowing are largely risk capital and short-term placements of widely varying degrees of volatility and rates of return, and the recipients are, for the most part, members of the private sector. The limited role being played by the region's public sectors in attracting fresh external financing is confined to bond sales and the cash income obtained from the privatization of state holdings.

Privatization (Public Sector Disinvestment)

State-owned enterprises currently account for approximately 15-20 percent of the gross national product (GNP) in much of Latin America and the propensity of governments to dominate virtually every aspect of economic life is prominent throughout the region. This is a source of continuing concern, in light of the region's low growth rates, and the heavy debt burdens being borne by the majority of Latin American countries. Many observers view privatization as a means of reducing government control of the region's economies, and as a way of reducing budgetary deficits.

Faced by the uncertainty of replacement jobs, limited resources for training and retraining workers, and a general lack of unemployment insurance benefits for dislocated workers, (although many, particularly employees of parastatals, received fairly generous severance pay), labor leaders view privatization as a step backward for the working class, and a threat to the political and economic clout of organized labor.¹ Mindful of labor's opposition, some Latin American governments have begun scaling back or are delaying implementation of certain privatization programs, particularly the privatization of industries deemed to be in the national interest and those employing large numbers of specialized workers. Nonetheless, privatization is still a priority objective throughout the region. In Argentina, privatization has become a major source of government funds.

Domestic v. Foreign Private v. IFIs

Governments that have successfully undertaken restructuring or reform programs in an effort to restore creditworthiness to their economies can expect to have greater access to private commercial lending in the years immediately ahead. Chile, Mexico, and Venezuela have been able to regain access to international capital markets in recent years by taking this course of action. For countries with a poor financial track record reform has become a prerequisite to regaining creditworthiness.

Acquiring access to alternative sources of finance is also an important step, inasmuch as traditional sources are expected to be tight in the 1990s and new demands for concessional resources are emerging from some of the poorer republics of the former Soviet Union. Grants and bilateral loans (concessional and nonconcessional) are expected to grow at roughly 4 percent a year over the next five years. While multilateral loans from international financial institutions are expected to grow faster, at around 9.5 percent per year, many countries

¹ Privatization has other objectives than purely fiscal ones. A general problem with parastatals in the utilities and telecommunications fields is that they have proven unable to adopt technological improvements and expand coverage. Thus, organized labor might be interpreted as pitting the rights of workers in the public enterprises against, perhaps, extension of services to rural areas or adoption of modern technology.

will find that they may need to finance domestic investment requirements largely from domestic savings.

2. Political Outlook

Significant gains were made in Latin America and the Caribbean throughout the eighties toward the A.I.D./LAC goal of an increase in "stable, participatory, democratic societies in the region." There has been a steady march away from authoritarian to democratic governments. Ironically, this took place against a backdrop of severe economic problems and a real decline in production and living standards.

For the nineties and beyond, democratic governments of the region are faced with the dual challenge of strengthening democratic processes and institutions while at the same time reinvigorating their economies. There is no doubt that the two are inextricably linked. Steady economic improvement buys time for democratic growth, and, conversely, political strife causes instability which smothers economic growth.

While there are early signs of some economic improvement in some countries and there are internationally sponsored restructuring programs for economic recovery in most, the region's economic problems are huge and their resolution will demand massive sacrifices. The challenge for the hemisphere is whether such fundamental economic reform can be achieved within a framework of democratic government. And it is within this context that the labor sector, especially organized labor, takes on real significance as a supporter of democratic government and also as a potential force for or against economic reform.

Even though the complexity and magnitude of this challenge is daunting, the commitment to democracy and democratic processes is strong in most countries in the hemisphere. In many, memories are still fresh of civil strife, military take-overs, and authoritarian repression. This strengthens a resolve to seek economic progress within a democratic framework. This resolve is further reinforced by an international support system favoring democratic governments. Thus, even though there may be serious lapses in democratic practices such as have taken place in Haiti and Peru or attempted coups against democratically elected governments as recently occurred in Venezuela, the prospects remain good for continued growth in democracy and democratic practices in the hemisphere.

This, of course, does not mean that democratic institutions are strong and thriving. They are not. In most countries, they are weak and fragile. In many, it is only the peoples' commitment to democracy and democratic government which keeps them alive. In all of the countries in the hemisphere, they need support and encouragement to survive and flourish. Even without the challenge of economic reform and structural adjustment they would need help.

It will be a continuing struggle throughout the nineties to assure that democracy prospers. And even under the best of circumstances there are bound to be some serious break-

downs. This will mean turmoil and chaos and probably a return to the old Latin-American standby of authoritarianism. We see this in varying degrees today in Haiti and Peru.

Argentina has different problems but equally as serious. It is in its eleventh year of democratic rule and has only recently begun to take the hard economic steps of a structural adjustment program. Even though this has stimulated economic growth, it has also forced shifts in production and employment patterns which have fallen most heavily upon the poor and middle-class. This, in turn, could lead to political turmoil if managed badly.

There are other countries with serious political problems which threaten their economic progress, such as Venezuela. Venezuela is a democracy in crisis. In 1992, there were two failed military attempts against the government. Living standards are lower today than they were 15 years ago. In addition, a large part of the population has lost faith in the two political parties which have alternated in power since 1959 when Venezuela had its first democratic elections. The labor unions, closely aligned with the political parties, are similarly in disrepute. Even though the structural adjustment program is producing economic gains, there is little public confidence in the government. Unless the system has built-in mechanisms for self-renewal, both political stability and economic growth will be threatened.

In Nicaragua the aftermath of the cold war is still being played out. But there are countries which offer hope, as well. Chile is probably the outstanding example in the hemisphere today of both impressive economic growth and a gradual return to stable democratic government. If it continues on this path, it offers not only a model for imaginative and innovative growth, but an excellent opportunity for the U.S. to enter into collaborative programs for the promotion of democratic initiatives. It has already established a university-level program in labor-management relations which merits attention in this regard.

The model for economic reform within the democratic framework often calls attention to the apparent conflicts of the two objectives and emphasizes the difficulty of achieving the one while preserving the other. The ideal, of course, is for the two currents of economic development and democratic growth to come together to compliment and support one another rather than to be in conflict. To some degree, Chile is managing it, and this is the challenge for the other countries in the hemisphere. It is believed that the program recommended here can contribute toward meeting that challenge.

B. The Labor "Sector"

I. What is the "Labor Sector?"

Broadly speaking the "labor sector" consists of all those -- men, women and children -- who work for wages or who seek such work. Wages may be calculated on time worked or on units produced, i.e., piece work. The sector includes agricultural wage workers as well as urban workers.

In preparing this report the team attempted to keep this broad perspective in mind. Admittedly, however, the bulk of this report focusses more narrowly on the organized labor sector. There are several reasons for this. In the first place, the scope of work for this assignment has two quite distinct foci: (1) formulation of a labor strategy for Latin America and the Caribbean and (2) an evaluation of AIFLD. That organization, of course, deals with organized labor, and so the bulk of the team's interviews with representatives of the labor sector were with this group. Hence, the team was able to get more deeply into their concerns and perspectives than those of other members of the broader labor sector.² Furthermore, no one can speak for workers in the informal sector, so it would be difficult to know what inferences to draw from conversations with randomly selected individuals. The team's unsuccessful attempts to talk to some workers in the Solidarismo movement are mentioned elsewhere. Nevertheless, this report does touch on both Solidarismo and the informal sector to the extent time and circumstances permitted.

That having been said, there are positive reasons, in the team's view, for focussing the bulk of this report and its recommendations on the organized labor sector or sub-sector. As argued elsewhere, when organized labor raises its voice for enforcement of workers' rights, for stable prices for food, for improved conditions of health and safety in the workplace and for the myriad other matters of concern to the men and women in the organized labor sector, it also is voicing the concerns of the rest of the labor sector.³ This is true whether or not organized labor sees this as its role. Finally, and importantly, organized labor has the ear of the government in almost all of the countries of the region. Labor's ability to press this dialogue is limited by a number of factors, some of which are set out elsewhere in this report, but no other segment of the labor sector has the potential of organized labor in this respect.⁴

2. Workers' Rights

Workers' rights, a separable and increasingly important aspect of the U.S. concern for human rights worldwide, is central to the themes discussed in this study and to the strategy recommendations set out. The rights of working men and women to free association and the right to form labor unions to protect and promote their interests, and their right of collective

² The team did, of course, carry out the usual informal interviews with taxi drivers and hotel workers. Some of the former were organized, some not. Very few of the hotel personnel are organized.

³ The point has been made, and the team agrees, that organized labor's role would be strengthened if it consciously saw itself, and came to be seen, in this role.

⁴ While some of the governments in Central America are dealing with the Solidarismo movement, the impetus for this concern and the dialogue taking place, if any, seem to come from management rather than from workers' associations.

bargaining not only are recognized internationally⁵ and under U.S. law (as set out more fully below); their full, free exercise is a sine qua non for the attainment of the U.S. objectives in the region. Hence, any strategy for dealing with the labor sector in the LAC region must be critically concerned with the defense and promotion of those rights.

a. "Worker Rights" -- International Law and Convention⁶

International agreement related to worker rights dates back at least to the 1814 Treaty of Paris which called on the world community to prohibit slave trading. The 1919 Treaty of Versailles committed signators to "endeavor to secure and maintain fair and humane conditions of labor for men, women and children, both in their own countries and in all countries to which their commercial and industrial relations extend." The treaty also established the International Labor Organization (ILO). This tripartite body convenes employer, worker and government representatives from each member country.

The General Agreement on Trade and Tariffs (GATT) preamble, drafted in 1947, states that "relations among countries in the field of trade and economic endeavor should be conducted with a view to raising standards of living and ensuring full employment."

The UN's 1948 Universal Declaration of Human Rights specifies among other labor rights, the right to work, free choice in employment, just working conditions and remuneration of employment, freedom of association, including the right to form and join trade unions. In addition, the UN Covenant on Economic, Social and Cultural Rights was adopted by the UN General Assembly in 1966 and entered into force in 1976 after 35 countries had ratified it. It provides more detail than earlier UN documents on freedom of association, non-discrimination in employment and working conditions, safe and healthy working conditions, the rights of trade unions to form national and international federations and confederations.

b. Workers' Rights -- Issues in U.S. Trade and Aid Legislation

Since 1983, Congress has included workers' rights conditions in a series of U.S. trade and aid laws:

■ 1983 -- *Caribbean Basin Economic Recovery Act (CBERA)*

This act gave designated Caribbean Basin countries duty-free access on exports to the U.S. It directs the President when determining a country's

⁵ For a full delineation of workers' rights and the various international agreements setting them out, see Workers' Rights in U.S. Policy, U.S. Department of Labor publication No. FLT 91-54, 1991.

⁶ This discussion is drawn from Workers' Rights in U.S. Policy, op. cit.

eligibility to "take into account the degree to which workers in such country are afforded reasonable workplace conditions and enjoy the right to organize and bargain collectively." These discretionary criteria were made compulsory in The Customs and Trade Act of 1990.

■ 1984 -- *The Trade and Tariff Act of 1984*

This act extended the General System of Preferences (GSP) program initiated in 1974 which authorizes the President to grant duty-free treatment to eligible imports from beneficiary developing countries. The 1984 Act, among other new requirements, added the condition that a country to be eligible for GSP "has taken or is taking steps to afford to workers in that country (including any designated zone in that country) internationally recognized worker rights. The legislation indicated that "internationally recognized worker rights" include:

- (1) the right of association;
- (2) the right to organize and bargain collectively;
- (3) a prohibition on the use of any form of forced or compulsory labor;
- (4) a minimum age for the employment of children; and
- (5) acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health.

The GSP Subcommittee, chaired by the office of the U.S. Trade Representative (USTR), investigates and makes a finding on countries for which interested parties have submitted petitions charging violations of worker rights.

■ 1985 -- *Overseas Private Investment Corporation (OPIC) reauthorization bill*

This act provides political risk insurance and project finance to U.S. private investment in developing countries. Since 1985 its service is contingent on the receiving country's "taking steps to adopt and implement laws that extend internationally recognized worker rights...to workers in that country." OPIC conforms its decisions with those of the GSP subcommittee but makes its independent decision in non-GSP countries in which it will extend insurance.

■ 1987 -- *Multilateral Investment Guarantee Agency (MIGA)*

MIGA is a World Bank institution created to stimulate capital flows to member developing countries. Congress' authorization requires MIGA's U.S. director to seek to ensure that MIGA not extend investment

guarantees in countries not taking steps to afford internationally recognized workers' rights.

■ 1988 -- *Omnibus Trade and Tariff Act*

This act seeks a multilateral agreement to link worker rights and trade as a principal U.S. negotiating objective in the Uruguay round of GATT negotiations. It further defines as an "unfair trade practice" a persistent pattern of conduct that denies workers' rights. It authorizes the USTR to take a broad range of retaliatory actions, including suspension of Most Favored Nation (MFN) status.

■ 1992 -- *Foreign Assistance Act*

It precludes:

- (1) assistance for establishment of an EPZ abroad in which labor and certain other laws of the country are not applied; and
- (2) assistance to any project or activity that contributes to the violation of internationally recognized workers' rights.

c. Response in Countries Visited

Trade unionists in every country the team visited supported the American workers' rights legislation. In Chile, labor leaders and others characterized the suspension of Chile's GSP to be an important factor in the restoration of democracy in Chile. On the other hand, local business leaders in some countries visited were openly hostile to the legislation, considering it an unacceptable U.S. intrusion. No one contacted by the team, however, considered the U.S. legislation an idle threat.

d. The American Institute for Free Labor Development's (AIFLD's) Role

AIFLD has been active in promoting worker's rights in the region. It gives regular courses on this topic both in its in country programs and at the George Meany Center. Among these are courses in documenting workers' rights violations and in preparing reports on them. AIFLD also worked closely with in-country groups monitoring workers' rights and has served as a channel through the AFL-CIO to have cases brought as complaints before the U.S. Trade Representative.

e. Workers' Rights in the Era of Economic Restructuring

Virtually all of the countries in Latin America and the Caribbean came into what might be called the Era of Economic Restructuring with a large and growing pool of untapped resources; i.e., unemployment. While in general this was particularly true of unskilled, and even semi-skilled, labor there also were significant unemployed pools of skilled labor and trained

professionals. Investment was not increasing at a rate sufficient to keep up with the growth of any of the subsectors of the labor force.

Economic restructuring, and the move by investors to take advantage of the new possibilities it offered, appear to the team to have worsened the employment situation in most of the countries visited, at least in the short run. Significant numbers of government workers have been dismissed and there seems little hope that most of them will find their way into private sector jobs, at least without substantial retraining. In the private sector, according to anecdotal evidence given to the team, the new employment being created is not providing much of a market for unskilled labor.⁷ Only skilled and semi-skilled labor appear to be in a position to move into the new positions being created but, with some local exceptions, job markets even for those groups do not yet appear to be getting "tight"; i.e., high rates of unemployment appear to continue even in those two categories. Chile appears to be an exception to this trend with the unemployment rate at 4.5 percent and a "tight" job market. Real wages also have increased for the last two years.

In a word, employers find themselves, generally, in a buyers' market. And employers in general, throughout the region, expressed the view that unions were, at best, an unnecessary headache. Under the circumstances, it is not surprising that the most basic workers' rights, the right to form unions and the right to bargain collectively, are not being pursued more vigorously by presently unorganized workers. In Honduras, where the maquila plants work in industrial park settings, guards in the private sector parks routinely prohibit entry to union organizers and even to labor inspectors⁸. In both Honduras and Guatemala it is widely believed, and reported in labor circles, that attempts to organize unions in non-union plants will result in dismissal if discovered. The legal procedure for establishing a union in both countries involves submitting to the Ministry of Labor a signed document naming the organizers. The fear exists that these lists will be leaked back to the employers allowing them to dismiss union organizers before the nascent union is granted its charter⁹ or that, even after the union is legally chartered, employers will dismiss the organizers on non-related, trumped-up grounds, thus effectively decapitating the new unions. Unions told the team that cases of both have occurred. In any event, it is a fact that few plants in the maquila industry -- the fastest growing investment sector in a number of countries in the region -- are organized. The team also was told that similar conditions pertain in other new plants, at least in Central America.

⁷ This even is true to a great extent in the rapidly-growing maquila sector. Several studies indicate that large numbers of new employees in that industry have had some previous experience in other types of industrial jobs.

⁸ Both facts, widely reported to the team by Honduran workers, were confirmed by a member of the Ministry of Labor inspection service.

⁹ In Honduras, the AIFLD CPD appears to have come up with a device to attenuate this problem. It had not yet been put in place at the time of the team's visit.

Measures taken by the governments of Panama and the Dominican Republic to assure new investors a union-free environment, since reversed under international pressure, are notorious. Whether other governments entered the competition to attract foreign investment through subtler means aimed at the same end, such as reduced budgets for labor ministries and particularly labor inspectors and labor courts, the team cannot say. The phenomena noted, however, are quite widespread throughout the region.

In any event, with high rates of unemployment, labor inspection all but absent and without unions to protest in-plant infractions, other workers' rights dealing with maximum hours, health and safety and women- and child-labor, etc. have little or no chance of effective enforcement and, the team was repeatedly told, are in fact being widely violated.

Viewed against this back-drop of minimal enforcement of labor laws, the question of labor codes in the region and their impact on investment and employment creation is almost moot. (It also should be noted, however, that some attempts to revise labor codes are going on. The Guatemalan code was revised recently, to no one's satisfaction, and attempts to revise the Honduran code have been put aside for the moment in a complicated trade-off for some other things that labor wanted.)

The team examined the labor codes of the countries visited, as requested. A number of them -- as is true of many other labor codes in the region of which members of the team have personal knowledge -- are quite outmoded in many respects, consisting of piecemeal revisions of earlier codes which were, in turn, based on precedents many of which go back to the last century. Procedures tend to be arcane, based on a philosophy of governance going back to the colonial period. In some respects though, later revisions of some of the codes have been remarkably forward looking; we refer to those provisions dealing with child and women labor, workplace safety and similar matters. Both the Honduran and the Guatemalan codes are good examples of this tendency.

The team also examined the labor codes to identify "structural rigidities" (as they are often called), i.e., provisions that have the effect of impeding investment by raising labor costs. There are numbers of provisions in all of the codes examined that increase labor costs and pro tanto one would suppose discourage investment. Examples are myriad: aguinaldos (thirteenth month end-of-year bonus)¹⁰, lay-off payments based on length of service, provision of medical attention in plants over a certain size, etc. The full list would be quite long.

There clearly are provisions in many if not all of the codes which, if eliminated, would reduce labor costs. But, it seems to the team, the question is: would elimination of those costs be sufficient to attract enough investment to create enough jobs in country, or otherwise create sufficient benefits to the country as a whole (as distinct from the business sector) to make up for the benefits foregone? There is, of course, no single or simple answer to the question,

¹⁰ Guatemala has a fourteenth month bonus in addition.

much less one that can be devised by outside "observers." The search for solutions, it seems to the team, must be carried out country-by-country in negotiations in which a well-informed, well-advised labor movement is a full participant. And while labor is consulted on matters affecting it in many of the countries the team visited, few labor movements have either the background knowledge or the advice to participate effectively in such discussions at the present time.

Of greater moment than the present state of the labor codes, in the team's collective mind, is the status of the legal system designed to protect workers' rights and insure equitable and non-disruptive settlement of disputes over the proper application of the labor codes.

That system centers on the labor courts and, secondarily, on the system of labor inspectors. Labor inspectors are supposed to protect workers' rights by periodic inspections of work sites and citation (or, in some cases, immediate imposition of fines) for violations of the labor code by employers. The labor courts, in general, have jurisdiction over all matters involving the labor codes.

Complaints about the slowness, inefficiency, bias (the unions said toward management; management said toward the workers) and, not infrequently corruption of the labor courts were ubiquitous in Honduras and very frequent in Guatemala. The matter was also called to the team's attention in Argentina. In all three countries cases can take several years to reach a decision. In Guatemala and Honduras, both labor and management told the team that the labor courts are utterly discounted as places to get a resolution of a labor dispute.¹¹

In Honduras there are 99 labor inspectors for the entire country. As pointed out elsewhere they are most often barred (quite illegally) from entering the industrial parks in which the maquila industries operate. In both Honduras and Guatemala labor inspectors are poorly paid and seldom have money for travelling to programmed inspection sites.

It may be argued that it would be futile to worry about the enforcement of labor codes, sometimes anarchic and often full of structural rigidities, until such time as the codes are modernized to cure those defects. To improve enforcement of the present labor codes, this argument goes, might hurt the situation more than it helps by causing a deterioration in the investment climate to the detriment of all labor. The team does not agree. In the team's collective minds, this comes down to a trade-off between improving the investment climate and hence, in a broad sense and at some point in the future bringing about improvements in the standard of living for the whole country, including labor, and the immediate enforcement of widely violated workers' rights. There can be no choice. Furthermore, as pointed out in the next paragraph, improving the performance of the labor courts might very well have quite a positive affect on the investment climate.

¹¹ One brave American manager of a business in Guatemala told the team he had taken his union into labor court and won. This, as he characterized it himself, took an extraordinary effort, but was designed to teach the union "a lesson."

Alternate dispute resolution measures such as conciliation, mediation and arbitration are known in only a few countries (Costa Rica has an arbitration system but it is not much used). In these circumstances, the team was told, labor laws often are ignored, sometimes flagrantly. But the worse result, in the team's view, is the fact that the strike or massive firings often become the tactics of first resort in handling labor disputes. "Strike first and then negotiate," one labor leader said.

3. **Organized Labor**

a. **Does "Organized Labor" Merit a Strategy?**

Based on a number of factors, it could be argued that organized labor "is not worth bothering with." Among these factors are:

(1) **Union Numerical Weakness** -- The strength of labor varies from country to country in the region; but in general, organized labor is a comparatively small portion of the labor force and an even smaller portion of the population at large. In Suriname, for example, organized labor represented 55 percent of the work force in 1987 and commands commensurate political attention.¹² In Barbados organized labor constitutes 32 percent of the labor force and in Trinidad 22 percent. (By comparison, organized labor in the U.S. represents about 12 percent of the work force.) In the Southern Cone, the workforce traditionally has been heavily organized and has played an important role (except when it was on the defensive during some military regimes). In Guatemala, on the other hand, trade union membership is barely 7 percent of the workforce and only 2 percent of the population.

(2) **Disunity** -- The influence of labor's voice in most countries of Latin America is reduced by divisions into rival confederations sometimes adhering to competing political parties.

(3) **Politicization** -- The tendency for unions to be aligned with political parties often lessens and conflicts with their role as representatives and advocates of their memberships' economic interest.

(4) **Caudillismo** -- Union leaders in the region tend to have a lifetime claim to office, suggesting that the union election process is often perfunctory at best. In some countries an aging leadership appears tired and uncreative in coping with urgent labor issues in the region.

¹² Unless otherwise indicated, unionized, total workforce and population statistics are taken from the most recent available Foreign Labor Trends (FLT) report for the country, in this case - the 1988-1989 FLT report for Suriname. The country Foreign Labor Trends is drafted by the labor officer in the Embassy and published by the U.S. Department of Labor/Bureau of International Labor Affairs.

With all these negatives, can there be an A.I.D. labor strategy? And even if there can be, should there be? The team found elements pointing toward both the possibility and the desirability of such a strategy:

- **Representation:** Unions, even when they represent a small minority of the country's labor force, remain the most articulate and often the only representative of the economic interests of wage and salary earners. For the union to survive in the long run, it must in some way satisfy its members' demand for representation on economic matters and publicly enunciate such interests. Thus even when labor's direct power is weak, it represents another voice in society, a force for pluralism.

What may be even more significant is that, willy nilly, unions, in representing the interests of their own constituencies, often speak for the interests of a much broader group, a group that includes non-unionized wage earners and even the poor. When unions speak out against inflation, increases in the cost of living, regressive tax policies or for more effective enforcement of health and safety standards for workers, they are representing the interests of this other constituency as well as their own.

- **Democratic pluralism:** Even the politicized union must, to survive, represent, on fundamental labor issues at least, an independent voice inside and outside the party. The team found that trade unionists of varying political views increasingly speak with similar voices both privately and publicly on such basic labor issues as labor's response to the global economy, barriers to organizing in Export Processing Zones (EPZ's) and the problems raised for workers in privatization programs. In non-democratic environments such as Chile was during the Pinochet regime, labor stood as a critical democratic force; Chilean informants of various political hues and interests credit the labor movement with having played an active and crucial role in the restoration process.
- **International labor solidarity on behalf of democracy/workers' rights:** The international trade union movement has from its earliest days considered international solidarity to be an important support to domestic labor processes. Often this solidarity has taken very pragmatic forms -- contributions to strike funds across national boundaries, information exchange, action to prevent companies on strike from temporarily farming out production abroad. International affiliation has also given Latin American movements protection when faced with human rights or trade union freedom issues. The international labor spotlight on such violation, earlier in Chile and still in Haiti and Guatemala, undoubtedly has reduced violence against threatened union leaders (and politicians).

On balance, then, the team sees the negative factors set out at the beginning of this section as obstacles to be overcome in carrying out a labor strategy. It sees the positive factors as strong justification for having a labor strategy.

b. Labor's Role in National Policy Formulation

The team found wide country-to-country variations in the extent to which labor unions, or at least labor leaders, are consulted on matters of national policy affecting labor. These variations were found in the frequency, cogency and scope of that consultation, as well as its degree of institutionalization and the extent to which the results of such consultation actually have an impact on national policy. In Guatemala and Honduras labor leaders sit on the Tri-Partite Commissions which establish periodic changes in the minimum wage. In Honduras leaders of the CTH and other labor leaders are consulted from time to time by the President, or other members of the government on various matters affecting labor, but such consultations are neither regular nor do they cover the entire range of matters of interest to labor. Labor's influence resides partly in its numbers and partly in its placement in such key industries as the banana industry. Thus, while labor in Honduras has the power to disrupt the economy and thus the power to make its voice heard in matters of immediate interest, it is not in a position to contribute to national policy formulation in a positive sense.

The labor movement in Guatemala is weak and fragmented. It is still recovering from a period of severe repression that saw many of its leaders killed and still suffers from the reputation, in much of the private sector and some members of the government, of being sympathetic to the left-wing guerrilla forces in the country. In a word, the team believes some time will elapse before labor in Guatemala can make a credible bid for a regular, systematic voice in national policy.

In Chile, cooperation between the government and organized labor began before the present government came to power, when it was part of a center-left coalition of unified opposition ("concertacion") during the Pinochet years. Some of the key ministers in the present government served as consultants to various labor organizations before 1988 and have close working relationships with the national labor confederation, the CUT. As a result, a large segment of organized labor has cooperated with the government in putting its economic program in place, and, at times, has tempered its own demands in order to see the government program implemented. The fact that the economy has been strong and the workers have benefited has made it easier for labor leaders to justify their cooperation with the government.

In Argentina, the national labor confederation, the CGT is split, with some powerful union federations supporting the government's structural adjustment program and others opposing it, while others are still on the fence, giving the government some room to maneuver. The CGT is negotiating with the government over a new social security law; the trade unions want an opportunity to participate in the management of pension funds. The CGT is also trying to get the government to show some flexibility in administration of the law which ties wage increases to productivity increases and to get an increase in the minimum wage.

In Venezuela, the national confederation, the CTV, is identified with the country's governing party. Living standards in the country are lower than they were 15 years ago and labor unrest is general. The CTV, which has generally supported the governments structural adjustment efforts, is losing ground with its membership.

In the Caribbean there also appear to be a wide range of situations with respect to labor's voice in national policy. In Jamaica, the two principal labor unions are directly affiliated with the two major political parties and have a significant voice in policy making at the national level.

The team believes that those Latin American and Caribbean labor movements that do not presently have a voice in their countries' economic and social planning should be encouraged to move towards acquiring such a voice. At the same time, technical assistance and training should emphasize the possibility and value of collaborative approaches as opposed to the old confrontational approach.

Labor is often seen as being a disruptive force in national affairs because it sometimes is. Strikes and demonstrations have been the only methods labor has had to make its voice heard. However, given the ever-increasing mobility of capital and the advent of global competition, including the need for countries to compete in attracting private investment, this picture may be changing. The team believes that increasing incentives are appearing for government, management and labor in any country to act together both to face the challenges of international competition and to take advantage of the opportunities it presents. Thus, at the same time as U.S.-sponsored labor training is stressing the value of collaboration over confrontation, the U.S. also should be working to get that message across to governments and to the private sector.

c. Union Understanding of the "New World" of International Competition

In all of its interviews with national-level union leaders, the team was impressed by the extent to which they were aware of the broader implications of structural adjustment measures being carried out in their countries and of the "New World" of international competition opening before them. Their understanding of these matters transcended a mere narrow comprehension of the actual and potential impact of these trends on labor. They understood the forces driving the steps their governments had taken towards structural adjustment and the need for those measures. This is not to say they agreed with all of them or the way in which some of the measures were implemented, but they did understand what their governments were trying to do. They also realized that the worldwide movement towards open markets and international competition was unleashing challenges and opportunities which operate under laws beyond the control of their governments. That is, they recognize that, in many cases, the sorts of demands they could legitimately make on their governments could no longer be for determinative action but must -- in many cases -- be for adaptive action, action to adjust to what's going on in the rest

of the world. Indeed, in general, the team found the labor leaders far ahead of either management or government in their understanding of these new trends and their implications.

That much bodes well for labor's ability to participate more fully and actively in the formulation of national economic policies and programs. However, the team's interviews indicated at least two areas requiring further work before labor's participation can be fully effective. First, the understanding of national and international trends noted above have not yet permeated down to the lower levels -- the federations and, importantly, down to individual union members. It is vital that this happen, in the team's view, because national union leadership cannot get too far out in front of its own constituency. Should they do so, they would lose the support of their base and that, in turn, would discredit them both in the eyes of the government and in the eyes of the private sector which also participates in discussions of national policy. The team judges that there is a great amount of work needed in this area.

There is a second shortcoming that needs to be remedied in order to put Labor into a position to participate effectively in national policy making: that is the area of research and analytical capacity. While labor leaders at the national level, as indicated above, have a good understanding of the new forces facing them, they are, with some rare exceptions, neither economists, sociologists nor lawyers. They will need the help of those sorts of experts to formulate and sift through the various options that will confront them as they attempt to come to grips with some of the new forces referred to above. They are prepared to understand and deal with the advice of those experts but cannot provide that kind of expertise themselves -- nor should they. A specific recommendation on this point is provided further on in this study.

d. The Search for a "Modern Mode" of Labor-Management Relations

Most trade unionists and some managers the team met expressed readiness for new approaches in labor-management relations. Yet labor leaders feel options are limited because of anti-union bias in the new assembly industries and elsewhere and, in Central America, by the management-blessed Solidarismo associations, which promise workers a share of capital but which give them no negotiating role on wages and conditions of employment.

The production systems of the new assembly industries do not bring with them new models for the conduct of industrial relations. They do not, for the present, present fertile ground for experiments in seeking such new models.

There are some bright signs, however. New young leaders in Chile are optimistic about their country's future under democracy and flexible in their attitudes toward management. In Guatemala, the U.S. Department of Labor with the assistance of U.S. Federal Mediators, has conducted a series of seminars on dispute resolution techniques. As part of this A.I.D.-funded training program in industrial relations, ten labor inspectors were certified in the 1991-1992 period and assigned by the Ministry of Labor to participate in several public and private sector cases requiring mediation. The program included management and labor in simulated alternate dispute resolution techniques and demonstrated how they can use these to build trust and lay the

foundations for cooperation in improved production for mutual benefits. That project achieve the hoped-for results for reasons having nothing to do with the utility of the concept. And it left some interesting results behind to study. The manager of one of the participating companies is in direct contact with the FMCS mediator who participated in the program to explore further collaboration.

The Guatemala mediation program revealed that a public sector company, in fact, had had a long history of labor-management cooperation. Team members found receptivity to the notion of conducting further case studies of successful labor-management cooperation experiences in Guatemala so that a database for replication could be established.

Many American companies and their unions now place top priority on using cooperative techniques as a means of increasing productivity and therefore surviving in intensely competitive global markets. The team did not find abundant evidence that a similar process was in train or even seriously studied in the LAC region. The exception was Mexico. President Salinas de Gotari, in May 1992, negotiated and promulgated a "National Accord for the Improvement of Productivity and Quality."¹³ This forward looking document was signed by top-level representatives of business and labor. While the accord is not a law, knowledgeable Mexicans believe it will serve as a set of guidelines and constitute a strong stimulus towards more modern, collaborative labor/management relations. Cooperation and employee participation has come of age only in the last 10-12 years in the U.S. and in only some U.S. industries. In the U.S. sophisticated and automated industries have been the prime innovators. But more mundane operations such as in the New York City sanitation department have proven successful with an ingenious managerial and union effort. Some of these efforts might be replicable in the LAC region.

The LAC seminar on Labor Management Cooperation held in Santo Domingo February 8-12, 1993 (after this report was drafted), should have provided an opportunity to focus regional leaders in the industrial relations field on the prospects for developing successful experiments. The value of labor-management cooperation and employee participation extend beyond the profit and wage benefits produced. These processes vindicate concepts of pluralism and democracy in the workplace and demonstrate that labor-management relations can be more productive for both sides than confrontation. The value of these concepts from both the financial and philosophic perspectives is demonstrated in the survival and even modest recovery of an American auto industry on its knees just a few years ago.

But there still are few models of productivity-based collaborative labor-management relations widely known. And those that are known are known only sketchily, not in enough detail to analyze them for possible replicability elsewhere. The team believes that a

¹³ Extracted from Acuerdo Nacional para la Elevación de la Productividad y la Calidad (Mexico: Secretaría del Trabajo y Previsión Social, 1992), pp. 7-9 and 65-84. Unofficial translation by the Bureau of International Labor Affairs, U.S. Department of Labor.

focused effort to find such models, analyze them in enough detail to test their possible replicability in other settings and disseminate the results, could pay off handsomely in a speeding up of the diffusion of these ideas throughout the hemisphere, including the U.S. In Latin America and the Caribbean, Labor will be waiting eagerly for the results.

e. Women in the Labor Movement

Only limited progress has been made, since A.I.D. started stressing this theme some years ago, in bringing women into the labor movements in the region as full participants. In general, unions do not keep records on a gender disaggregated basis, so there is no way federation or confederation officials, such as those interviewed by the team, could say how many of the members of their constituent unions were women. There are numbers of women in unions about where one would expect to find them: teachers, health workers and textile workers. And, also as one would expect, there are numbers of unions in which no or few women are found, such as construction workers and agricultural plantation workers.

There appeared to be few women at the federation or confederation level and those who were present at that level typically were serving as "Secretary for Women's Affairs." Incumbents of these latter positions, according to several interviewees, concerned themselves with such matters as encouraging income-producing activities for workers' wives, helping to set up day care arrangements and similar activities. These are useful activities, no doubt, but hardly serve to bring women into the main stream of labor affairs in their countries or even in their unions.

The team notes that one course a year for women unionists is held at the George Meany training center and that such a course has been held annually since 1971. These courses, according to AIFLD, are designed to help women rise to higher levels in their unions. However, the George Meany Center core curriculum for promising union members and union leaders does not contain a unit on women in the labor movement. The team also notes that, although women may attend these latter courses, relatively few are chosen to do so.

f. Generational Change in the LAC Labor Movement

In a number of countries in the region labor leaders with whom AIFLD has worked for years are aging. They will be passing from the scene soon. Their passing will not always be smooth or peaceful because Latin American labor leaders tend to "not go softly into that good night." Some will try to hold onto power by attempting to name successors who will continue to carry out their bidding. Others may simply refuse to move on and may try to get rid of younger leaders who pose a threat or play various younger leaders off against each other to the detriment of the organization. The results of any of these scenarios could be considerable turmoil and a general, if only temporary, weakening of the organizations in which it takes place.

The team does not project this as a generalized picture of what is going to take place in the LAC region in the immediate future. It will happen in only a few countries. But

where it happens it may pose serious problems for AIFLD. For AIFLD will be faced with the dilemma of either appearing to abandon its old friends or of appearing to support them against the will of a rising "youth movement." This may pose a particular problem in some Central American countries where AIFLD's involvement in day-to-day union affairs is rather deeper than it is further south.

g. Campesino Unions

Campesino or peasant unions¹⁴ are scattered throughout the region, although they are not universal. In many countries they are joined with urban industrial unions at the confederation level. This is believed to be a universal pattern in Central America.

This practice gives the team pause. In the first place, the very notion of a campesino union is anomalous. They cannot engage in collective bargaining or take other sorts of collective action to improve their working conditions vis-a-vis an employer. They are self-employed. They do serve from time to time as collective defense groups against attempted deprivations by large land owners attempting to encroach on their holdings and they are active, in some countries, in pressing governments for more favorable policies in matters that affect them. In that stance they function as pressure groups. It is not intended here to question the validity of either sort of collective action.

The real problem presented is, that while they do have a number of interests in common with urban unions, there also are matters on which the interests of the two groups diverge. And when they do, the team fears that the campesinos' concerns will be muffled by their urban-based associates. An example of this was presented to the team in interviews in Honduras with the national-level campesino organization, ANACH, which is a member of the largest labor confederation in the country, the CTH. The executive board of ANACH was attempting to convince the government to desist in some measures it was believed to be taking, chiefly through import licensing, to hold down the price of food.¹⁵ When asked whether the CTH was supporting them in this effort they indicated it was not. The lack of CTH support, of course, clearly signalled the weakness of the ANACH position to the government.

Nor is the team sure it fully understands the reasons of the urban unions for seeking this rural affiliation. For one thing, of course, it adds to their numbers at the

¹⁴ The term "Campesino Union," as used here, refers to unions composed of farmers, be they free-holders, tenants or share-croppers. These are to be distinguished from other rural or agricultural unions composed of rural industrial workers such as workers on banana or sugar plantations. Practice in some Latin American countries does not distinguish between these two groups and indeed, in some cases, seems to lump them together deliberately.

¹⁵ The team could not determine whether ANACH's information was correct.

confederation level and numbers are power.¹⁶ It also was suggested to the team that the urban unions were anxious to do what they could to improve the lives of the campesinos in order to keep them from migrating to the cities. In any event, putting campesinos into an organized association with urban unions seems to the team to be of dubious benefit to the campesinos at best and approaching the manipulative in some instances.

The question is not, of course, whether the practice should continue. At this point it is sanctioned by custom and, in many cases, by law. The question raised here is whether the U.S. should encourage and support the practice as opposed to supporting independent national associations of campesinos which are free to follow out their own interests including uniting with confederations of industrial workers on specific questions when their interests coincide.

Based on the cursory view of the problem obtained in the course of this study, the team is unwilling to put forward a firm recommendation on the question. It is urged, however, that this question be submitted to a full review by A.I.D. and a deliberate decision taken as to whether to continue supporting this practice or to stop supporting it.

4. The Informal Sector

The informal sector was not singled out for particular attention in the scope of work for this study, nor could it have been given the complexities of the topic and the time allowed for this study. Nevertheless, the team thinks it worth mentioning here if only because, throughout the LAC region, there are a significant number of jobs in the informal sector and that sector contributes significantly to GDP.¹⁷ It should be noted that the U.S. Department of Labor, Bureau of International Labor Affairs, has published several reports and studies analyzing the informal sectors in Mexico and other Latin American countries. The DOL reports compare the characteristics of the informal sectors in Latin America with the informal sectors in the U.S. and other countries.

Despite a number of studies¹⁸ relatively little is known about how the informal sector operates. Yet it does seem to serve as an employment "shock absorber," particularly in urban areas, providing employment opportunities for many who cannot find them in the formal

¹⁶ This is one reason, of course, why union, federation and confederation membership figures provided by those groups are highly unreliable and why accurate numbers are so hard to come by in this area.

¹⁷ See, e.g., The Informal Sector in Mexico, Secretaria del Trabajo y Prevision Social and the U.S. Department of Labor, September, 1992. See also "The Other Path," De Soto, Hernando, et al., The Institute for Liberty and Democracy, Lima, Peru, 1975.

¹⁸ See, in addition to those noted above, the various studies of the informal sector in several countries in Africa carried out jointly by the IBRD, ILO and the OECD Development Center from 1988 through 1990.

job market. Furthermore, depending on its composition by sector, the informal sector may very well be providing skills training directly transferrable to the formal sector.¹⁹ The informal sector also appears to produce a number of goods and services of types and/or in price ranges not available to lower-income purchasers from the formal sector.

All of the functions indicated above are important, but the team's attention, for purposes of this study, focusses on the employment-creation function. For if wage earners and the lower class are to benefit from the painful stabilization and structural adjustment measures taken by their governments -- benefits such as rising real wages and improved standards of living -- something approaching full employment will be a necessary precondition. And given present demographic trends throughout the LAC region (see Section II.A.) and the amount of investment, domestic and foreign, that might reasonably be anticipated, it is clear that employment creation outside of the formal sector will continue to be a priority concern of these countries.

While the present state of knowledge about the informal sector throughout most of the LAC region is not adequate to recommend any interventions in that sector, the team believes it is an area that might offer some high-payoff prospects once more is known about it.

5. The *Solidarismo* Movement in Central America

In the course of its interviews in Central America, the team heard a good deal about the *Solidarismo* movement. This movement, wide-spread in Costa Rica, which was inspired by French thinking on this matter, and being taken up enthusiastically by growing numbers of managers and workers in Guatemala and Honduras, is acclaimed by its advocates as a new, non-conflictive model of labor-management relations in which those relations are characterized by mutual respect and mutual, reciprocal obligations. The movement seems to have a strong psychological/philosophical component so that managers and workers (the team was told) have a deep commitment to it. (Despite numerous attempts to do so, the team was unable to arrange an interview with any workers involved in a *Solidarismo* association.)

Although there are national, and one international, organizations promoting *Solidarismo*, these are promotional associations and not associations of workers participating in such arrangements. To date there is only one *Solidarismo Union* acting as a national-level representative of members of *Solidarismo* associations at the company level; that one is in Costa Rica. It claims 1,400 affiliated associations with more than 225,000 members -- nearly 21 percent of the labor force in that country.

Labor-management relations under *Solidarismo* operate at a single-plant or company level only. Workers in a plant or company who wish to do so establish a "Solidarismo Association" in collaboration with plant management. The Association has its own board of

¹⁹ See, e.g., De Soto, op. cit., on the varieties of industrial activities carried out in the informal sector in Lima, Peru.

directors. Management may be represented by an observer with voice but without vote, or it may actually have a seat on the board of directors. (In this and other respects arrangements vary from country to country and even from company to company.)

The economic basis of *Solidarismo* is a fund to which both workers and management contribute in varying ratios. The team was told that 1:1 is the normal ratio, but the manager of one plant with a *Solidarismo* association said that his contribution was 0.25 to the association's 1. This fund is set up so that each worker has an individual account which he may withdraw when he leaves the company. The principal purpose of the fund, however, is to make investments in private enterprises, thus making the workers entrepreneurs as well. The board of directors decides on which investments to make. Apparently, each worker may decide whether he wishes to participate in the investments chosen. If he does, his account is debited with the amount invested and he becomes part owner of the new investment. (Some of the promotional materials for *Solidarismo* suggest that the fund will be used to buy shares in the employing firm. The team heard of only one case in which that was being done.) *Solidarismo* associations in Costa Rica have set up a variety of enterprises including savings and loan banks, supermarkets and transportation companies.

Management is not required to actually deposit the *Solidarismo* funds in a bank account and those managers interviewed by the team indicated they were not doing so. Rather, they were setting the accounts up on their books, thus converting the workers' contributions to interest-free loans until they are drawn down. Indeed, with one exception, noted below, *Solidarismo* is not regulated by law at all in Honduras and Guatemala. It is in Costa Rica.

Theoretically, a worker participating in a *Solidarismo* association could also be a member of a union. Managers with *Solidarismo* associations in their plants told us, however, that the two are philosophically incompatible and that this practice does not occur. It is possible, however, for a plant or company to have both a *Solidarismo* association and one or more unions and that seems to be a fairly wide-spread occurrence.

Solidarismo associations do not engage in collective bargaining nor, presumably, in other old-style "conflictive" actions such as strikes or grievances. When asked how such matters as wage increases or working conditions were worked out in practice, the managers interviewed only said they were worked out collaboratively. Despite being asked, the managers provided no detail as to who initiated action on these matters or how they were finally determined. Many said that, since the movement in Guatemala and Honduras was only 2 or 3 years old, it was too early to say how such matters would be handled.

Unions see *Solidarismo* as an attempt by management to freeze them out and oppose it vociferously. The ILO has come out against the movement. Under pressure from the ILO and AIFLD, the Government of Costa Rica recently passed a law stating that *Solidarismo* associations do not constitute bargaining units within the meaning of the labor code, that status being reserved to labor unions. (The ILO's position was that certain clauses in the Costa Rican law gave *Solidarismo* some advantages over the trade unions in regard to collection of dues and

bargaining power, which the unions considered unfair practices.) The President of Honduras recently issued a pronouncement to the same effect, adding that agreements reached between employers and *Solidarismo* associations are not enforceable in labor courts. (That final fillip seems somewhat vain, since, presumably, taking an employer to court would contravene the spirit of *Solidarismo*.)

Although the team confesses to a high degree of skepticism about this development, tending to share the view of many in the U.S. Labor Movement and elsewhere that the arrangement smacks of "Company Unions," it makes no recommendation concerning it. One member of the team with a deep knowledge of Costa Rican labor affairs, advises that the movement in Costa Rica is much more genuinely and truly a workers' movement than is true in Guatemala or Honduras. (Given the differences between Costa Rica and the other countries mentioned, the other members of the team consider this quite plausible.) Furthermore, at least the "idealized" version of Solidarismo put forward by its proponents fits quite comfortably within the local ethos. The question is will it pay off in greater productivity and a sharing of the gains with labor. That answer isn't in yet. The test will come, the team suspects, either when an employer goes bankrupt and employee claims for their funds in the Solidarismo account are declared legally unenforceable (or enforceable but practically unrecoverable) or when union wages rise above those levels being paid for similar work in Solidarismo companies.

6. Who Else is Doing What Else?

a. Other U.S. Players

State Department Labor Affairs Officers

Every U.S. Embassy has a labor officer. In larger embassies and in countries with significant labor movements, the labor officer will have the title of "Labor Counselor" or "Labor Attache" and spend all or a substantial share of his or her working time on labor affairs. In other posts, a Labor Reporting Officer (LRO) will be assigned to follow labor affairs on a part-time basis. In addition to "spot" reporting on important labor issues, the labor officer is responsible for drafting the classified and unclassified annual labor reports summarizing important labor trends, events, institutions, and personalities of the country. The unclassified report is edited and published by the Department of Labor's (DOL) Bureau of International Labor Affairs in its Foreign Labor Trends series. The labor office is also responsible for reporting on (a) worker rights in connection with the annual Human Rights Report and/or a GSP or OPIC worker rights case; (b) issues relating to U.S. participation in the ILO; (c) potential or actual labor assistance or labor exchange programs; and (d) successes and problems of foreign labor programs relevant to the responsibilities of the DOL and other domestic agencies. The labor officer facilitates and makes arrangements for USG labor programs. The labor officer maintains contact with host country and foreign nationals working in the country, including the AIFLD representative. The Labor Counselor/Labor Attache can be looked upon as the primary Embassy/Mission resource on labor matters.

In Washington the senior official in the labor affairs field is the Special Assistant to the Secretary of State for International Labor Affairs. The Special Assistant's office, with a staff of four, coordinates U.S. foreign policy in the labor field and assignment of Labor Attaches, and maintains liaison between the U.S. labor movement and the Department. This office plays a central role in review of Worker Rights issues in annual Human Rights reporting. S/IL consults, in Washington, with A.I.D. and AIFLD on program proposals and, when need be, requests Embassy Labor Officers to take action on issues related to AIFLD's program or presence in a country.

The ARA Labor Advisor also serves in the chain of contacts between embassy LRO's and AIFLD and a liaison in Washington with AIFLD and LAC.

The U.S. Information Agency (USIA)

USIA conducts a wide range of activities designed to explain and generate appreciation of American culture and policy. Programs which may include labor projects include:

- **International Visitor Program (IVP):** sends leaders, including industrial relations and labor officials, to the U.S. for short-term exposure to American policy and practice in their field of expertise. Often USIA plans group programs on a particular theme (e.g., labor-management cooperation) which brings together experts on this theme. USIA also will provide administrative, appointment scheduling and logistical support to important "voluntary visitors" who are in the U.S. on non-USIA business.
- **American Participant (AmPart) Program:** sends American experts in a subject field abroad to exchange ideas with host country counterparts.
- **The Office of Citizen Exchange:** manages an open grant competition whereby U.S. institutions bid to participate in educational exchange programs designed by USIA. In 1991-1992, the University of West Virginia conducted an extended program in Argentina on Labor Dispute Resolution. There are approximately 4-5 grants per year, in all fields, for the LAC region.
- **Academic Specialists:** are similar to AmParts but they travel for a longer period (2-6 weeks) and work with only one institution in a role similar to that of a consultant.
- **University Affiliation Program:** an occasional program which provides funds for exchanges between a U.S. and foreign university.

- Fulbright: sends lecturers and researchers to foreign universities for one or more years.
- ARNet is the LAC region portion of USIA's WorldNet capability. This brings American experts in a subject together with foreign counterparts in a discussion via an interactive TV hook-up.
- Wireless File: sends news stories in all fields, including labor, to USIS Posts for optional placement in foreign media
- Latin American Book Translation Program: last year translated Primer on U.S. Labor Law by William Gould into Spanish for distribution in Latin America.

U.S. Department of Labor (DOL)

DOL activities include:

- Bureau of International Labor Affairs (ILAB): Coordinates the international activities of DOL. Its head is a Deputy Under Secretary. She normally is the working head of the USG delegation to International Labor Organization (ILO) meetings and regional conferences such as the Organization of American States (OAS) conferences of hemisphere Labor Ministers. ILAB's Regional Labor Advisors follow international labor events around the world and recommend DOL policy responses and initiatives. ILAB also conducts programs in the labor field for other agencies, including A.I.D. Some example programs of interest in the LAC region include the following:
 - Memorandum of Understanding: The Memorandum of Understanding between the Department of Labor and Mexico's Secretaría del Trabajo y Previsión Social (STPS), calling for cooperative activities in various areas such as health and safety measures, general working conditions including labor standards and their enforcement, and resolution of labor conflicts was signed on May 3, 1991.
 - Inter-American Symposium on Labor-Management Cooperation February 9-11, 1993, in Santo Domingo. ILAB prepared and conducted this seminar under it's PASA with A.I.D.
 - Bureau of Labor Statistics: The BLS trains foreign statisticians, frequently under A.I.D. PASA, in modern labor statistics techniques, management and computerization. It trains 100-150

statisticians/year in its Washington training center which includes simultaneous translation and computer facilities. In addition, using BLS statisticians and staff, BLS has conducted nearly 40 training seminars abroad including in Brazil, Mexico, Peru, Suriname and Venezuela. It also has sent approximately 30 consultants to various LAC region countries.

Occupational Safety and Health Administration (OSHA): OSHA has developed the universal occupational safety and health standards data bank which most countries use as their benchmark for national laws. As a result OSHA is frequently consulted, under A.I.D. and other contracts, to provide training and information to foreign specialists on occupational safety and health issues and methods for using the OSHA standards data bank.

Federal Mediation and Conciliation Service (FMCS): The FMCS is a statutorily independent agency established under the National Labor Relations Act to help employers and unions resolve disputes arising in collective bargaining negotiations and in other areas. FMCS has developed a number of ancillary programs in labor-management relations, including: "Relations By Objective" training for labor and management, preventative mediation (early identification and resolution of developing conflicts), labor-management cooperation and "Med-arb" (combined mediation/arbitration techniques). Among other foreign prospects, FMCS has conducted mediation programs in Poland and Guatemala under the A.I.D. PASA with the Department of Labor. FMCS indicates it is willing to consider direct contracting with A.I.D. also not only in the mediation areas but in other dispute resolution approaches.

National Endowment for Democracy

The National Endowment for Democracy was established by Public Law 98-164 (The National Endowment for Democracy Act) to strengthen democratic institutions throughout the world through private, non-governmental efforts. It is a privately incorporated, non-profit organization. The NED has, as one of six stated purposes: "To promote United States nongovernmental participation (especially through the two major American political parties, labor, business, and other private-sector groups) in democratic training programs and democratic institution-building abroad;"

NED funds labor programs overseas through the Free Trade Union Institute, "FTUI" an arm of the AFL-CIO established to handle such programs. The FTUI, in turn, passes funds to its overseas operating organizations such as AIFLD in Latin America and the Caribbean. FTUI is one of the four largest recipients of NED funds.

NED through FTUI, was funding 12 projects in the LAC region in the 1990-1991 period according to its annual report for that year (the latest available).²⁰ To judge from a comparison of the descriptions of some of these projects with AIFLD's proposed activities under its 1991-1993 grant agreement with A.I.D., the danger exists of some overlap or duplication. A few descriptions of projects where the team feels that duplication is possible, as set out in the NED annual report and the A.I.D. grant agreement with AIFLD, are set forth below:

■ **Brazil**

NED: "To support the *Confederacao Geral de Trabalhadores* (CGT) in its nationwide affiliation campaign designed to build an effective national labor confederation; . . . and to offer leadership training courses."

A.I.D.: "A CGT national trade union education program that broadens worker participation in his union and the Brazilian political process. . . *Scope of Work* AIFLD will sponsor 25 residential training courses . . . 160 one-day seminars, 15 regional seminars, and conferences and two national conferences of CGT leaders. AIFLD will also organize a one-week advance training program to prepare 25 younger CGT leaders for their participation in the special training program at the George Meany Center."

■ **Chile**

NED: "To provide support to the *Central Unitaria de Trabajadores* (CUT) and the *Central Democratico de Trabajadores* (CDT), for their activities aimed at creating a more unified democratic labor movement."

A.I.D.: "*Scope of Work* AIFLD will sponsor local, regional and national seminars for both CDT and democratic CUT organizations. . . . AIFLD will also sponsor seminars for independent unions when such programs help strengthen the democratic labor movement as a whole."

■ **Haiti**

NED: "To enable several Haitian trade Union groups to publish newsletters, conduct monthly education courses and organize agrarian unions and cooperatives among union members."

A.I.D.: "*Indicators* By April 1991, concentrating on the agrarian sector, at least five rural worker organizations will be affiliated by each union

²⁰ National Endowment for Democracy, Annual Report, 1991.

federation; and approximately 60 trade unionists from both organizations will have completed intermediate-level labor training courses, again emphasizing agrarian union development.

A.I.D.: "*Scope of Work* AIFLD will sponsor a series of in-country education programs using both its own and FOS and OGITH instructors and locally produced training materials; . . ."

This list of examples could be expanded to a number of other countries. Again, the team does not know whether the examples cited and the others that appear throughout the two documents quoted represent duplication, overlap, or perhaps examples of mutually-supporting activities. The point here, though, is that neither do A.I.D. or NED. The official in charge of Latin American programs for NED has never spoken to the officer in charge of AIFLD programs in A.I.D./LAC and vice versa. The latter officer has not seen NED's annual report. The team considers this an easy situation to remedy and one that should be remedied.

b. Non-U.S. Players

International Labor Organization (ILO)

The ILO, established in the Versailles Treaty in 1919, is the oldest UN Specialized Agency. The ILO is unique in its tripartite structure of governance and deliberation. Each member country's delegation includes employer association and trade union representatives in addition to government representatives. The ILO has had important influence on international labor issues and on domestic labor structures in member states:

- Worker Rights and Labor Standards: ILO Conventions and Recommendations (C&R's) on labor standards adopted by the ILO Conference and ratified by member states have the authority of international law. The U.S. has ratified only a handful of ILO C&R's, ostensibly because of legal anomalies in our federal system of government. Nevertheless, five ILO Conventions have been made conditions of U.S. trade and aid benefits (see this report's Worker Rights section).
- Assistance: The ILO conducts training and technical assistance projects in human resource and management development, vocational training, choice of technology and other labor and manpower oriented subjects. The ILO has several programs specifically for the LAC region:
 - International Center for Research and Documentation on Vocational Training -- CINTERFFOR, Montivideo, Uruguay;
 - Regional Employment Program for Latin America and the Caribbean PREALC (Part of World Employment Program); and

Inter-American Center for Labor Administration -- CIAT --
Assistance to labor ministries.

International Confederation of Free Trade Unions (ICFTU)

The ICFTU is the organization which brings together democratic national labor confederations. Its by-laws exclude unions which are affiliated with the now virtually moribund World Federation of Trade Unions (Communist orientation) and unions affiliated with the Christian Democratic-oriented World Confederation of Labor. The ICFTU holds to a general rule of trade union unity -- that there should be only one national confederation in each country although exceptions have been made in a few developing countries. The ICFTU administers foreign assistance supplied by governments and trade unions to labor organizations in developing countries. An AFL-CIO study on ICFTU-administered aid determined it had channelled \$39 million dollars in aid in 1991.

International Trade Secretariats

These are the oldest international labor organizations, some dating back to the late 19th Century. There is an ITS in each major industrial field (miners, metalworkers, public servants, etc.). National federations in a given trade will affiliate with their appropriate ITS, e.g., U.S. steelworkers and autoworkers belong to the International Metalworkers Federation. The ITS gathers and shares research and information on issues peculiar to its industrial field, provides a point of solidarity for international labor problems in an industry and lends assistance to weaker affiliates, particularly in developing countries. The A.I.D. union-to-union program, administered by AIFLD, channels most of its funds through the ITS's.

ORIT

The Regional Interamerican Worker's Organization is the regional branch, for Latin America and the Caribbean, of the International Confederation of Free Trade Unions (ICFTU). Its members are free, democratic labor unions throughout the world. It carries out training and support programs for affiliated unions throughout the LAC region. In this way it seeks to bring more labor unions into affiliation with the ICFTU. It is funded by affiliated unions, including the AFL-CIO. Although AFL-CIO funding accounts for about 50 percent of its administrative budget, when program funds are included that contribution drops to about 30 percent. European labor unions that support ORIT prefer to put their money into specific projects rather than into a general fund.

ORIT has its headquarters in Mexico. Its Director General is Luis Anderson, a Panamanian labor leader and ex-Minister of Labor of that country. The position of Treasurer of ORIT, by arrangement, is an AIFLD official detailed to that position.

The ORIT and AIFLD programs are complementary and the two organizations pretty much see eye-to-eye on what is going on in the region. ORIT is very supportive of

AIFLD's work, particularly its training programs which it gives very high marks. Lately, however, ORIT has shown itself to be somewhat more "venturesome" than AIFLD in working with new organizations some of which were considered "taboo" during the Cold War era.

It has been suggested to the team that this willingness or desire to strike out into new territory may be due, in part, to pressure from ORIT's European affiliates. That seems plausible enough although the team has no independent basis for confirming or denying the suggestion. If true, however, this would seem to the team to be cause to raise a small red flag. European labor unions tend to be oriented along lines of doctrine and tend to be closely affiliated with political parties of similar doctrinal tendencies. It would not be in the interest of LAC labor unions to have ORIT programs used to link them to political parties; nor would such an attempt be congruent with the U.S. interest in the development of independent labor unions. The team does not believe this is a present danger, nor is it foreseen as very likely particularly given the diversity of beliefs among those European unions presently funding ORIT and the transparency of ORIT's operations.

This report sets out the opinion elsewhere that Latin American and Caribbean labor unions should not be discouraged by AIFLD or the U.S. from seeking affiliation with political parties if they feel their interests can best be served by so doing. That opinion is conditioned, however, by the caveat that only unions that are financially self-sufficient can do so without incurring a serious threat to their independence. The team does not believe that this opinion is inconsistent with the small warning posted above.

The International Trade Secretariats of the ICFTU

The international trade secretariats of the ICFTU have played an important role in tying together the interests of workers from various countries and regions who ply the same trade or work in the same industry.

The trade secretariats regularly hold regional seminars in Latin America devoted to a range of subjects, including worker rights, health and safety, etc., all in the context of a single or cluster of industries. They bring together labor leaders from neighboring countries who might otherwise not have an opportunity to meet and know each other.

The American Labor Movement has, in general, been supportive of the trade secretariats -- with active, contributing membership and strong roles in the aims and direction of those organizations. The trade secretariats have played a role in "union to union" programs linking U.S. unions to brother organizations in LDCs.

The Fredrich Ebert Stiftung

The Fredrich Ebert Stiftung, financed by the German Social Democratic Party, carries out a series of social and political development programs throughout Latin America and the Caribbean. In Honduras and Guatemala, they seek to work with labor unions and with

"marginalized" non-union groups such as the urban poor and small farmers. They seek to organize these groups into pressure groups in order to get them a hearing at the level of national governments. Their organizational work is carried out mostly through small projects. In discussing their development work they stress the projects and play down the organizational work although the representative we talked to did talk quite a bit about "empowerment." They do not seem to be heavily endowed (the one representative interviewed by the team, in Guatemala, was somewhat reserved about the question of funding, although he was fairly open about their programs) although the Guatemalan staff of six technical experts plus support personnel is headquartered in a modern private house.

The Guatemalan Chief of Program (not his official title) interviewed by the team had, until shortly before the interview, been the Chief of Party for Fredrich Ebert in Honduras. The team had been told in Honduras that he was asked to leave the country after having attempted to start a movement called the "La Plataforma para la Lucha" -- The Platform for the Struggle. He denied that the Stiftung had started that movement and claimed it started spontaneously; he said the Stiftung only supported it. In Guatemala, the Stiftung is supporting a similar movement called the "Unit of Popular and Union Action," "UASP." That group suffered a serious -- perhaps fatal -- set-back when some of its labor union constituents pulled out.

The Guatemalan Chief of Party said that he had no contract with either USAID or AIFLD and expressed a desire to make contact with the latter. The team passed on this request to the AIFLD CPD.

Despite some differences in approach and even, perhaps, in general philosophy, the team does not believe that the Fredrich Ebert Stiftung in Guatemala -- or elsewhere, if the Guatemalan operation is typical -- represents a present threat to U.S. interests or to the interests of the Guatemalan labor movement. Indeed, some of its activities probably are quite congruent with some A.I.D. activities. The team believes that A.I.D. Missions should attempt to make contact with the offices of the Stiftung in country and stay in touch with them to seek possible areas of cooperation and, if for no other reason, to stay abreast of what they are doing.

Others

The team was unable to make contact with the Conrad Adenauer Stiftung, which has offices throughout the region, or with the various bi-lateral missions that also conduct aid programs in the region. The team was told that the Scandanavians and the Dutch are working with labor unions in Central America but no details were available. Canadian groups are believed to be working with labor in the Caribbean. In many cases, work characterized as bi-lateral assistance is carried out through NGO's. Particularly in the case of the Scandanavian countries and the Netherlands, these groups operate quite independently and with little apparent concern for the policies of their governments.

CHAPTER III

AIFLD PROGRAM

The project being evaluated is LAC Regional, Project No. 598-0790, American Institute for Free Labor Development (AIFLD), authorized August 21, 1990. It provides grant funds of \$21,148,364 to be utilized over a period of three years. The original budget for the program was 1990-1991: \$6,174,152; 1991-1992: \$7,487,106; and 1992-1993: \$7,487,106. The program will be completed March 31, 1993.

The grant covers program operations carried out at headquarters in the U.S. under AIFLD's departments of education, information services, social projects and agrarian union development, its regional security office in Costa Rica, and its bilateral assistance programs in 18 Latin American countries plus the English speaking Caribbean.

Of the headquarters operations, the education department which runs the AIFLD education program at the George Meany Center in Silver Spring, Maryland, has the largest budget of over \$1 million a year. This budget is larger than that of any of the bilateral country programs. This program is the heart of the headquarters operation. The headquarters budget, in general, appeared to the team to be realistic in terms of the staff needed to carry out the responsibilities of a program this size. The office space occupied is adequate to house the staff -- no more than that.

A. Programming and Evaluation

Part of the A.I.D./LAC regional strategy is to "support the evolution of stable democratic societies...create vigorous, autonomous, pluralistic civil societies...and strengthen democratic culture: values, attitudes, belief and information that support pluralism..." It is within this framework that the three-year grant to AIFLD operates. It is A.I.D.'s primary instrument for supporting free labor development in the region. Under the grant, AIFLD's long-term objective is to strengthen free, democratic trade unionism in the hemisphere. For this purpose and under A.I.D. supervision, AIFLD has developed a series of strategy statements and program proposals containing program goals for each of the countries that it operates in, plus program proposals for its headquarters operation.

The team found that the country strategy statements and program goals are consistent with AIFLD's long-term objective and A.I.D./LAC regional strategy and that the programs being carried out conform generally to the strategies and objectives set forth in the documents.

In order to monitor AIFLD activities in individual countries, indicators are established under each objective. These are intended to be specific enough so that it is possible to measure progress toward achievement of the objectives. A.I.D./LAC requires semi-annual written reports documenting progress towards objectives in each country based on the indicators. There are no hemisphere-wide strategy statements or indicators of progress. Only by reviewing the individual programs can any conclusions be drawn about overall progress.

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This is a useful and not too burdensome system for monitoring programs and substantive progress, as far as it goes. However, the usefulness and success of this system is dependent upon the degree of specificity in the indicators and the substantive review of the indicators and the progress reports.

The team found that there was a wide variation from one country statement to another and from one indicator to another in terms of specificity. Many were quite specific, citing numbers and setting dates for accomplishment of specific action. Others were vague and general and could not be used for meaningful measurement of progress. This suggests to the team that there is little or no review of indicators by A.I.D./LAC at the time they are prepared. It also suggests that there is little follow-up on the semi-annual reports which are supposed to track progress under the indicators once they are submitted to A.I.D./LAC. In addition, the reporting from the field offices to AIFLD headquarters for these semi-annual reports are at times so cryptic as to be almost meaningless. An examination of field office records upon which these reports are based showed that, in many instances, they were as lacking in detail as the reports themselves.

AIFLD leadership contends that field reporting has "vastly improved" over the past year. While the team is unable to confirm that analysis, we do believe that the AIFLD system is useful and should be continued. Improvement also should continue in order to better serve A.I.D. and AIFLD.

With regard to measuring overall progress, on the basis of our review of a number of individual countries and the headquarters education program, the team's impression is that AIFLD is accomplishing its objectives in the hemisphere. However, as mentioned above, there have been no indicators developed for achieving overall program objectives. While individual country statements may contain targets and indicators for achieving increases in the number of unions or union members in a given country, no such figures have been established for the region, as a whole. In fact, AIFLD informed the team that no figures exist on union members or unions on a hemisphere-wide basis. AIFLD has begun to compile such information, but it is incomplete. It provided the team with a recently completed survey on the number of dues paying union members. Individual AIFLD offices in the field have compiled their own lists of unions, associations, federations, confederations, and labor centrals with estimates of members, but there are no official data to check these against.

Whether it is practical to tie program objectives to specific measurable statistics on numbers of unions and union members on a hemisphere-wide basis is debatable because of the infinite number of variables such numbers might contain and because unions, particularly at the federation and confederation level, do not like to release these numbers. Nevertheless, the availability of such information would be useful in program planning, spotting trends and estimating general union strength. At present there is no way of knowing whether there have been increases or decreases in union membership in the hemisphere.

B. The Education Program

AIFLD is primarily an education and training organization. Although it has engaged in many diverse activities over its lifetime and still utilizes some A.I.D. funds for social projects and other activities, the bulk of its resources are dedicated to educating union members in all aspects of the development and strengthening of the free trade union movement. This focus on education is true of its activities both at headquarters and in the field. Most of the headquarters budget goes toward its training programs at the George Meany Center. This is also true in the field. In the South American countries that the team visited, almost 100 percent of the operational funds went into training. In most of the countries with Agrarian Union programs funding for those programs came from Mission funds. The AIFLD personnel who manage those programs, however, are charged to the A.I.D. grant, as is usual with the use of an OPG mechanism.

AIFLD's huge education and training enterprise covers most countries in the Western Hemisphere. In Washington it conducts year-around courses at the Meany Center. At the country level, it conducts an infinite number of short courses and seminars each year. In Brazil alone, it expects to have assisted in the training of 10,000 union members in 1992, in Bolivia, 2,000, in Chile 1,000, etc. In every country in which it operates it has similar, if more modest, goals. This is, indeed, an impressive undertaking. Of course, it isn't new. AIFLD has been doing it for a long time. And for the most part, it has been doing it well. Nevertheless, in spite of the magnitude of the enterprise and the experience behind it, the impression is communicated of an ad-hoc operation.

At the country level each arrangement is unique, depending upon the knowledge and experience of the local staff or local institutions to shape the program. In some there are local Education Directors, in others funds are passed to union organizations to arrange the training. In some the Country Program Director participates, in others he doesn't. While there is some basic course content which is standard for every country and some standard course materials, there is no general, hemisphere-wide education program. Each Country Program Director devises his own. The record keeping for these activities also varies greatly from country to country.

This means that there is no central administration of educational activities, no centrally directed education program with standardized courses and materials which can be adapted to local requirements, no evaluation procedures, no guidance on course sequencing; i.e., advancing from simpler to more difficult material, no standards for course participation or for candidate selection for advanced training and no standard requirements for record-keeping and follow-up.

Considering that AIFLD has had long-time involvement in education and training programs at the Meany Center employing professional educators for many of its courses, it is surprising that it has not sought to professionalize its entire program, both at the Meany Center and in the field. This is not to suggest that the trade union flavor of its programs should be sacrificed nor that the field programs should no longer respond to the specific needs of specific unions. It is rather to urge that AIFLD seek professional assistance to tighten up the management

of its educational programs and to install a single system that will provide closer articulation between the Meany Center and the field, that can take advantage of new teaching techniques and provide standardized teaching guides and learning materials to all of its field programs.

As noted above, education and training have been at the center of AIFLD's activities since it was founded in 1962 and have been the major instruments for achieving its objectives over the years. It has built a solid reputation throughout the hemisphere based on these education programs. On the basis of the team's observations, there is no doubt that these programs are both effective and appreciated. In all of the countries visited, the demand for AIFLD sponsored education and training programs exceeds the resources to conduct them. This is as true for workshops, lectures, and seminars at the local level in the interior of the countries as it is for union leaders who attend the George Meany Center in the U.S. This is attested to not only by the number of courses given annually and the numbers of those attending, but also by the participation of local labor organizations in the financing of many of these courses. Co-financing is particularly impressive in Argentina and Venezuela where most training costs are shared. In some cases in these countries, the AIFLD payment is only a token, but it still receives full credit as a co-sponsor of the event. The international air-fares for participants from these countries to the George Meany Center are paid not by AIFLD but by the local or national unions selecting them.

While it is not possible in this report to evaluate the usefulness or effectiveness of the training given in a more sophisticated or detailed manner -- in large part because AIFLD does not have effective evaluation or follow-up systems -- the team's discussions with returned participants in the local seminars and with recent George Meany Center graduates indicates a high regard for course content and its usefulness in their union affairs. In both Argentina and Venezuela, the team was advised that participation in AIFLD training courses had been directly useful in helping resolve local union issues, some of critical importance. This aspect of AIFLD activities has been highly successful and should be continued.

C. The Education Program at the George Meany Center

The George Meany Center for Labor Studies, located in Silver Spring, was established by the AFL-CIO in 1974. The AIFLD international labor studies program has been using the Center for its programs since 1979. The AIFLD Education Department moved to the Center in 1989. The George Meany Center has the advantage of being in the Washington, DC, metropolitan area which provides a rich source of training specialists and access to the academic, governmental and trade union communities.

From 1962 to 1992, AIFLD has trained 5,878 participants from 44 countries of the LAC area at the Center. This averages 190 participants a year over 31 years. The number of participants per year has increased in recent years. Since 1980, the average has been 229 per year.

For the period under review, 1990-1993, AIFLD has conducted 29 courses at the Center for 696 participants, with an average of 24 per course. For calendar year 1991 and 1992, the

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numbers trained were 298 and 291 respectively, in 13 courses each year. In 1992, the average cost per graduate of the Center was \$6,615, including international travel and overhead. In some cases the union sponsoring the participant paid the international travel, slightly lowering the Center's costs. The average cost per course in 1992 was \$148,076. There is a slight decrease in cost per course and cost per participant from 1991 to 1992.

Initially, AIFLD focused its curriculum on basic trade union educational programs to help workers organize, bargain collectively, to understand the labor movements role within the international ideological spectrum, and to become active in the political process. The end of the cold war and the emergence of a global economy have caused a major change in the thrust of the courses at the Center. Now the courses deal with international trade, adjustment programs and privatization, economic integration and worker's rights.

AIFLD can draw from a wide spectrum of talent in the Washington area for its teaching staff and draws on instructors from local universities, AFL-CIO affiliated national unions, government agencies, international organizations and its own headquarters staff for its George Meany program.

The core curriculum for the 1992-1993 program consisted of nine basic courses. AIFLD has in preparation but has not yet completed an educational kit for each of these subjects. Each kit will include a course syllabus, a general description of the subjects covered, reading material pertaining to the specific topic discussed, exercises, teaching aids, and a teaching guide for the participant to take back to his country to put to use there. It also utilizes newly developed teaching programs in some of its courses, such as the AFL-CIO developed course "Talking Union, One-on-One" taught in Spanish. An animated "Worker Rights Game" is used in others. While AIFLD is to be credited with keeping its curriculum up-to-date and relevant, it is surprising that the educational kits for the new program were not ready so that the first participants in these courses could utilize them.

Student evaluations of the subjects and instructors are conducted at the end of each course. There is no evidence, however, that these evaluations have effected changes in the curriculum, course content or instructors. The primary instrument used for determining curriculum and course content is the annual meeting of Country Program Directors, where the effectiveness of the Education program is discussed in detail and changes and improvements are suggested.

AIFLD has done a good job of keeping its educational program up-dated to the changing needs of the time. Its present curriculum is well-suited to present day problems in the hemisphere. It also has a well-qualified group of instructors who receive top ratings in participant evaluations. The team was not able to make an in-depth evaluation of the effectiveness of the programs given, but on the basis of their continuing popularity and demand throughout the hemisphere, it must be assumed that they are meeting basic needs. Testimony in the field from some participants in AIFLD's programs was uniformly positive.

Nevertheless, the team did note a number of weaknesses which should be addressed. The selection procedures for choosing participants relies almost completely upon the judgment of the local trade union movements to insure that the candidates are capable of absorbing the higher level of training at the George Meany Center. Participants themselves observed to the team that some members of their class were clearly out of their depth. This affects not only the poorly qualified individual, but tends to lower the quality of instruction overall and thus the effectiveness of the courses. This is not an easy problem to deal with, but it is important.

The grant agreement with A.I.D. requires AIFLD to provide technical services to its in-country education programs in course materials, curriculum development and visiting professors. The Education Department does provide some of this assistance, upon requests from the field. However, there is no unified and standardized system for integrating the field education programs with those of the Meany Center, hence assistance to the field is sporadic, at best. The Education Department could provide the team with only limited information on this aspect of its activities, perhaps indicating the low priority it occupies.

Evaluation and follow-up procedures for participants at the Meany Center are weak. There is a system in place. Each year the Education Department sends a list of Meany Center graduates to the Country Program Directors (CPD) for each country. The CPD, in turn, sends a questionnaire to each graduate asking for current information on the status of the graduate as a union officer or union member and whether or not he has been able to apply the knowledge he received in the U.S. to present circumstances. The CPD forwards the completed questionnaires it receives to AIFLD/Washington, but there is no check for those not received. AIFLD estimates that over 80 percent of the graduates stay active in their unions and that over 50 percent become or remain union officers or representatives. However, the team was not able to obtain current follow-up data on the graduates of Meany Center programs, which must indicate that files are non-existent or incomplete. The field offices do not keep files on returned participants, so there is no record in the local AIFLD offices to draw on. This is related to the disconnect between the headquarters Education Department and the field education programs.

D. Sustainability of AIFLD Assisted Unions

There is a wide variation from country to country and union to union with regard to the financial viability of the unions which AIFLD assists. It is impossible to make generalizations in this regard, but it is the team's impression that most unions in Central America and many in the Caribbean are not financially viable because they have not developed effective dues collecting mechanisms and must, therefore, rely on outside assistance to continue to exist. In Honduras, Guatemala and Nicaragua, few union members pay dues. A figure given to the team by one federation leader in Honduras was that only 14 percent of the members of unions affiliated to his federation paid dues. While a labor leader in Guatemala had no specific figure, his reply to the question of how many members of his affiliated unions pay dues was "very few." (The team notes that one of the indicators for the 1991 Guatemala program in the A.I.D./AIFLD grant agreement states: ". . .CUSG will be able to collect enough dues to begin paying a minimum of five percent of its total annual costs." The team is unable to say whether that goal was met.

CUSG promised to provide a copy of its 1992 budget, showing sources of income, but that document never was forthcoming.) The situation in Nicaragua -- even more extreme than that of its two Central American sisters -- was described in an earlier evaluation.¹

The team is aware of some mitigating circumstances. Unions in Nicaragua and Guatemala have been through some very hard times recently, their leadership decimated and their operations almost driven underground. But they are coming out of that now. In Guatemala, the labor code provides that unions must pay 10 percent of their dues to their federation and that each federation must pay 10 percent of the amounts thus collected to their confederation. Although there is provision for "Special Assessments," the 10 percent acts, in effect, as a ceiling on contributions. This was offered to the team by a Guatemalan labor leader as an excuse for the poor fiscal condition of his confederation. The team notes, however, that during recent negotiations to amend the Guatemalan labor code, this issue was never raised by Labor.

But if some mitigating factors might be raised in the cases of Guatemala and Nicaragua, what is to be said of Honduras. Honduran labor unions are the oldest and strongest in Central America. (Indeed, they are among the oldest in the continent.) The banana workers who, until recently formed the essential core of the CTH, are relatively well paid and have steady incomes. Yet the 14 percent figure quoted above was from the leader of one of the banana worker federations.

Among other things, it is clear to the team that confederation and federation leaders in much of Central America have not been pressing this matter. The team's conversations on this matter with AIFLD officials indicate that some of them also find this an uncomfortable area, one they prefer to stay away from. In the team's view, this issue must be pressed.

In South America, the situation also varies from country to country, but generally is not so bleak. Argentina has a long union tradition and developed financially strong labor organizations under the Peron dictatorship. In spite of having been taken over by the military at various times in the past, the present unions and their union structure is generally sound. In Chile, where the local labor law allows the check-off of union dues, local unions and federations have regular income. However, the national labor confederation, CUT, is another matter. While it has a total membership of approximately 700,000, only 50 percent pay dues and the dues itself amounts to only 10 U.S. cents per member. One of its largest affiliates, the Farmer Federation, is exempt by statute from paying dues to the confederation. Hence, the CUT has been dependent upon assistance from the Chilean government and some contributions from international sources to survive. In Venezuela, the union movement is strong and well-established. There is an effective dues check-off system which supports most union activity. The national confederation, CTV, appears to have an effective dues affiliation requirement so that it can not only operate, but can pay its quotas to ORIT/ICFTU. In addition it receives some subsidies from the Venezuelan government. AIFLD has conducted courses on organization for dues collection and on union

¹ Evaluation of the AIFLD Program in Nicaragua, Feb. 1992, D. Lazar.

membership drives in some of the countries we visited. But, unlike most of AIFLD's training efforts, this one isn't taking.

E. Political Action and Promoting Democracy

In general terms the AIFLD program and its education and training activities put heavy emphasis on democracy and democratic processes. Its message is that free trade unionism can exist only in a democratic environment; therefore, it is essential that trade unions support democratic government and oppose authoritarianism. Its message in courses at the Meany Center and throughout the hemisphere is the same. While it may vary in its impact on its varying audiences from country to country, when it takes it can have impressive results. Examples of this are two countries emerging from long periods under authoritarian rule, Argentina and Chile. Trade unionists in these two countries, as a result of their own experience and because of their association with AIFLD and its message, are among the strongest advocates in the hemisphere for democratic government and democratic processes. In both countries, AIFLD's long-term presence and the consistency of its message in this regard has gained it a solid reputation and high moral stature. (See Program Impact, below.)

There is a fine line between promoting democracy, on the one hand, and engaging in political action which is inconsistent with A.I.D.'s policy of non-partisanship, on the other. For example, AIFLD was at the center of the movement in Chile in 1988 which organized to get out the vote in the plebiscite which reestablished democratic rule in the country. This was definitely political action and in the narrow sense of the term it was partisan. Many supporters of the Pinochet government resented it. But AIFLD's actions at all times were consistent with U.S. policy and policy guidance from the U.S. Embassy.

The case in Nicaragua during the last presidential election was analogous though not identical. There AIFLD worked hard to bring together and support an otherwise unlikely coalition of labor unions who were one of the strongest elements supporting the UNO -- the political coalition that supported Mrs. Chamorro's candidacy against the Sandinista candidate.

It is probable that from time to time similar circumstances will arise, which will involve AIFLD in political action of one kind or another. However, the team believes that the present relationship between AIFLD and the U.S. Embassy through the Labor Attache or Labor Affairs Officer is sufficient to minimize the risk of AIFLD engaging in political actions which are inconsistent with U.S. policy guidance. Also, AIFLD, itself, is sensitive to the political nuances of its actions and has a natural preference for not wanting to be seen as partisan. The team did not encounter any AIFLD activities which would fit in this category.

AIFLD traditionally is sensitive to implications that aspects of its program directly serve or should serve U.S. interests abroad. The AFL-CIO has consistently maintained that its agenda on economic development, the pursuit of democracy and the defense of human and trade union rights is its own and that it does not act in its programs as an "agent" of the U.S. Government. This posture obviously is important for AIFLD's credibility with host country unions but it can

require a careful balancing act by all concerned. There is a maxim that "he who pays the piper calls the tune," and AIFLD's programs are funded almost entirely by U.S. taxpayers.

With regard to possible differences between Department of State and A.I.D. perspectives on supporting democratic unions across the spectrum, the team did not note any State encouragement of AIFLD to support too narrow a segment of the labor spectrum. For reporting purposes, at least, State seeks as broad a horizon of contacts as possible. AIFLD, itself, is a little more limited because of its traditional ties to particular segments of the labor movement in individual countries and, it should be said, to particular labor leaders, and because it is bound by ICFTU policy. State obviously promotes those relationships which it views as furthering U.S. interests. For the most part, these coincide with AIFLD's established contacts. On the whole, though, the team is of the opinion that AIFLD needs to broaden its approach, particularly now that ideological differences within the various labor movements have narrowed somewhat and, in any event, no longer pose the threat they might have during the Cold War period. Indeed, some AIFLD officials themselves have expressed this view to the team. The team believes U.S. Embassies would be generally supportive of this approach. It should be added that some problems related to AIFLD limiting its contacts do arise and are discussed below under Program Impact.

F. Program Planning

AIFLD has an annual budget cycle which begins with the field prepared program and budget proposals. These proposals use AIFLD program guidance and ball-park budget figures. The present three-year agreement required a three-year implementation plan with annual up-dates and semi-annual progress reports. For the most part, this is an in-house AIFLD exercise with no required consultations with either the USAID Mission or the Embassy. See the discussion of this general matter under Section IV.

G. Women

Of the 61 U.S. nationals on its staff, AIFLD counts only eight women in professional positions. Of these, two are executive secretaries. One of the eight is a CPD, about to become a Deputy CPD, and one is an Assistant CPD. None of the other women whose positions were detailed in a written communication to the team attain anything like that level of-hierarchy.

While there can be no firm, numerical guidelines on gender/staffing, it does appear to the team that AIFLD has a problem here. If AIFLD is insensitive to this pattern in its own staffing, it is not surprising that little progress has been made on this issue in the unions with which AIFLD works (see Sec. II.B.2.e).

H. Social Projects

The objective of this part of the AIFLD program is: "Improved and increased services to the rank and file of the labor movements in Latin America and the Caribbean, through development projects which demonstrate their continued commitment to the social well being of the community."² As set out in the project agreement, activities to be financed included schools, clinics, savings and loan coops and farm improvement projects. This fund also has been used, in some cases, for direct subsidies to union organizations.³ Funding for individual projects is included in country program totals but AIFLD does not maintain a master list of social projects currently being funded (nor, indeed, do they have a list of all such projects funded).

In addition to A.I.D. funding, sources of funding for these projects (A.I.D.-originated) Regional Revolving Fund, and the AFL-CIO Impact Projects Fund. They also seek funding for these projects from other donors such as the World Bank, the Interamerican Development Bank and the Interamerican Foundation.

The team believes that the provision of "increased services to the rank and file of the labor movements," while a worthwhile objective, is one that should be carried out by the national or local labor organizations themselves, with their own funds and subject to the approval of their own members. The team also believes -- and conversations with AIFLD officials have confirmed -- that a basic purpose of these projects has been to help unions attract new members or retain wavering ones. While the team is willing to grant that these projects undoubtedly often may have been useful in helping unions to attract new members, or to assure the continued adherence of present members, they seem to the team to be a high-cost way of achieving these results. (Since no evaluative studies have ever been carried out on this point no one is ever likely to know.)

I. Agrarian Union Development Programs

Of the \$6.7 million budgeted for "Headquarters" operations under the AIFLD program being evaluated, \$1.1 million -- or 16% -- was budgeted for the Agriculture Union Development Departments. This amount included support, including field support, for AUDD programs in seven countries (Honduras, Costa Rica, the Dominican Republic, Ecuador, Bolivia, Guatemala and El Salvador) plus regional support for training programs at the George Meany Center. Of the seven country programs listed, operations under at least four are funded under Mission OPG's.

Activities carried out under these programs run a gamut from conventional union development programs to conventional rural development programs of the type A.I.D. has been

² Grant Agreement, Project No. 598-0790.

³ See evaluation report on the AIFLD program in Nicaragua, op. cit.

operating, through a variety of implementing agents, since its inception. In the case of the AIFLD agrarian union development programs to combine the two types of activities in order:

- "A. To provide services to agrarian unions which support economic and social development activities and improve the quality of life of the campesino constituents.
- "B. To develop and extend the economic interests of agrarian unions which require political representation by organized labor and promote greater pluralism in the body-politic.
- "C. To integrate more effectively the rural and urban components of democratic trade union movements, and thereby to strengthen and expand the national movements as a whole."⁴

The team examined two of these projects both of which were funded by the A.I.D. Mission in question.

In Honduras the team found an agrarian union development project with ANACH, the Honduran campesino union federation, that had been going on in one form or another, we were told, for 25 years. At least in its present iteration, the project involves helping ANACH to strengthen nine regional agricultural cooperatives. Two outside studies (called for by AIFLD/H) done within the past 18 months showed that these cooperatives were in serious trouble. Loan repayment rates were extremely low, quota payments were down and there were a series of administrative problems. Following the advice set out in the studies, AIFLD now appears to have this project back on track. When asked by the team when the cooperatives would become self-sustaining, the AIFLD personnel responsible for the project said they would be self-sustaining within five years, according to the plan set out in one of the external studies, which ANACH was following. However, an examination of the plan in question revealed no reference to the matter of sustainability and the AIFLD personnel couldn't point to any such reference. The team concluded that the question of sustainability hadn't really been considered by either AIFLD or USAID. AIFLD/H recently agreed to fund this project for two more years although the funding had not been provided at the time of the team's visit.

The Honduras project is a fairly straight-forward rural development project, although its underlying purpose is to strengthen ANACH. ANACH is a long-established organization, and so this project does not call for significant amounts of training in union organization, administration, etc.

The team concluded that AIFLD/H was "stuck" with this project because of its long-standing relationship with ANACH. That is, AIFLD has stayed with this project much longer

⁴ Project authorization document for Project No. 598-0790.

than intrinsic, project-related considerations would have dictated, and probably will be prepared to stay with it ad infinitum rather than risk souring its relations with ANACH by terminating the project even though project accomplishments/prospect of success might warrant termination.

In Guatemala the team examined an agrarian union development program which included both agrarian union organizing activities and economic development activities involving helping campesinos increase their incomes by marketing their own production. This project also was funded by the Mission. The project was run through the CUSG (The Confederation of Trade Unions of Guatemala), the principle recipient of AIFLD support in that country, and was intended to strengthen CUSG by forming or strengthening agrarian unions affiliated with it.

In the event, the union organizing activities -- and related activities -- appear to have completely dominated the strictly economic objectives of the project. The President of CUSG ran this project himself and there were a number of conflicts between him and the AIFLD-hired Project Coordinator(s) over technical direction of the project. The majority of the technical personnel hired for the project were experts in labor organization and related skills and had no expertise in agricultural production or marketing. The Education Director for the project was the brother of the President of the CUSG; he operated independently of the Project Coordinator. He was qualified in education and training, but the bulk of the courses offered were in union organization, management, etc.; relatively few of the courses given to the campesinos were in matters relating to agricultural production and marketing. The team was told that project vehicles were used by the President of CUSG for political campaigning over the protests of the Project Coordinator.

The project did have some early success in marketing sesame, the principle crop of the campesino unions in one of the three regions in which the project operated. The price for sesame was at a very high level at the time. CUSG officials told the team that they are attempting to help these groups market their sesame this year but are not having much success since the current price of sesame is low. Project operations in the eastern region were considered to be successful and the eastern office was shut down. Although recovery of loan funds under the project had been low (50-70 percent) AIFLD's second Project Coordinator managed to get them up to 90 percent in the Eastern Region and 85-90 percent on the Altiplano. Recuperation rates on the South Coast, the team was told, never got above 80 percent. The team was told that these efforts to improve recuperation rates were resisted by the President of CUSG because they took place in a pre-election period. (The President of CUSG was a strong supporter of one of the Presidential candidates in the last Guatemalan election and was himself a successful candidate for Congress.) The team was not able to determine what has happened to those recuperation rates since the end of the project.

Mission funding of this project now has ended. The project was granted an 18-month no cost extension to wind up accounts, etc. There is an outstanding audit problem which may be difficult to resolve. Project vehicles were turned over to the Ministry of Labor to be used for monitoring workers' rights. Despite a clause in the grant agreement requiring it this project was never evaluated.

J. Program Impact

In general, the impact of the AIFLD program in the hemisphere has been strongly positive. The team got favorable reports from practically everyone interviewed or made contact with regarding its program. As mentioned above, it has an outstanding reputation in Argentina, Chile and Venezuela. Confederation comments in Guatemala and Honduras also were highly positive. The only change requested was "more." Its AIFLD's training programs are held in high regard throughout the hemisphere, including in the regional labor secretariat, ORIT.

This report would be remiss if it did not register what is possibly AIFLD's single most impressive success, the famous "No" Campaign in the Chilean plebiscite of 1988. This has added greatly to its overall prestige among labor unions in the hemisphere, and may have been its finest hour. It is widely recognized among the political parties of the coalition government which presently governs Chile that it was the remnants of the national labor movement which started the process, during the Pinochet years, which resulted in a successful plebiscite campaign and the present democratic government. The Chile labor movement credits AIFLD with being its most valuable support and anchor during the difficult years leading up to the plebiscite. It was AIFLD and the U.S. government which provided the cover and sometimes the protection to organize meetings, plan strategies and undertake campaigns. From the day the military took over in 1973, AIFLD became an active proponent of return to democratic government and a rallying point for the labor movement, which came under immediate attack by the military government. Its beginning years in this struggle were difficult and lonely. It was only after the imposition of the 1980 constitution, which established the possibility of a plebiscite to decide whether authoritarian government should continue, that a strategy for a return to democracy began to emerge. Persecuted labor leaders, working with AIFLD, decided to support the idea of a plebiscite and to formulate strategies to get out the vote. By 1985, they had convinced most opposition political parties that this was the path for a return to democratic government.

With the A.I.D. funded core grant, funding from the National Endowment for Democracy (NED) and solid State Department support, AIFLD helped shape the campaign for the "No" vote in the plebiscite which was scheduled to take place in 1988. This concerted effort on the part of labor and opposition political parties resulted in the rejection of a continuation of the authoritarian regime and set the stage for elections of 1990 and the installation the "concertacion" government of Patricio Aylwin, with the same coalition of labor and political parties that had defeated the Pinochet plebiscite.

AIFLD can take full credit for having held to its basic democratic and trade union instincts during the initial years of military rule and having participated in initiating the strategy which resulted in a return to democratic government in Chile after 17 years of dictatorship.

K. Union-to-Union Program

In addition to its core grant to AIFLD, A.I.D. contracts with AIFLD to administer the union-to-union program conducted by the AFL-CIO's affiliated federations or headquarters

departments. For the period subject to this study, September 20, 1990 to March 31, 1993, \$2,621,000 were made available for these programs. These federations use the A.I.D. money for programs conducted by or through the International Trade Secretariats (ITS's) to which they belong. (ITS's have, as affiliates, national industrial federations within a particular labor trade or industry. (See page II-36) for further information on the ITS's.) Listed below are the AFL-CIO federations which conduct union-to-union programs. The ITS's through which they conduct their programs are shown in brackets []:

Amalgamated Clothing and Textile Workers Union (ACTWU)
 [International Textile, Garment and Leather Workers' Federation - ITGLWF]
 American Federation of State, County and Municipal Employees (AFSCME)
 [Public Services International]
 American Federation of Teachers (AFT)
 [International Federation of Free Teachers' Unions - IFFTU]
 Communication Workers of America (CWA)
 [Post, Telegraph and Telephone International - PTTI]
 Department of Transportation/Communications Unions (TCU/AFL-CIO Headquarters)
 [International Transport Workers' Federation - ITF]
 United Food and Commercial Workers (UFCW)
 [International Federation of Commercial, Clerical and Technical Employees
 FIET]
 [International Union of Food and Allied Workers' Associations - IUF]
 Department for Professional Employees (DPE/AFL-CIO Headquarters)
 [International Secretariat of Arts, Entertainment and Mass Media Trade
 Unions - ISETU]
 Glassblowers, Moulders and Plastic Workers of America
 [International Chemical, Energy and General Workers' Unions ICEF]

The project clearly was the most difficult area of AIFLD's program to get a handle on, precisely because so many players are involved. The team talked with officials of three participating U.S. unions and with a regional representative and a sub-regional representative of two of the ITS's through which funds are channelled. In addition, the team asked people it interviewed abroad about the impact of the union-to-union programs in country.

The ITS's have a direct impact at a very practical level on national federations which organize unions in a particular trade or industry. The educational programs the ITS's produce, therefore, are very focussed and practical according to people interviewed. The programs deal with organizing techniques and union management practices, problems of the industry, methods of union cooperation and mutual assistance across national boundaries.

The American unions involved in ITS programs also have a practical and transparent motive in their association: the ITS provides an umbrella which enhances cooperation with sister unions on issues important to the U.S. union. For example, one American union official

explained how his contact with European and Japanese unions gave him entree to CEO's of parent companies investing in the U.S. In two cases cited he was able to gain acquiescence to union organizing in the U.S. affiliates where local management had been hostile. The impact of this on the union-to-union project seems to be a solid commitment by the American union to successful ITS educational programs. As a measure of commitment, the American unions the team talked to pay 10-20 times more in annual dues to the ITS than they receive in A.I.D. grants for the program.

The team has mostly anecdotal evidence on the impact of the programs. A sub-regional ITS representative described several seminars which he found invaluable to Central American union development. He also displayed publications of his ITS in Spanish relating to Central American issues and an ITS periodical offering information on policies and actions of transnational companies operating in Latin America. An American ITS regional representative demonstrated intimate knowledge of important labor issues in the region. He handed over an ITS "Manual of Trade Union Education" which provides graphic illustration of state-of-the-art interactive education techniques. It is modelled on the excellent education program of the American affiliate of the ITS. It provides a detailed chapter on program evaluation, before, during and after the course. Two first rate bilingual American union educators conducted programs in the LAC region.

Management and coordination of the union-to-union program are minimal. Objectives are so broad that stated progress is pro forma and meaningless. There appear to be no preplanning or guidelines on how U.S. unions spend their funds -- i.e., what amount goes to administrative support, to education programs, to staff salaries, etc. As a result, union-to-union funds are spent in widely different ways. One union states it spends all its funds on direct and support costs for educational seminars. Another union spends a substantial amount of its grant on salary and support to the ITS Regional Representative. This includes school tuition costs for his children.

A senior AIFLD official has coordination responsibility with the participating American unions. However, we did not see evidence of his views in AIFLD reports to A.I.D. on the union-to-union program. AIFLD oversight is fundamentally an audit exercise to assure that funds are appropriately accounted for. Evaluations consist of generalized union reports to AIFLD with wide variations in the amount of detail included. AIFLD then prepares a very brief semi-annual report of highlights (one line per union on EOPS status).

L. Problems

The record, of course, is not one of uninterrupted successes. AIFLD has had its share of problems as well. Rather than cite past shortcomings or problems which may have effected its past performance, this report will focus on a serious current problem which may effect its future effectiveness. It is a problem of which AIFLD is fully aware, but it is not an easy one to address. It has to do with AIFLD's ties to the labor leadership establishment in many countries which has become entrenched and in some cases corrupt. The most dramatic example is Venezuela, where the head of the national union, the CTV, is in jail on corruption charges. This

situation is only the most apparent symptom of a much more troubling and deep-seated problem, which affects not only the labor movement, but the political parties and the country's faith in democratic processes.

This report cannot go into the multiple ramifications of this problem, which is being watched closely by the State Department, but only point up the serious dilemma this presents to AIFLD and future U.S. policy choices.

The ties between AIFLD and the CTV are long-lasting and strong. CTV, using its own resources, has worked closely with AIFLD in Central America in furthering the democratic processes. But it is part of a political apparatus in Venezuela, which is seen today by a majority as being entrenched, self-serving, out of touch with the grass-roots and undemocratic. There is a growing popular protest, which started in the labor movement and is becoming a political movement, called "Causa R," which is fast gaining ground in both the labor and political spheres. AIFLD because of its ties and loyalties to CTV has no contact with it and thus no way to influence it as the movement grows in popularity and strength.

It is not an easy dilemma to resolve. It is understandable that AIFLD is reluctant to give up its close and useful ties to the present CTV leadership in order to court an untested, upstart movement. Yet, AIFLD recognizes the reality of the political crisis in Venezuela and organized labor's part in it. Serious and far-reaching changes must take place in the country, if democracy is to survive. This applies to organized labor as well as the major political parties. AIFLD must choose wisely and carefully in the coming months if it is to live up to the high standards it established for itself in Chile in 1988.

This is only the most dramatic example of similar choices facing AIFLD in a number of countries in the hemisphere. The process of generational change mentioned elsewhere may pose a series of similar, if less dramatic dilemmas to AIFLD as Young Turks challenge leaders with whom AIFLD has long-established relationships. Clearly AIFLD will not always be able simply to go with its old friends, and that will cause some vexing problems.

Because of the delicacy of the choices which must be made and the fast-moving situations in the countries mentioned, the team believes that it is inappropriate to make specific recommendations regarding A.I.D./AIFLD actions. This will require close consultations with the State Department on a continuing basis. It is our intent here to record the seriousness of the problem and to bring it to the attention of A.I.D./LAC.

CHAPTER IV

A.I.D. MANAGEMENT OF THE AIFLD PROGRAM

Although there have been some recent, and heartening, signs of change, A.I.D.'s management of the AIFLD program has been seriously deficient.

With respect to program planning, AIFLD country programs are designed by AIFLD Country Program Directors and transmitted directly to AIFLD/Washington where they are reviewed, revised and submitted to A.I.D./W. With very rare exceptions they are not reviewed by or even discussed with A.I.D./Mission personnel in the field who never see them -- either before or after their approval by A.I.D./W. The A.I.D./W personnel charged with management of the program at the Washington level admit to not having the country-by-country expertise to comment on the country plans and so are left to argue over details of the overall budget. This latter negotiation appears to be based on efforts to try to fit the AIFLD program into an overall bureau budget matrix, rather than on any judgments with respect to the details of the program itself.

Contacts between A.I.D./LAC and AIFLD/Washington relate primarily to the preparation and submission of required documentation and do not get into substantive matters of program or policy. A.I.D./LAC has no knowledge of AIFLD's day-to-day operations. While the State Department Regional Labor Advisor meets regularly with AIFLD top staff once a week to exchange political and labor information, A.I.D./LAC has no regularly scheduled meetings.

Until recent moves by LAC/DI to come to grips with this problem, A.I.D. responsibility for monitoring program implementation has been so unclear as to be virtually non-existent. A.I.D./W appeared to believe the Missions had the responsibility for monitoring AIFLD program execution. The Missions deny having any such responsibility and some of them told the team they are not staffed to carry out that function and that any attempt by Washington to give it to them would require a review of their Mission management plans. It must be noted that the present staff of LAC/DI has been successful in pressing AIFLD for aggregate End of Project statements and benchmarks for both the core grant and the Union-to-Union program. References to these are required in AIFLD's Semi-Annual reports. That staff also appears to be having some success in getting Missions to comment on these reports. This is encouraging but it is only a small, though important, first step towards getting A.I.D. on top of its monitoring responsibilities for this program.

In the field, AIFLD CPD's keep close touch with the Embassy Labor Affairs Officer/Attaché but have almost no contact with USAID personnel -- and the USAID personnel

prefer it that way.¹ This contact with the Embassy is useful to Labor Affairs Officers in carrying out their functions, but those officers have no responsibility for monitoring the AIFLD program. The Labor Affairs Officers interviewed by the team appeared to take the AIFLD program, including AIFLD's choice of labor organizations to work with -- and to not work with -- as givens. When the team raised the possibility/desirability of AIFLD's expanding its contacts in country, some Labor Affairs Officers indicated interest while, in one case, an Embassy Political Officer sitting in on the interview expressed a note of caution.

With respect to evaluation, as far as the team could discover, the present study is the first explicitly to link a LAC regional strategy with the AIFLD program. In fact, although an A.I.D. literature search uncovered some 25 pages of past assessments and evaluations of AIFLD activities, they were almost entirely country or sub-region (e.g., Caribbean) specific and made no attempt to take a hemispheric view. We were unable to find a recent LAC Bureau-sponsored evaluation of its multi-year regional grants to AIFLD. This deviates widely from the standard A.I.D. practice of frequent evaluations of on-going programs, which normally call for final evaluations of one- to two-year programs and a mid-term evaluation of programs longer than three years.

Two further problems should be mentioned in connection with A.I.D.'s management of this program.

1. Only one A.I.D. official, of all of those interviewed by the team, had any knowledge of or interest in labor affairs. With that same exception, none saw labor as an essential area to be considered in formulating A.I.D. country programs. Labor is considered a "political" rather than "developmental" area and hence outside the ambit of A.I.D.'s concerns.

2. A.I.D. personnel typically have a decidedly negative mind-set with respect to AIFLD. This has a long history, not worth detailing here. Suffice it to say, for purposes of this study, that most A.I.D. personnel, including virtually all of those interviewed in the course of this study, don't want to have anything to do with AIFLD.

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¹ The team found one A.I.D. Representative, in Chile, who did maintain close touch with AIFLD. This appeared to the team, however, to be due more to personal interest and to the importance of AIFLD in A.I.D./Chile's overall portfolio than to any mandate from A.I.D./W.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

The U.S. Government, in its foreign relations posture, certainly cannot be said to be hostile to Labor. We do, after all, strongly support workers' rights and programs designed to strengthen Labor (of which AIFLD is an outstanding example). Still, in the course of carrying out this study, the team gained the impression that the U.S. focus on Labor in Latin America and the Caribbean was limited to: (1) assuring it does not constitute a threat to U.S. interests; and (2) attempting to procure more sympathy with and understanding of the United States and its objectives through the occasional leader grant or similar means.

The team believes that Labor in the LAC region is of much greater potential importance to furthering U.S. interests than that. In fact, the team believes that time and circumstances have combined to provide the U.S. an unusual target of opportunity in the Labor sector. The team believes that there is a large measure of congruence between U.S. interests in the Latin American and Caribbean area -- fostering economic growth and strengthening democracy -- and those of Labor in the region and that that congruence can form the basis of a strategy by which the USG can work collaboratively with Labor to further both sets of interests. The following conclusions and recommendations attempt to draw together the team's findings in a way that will make this overall conclusion more concrete and outline specific measures to start to take advantage of the opportunity the team perceives.

The approach recommended here breaks down, conceptually, into three inter-connected objectives:

- Labor should be assisted in its desire to participate fully in policy discussions at the national and international levels on matters affecting its interests. In most cases this will require a permanent, high-quality research and analytical capacity presently available, if at all, only on a sporadic, ad hoc basis.
- Labor should be assisted in its present, often groping, search for new models of labor-management relations, models that replace the old, confrontational modes with collaborative modes, based on increased productivity from which both entrepreneurs and labor gain.
- The U.S. should insist on full compliance with basic workers' rights and should continue to use the full panoply of national and international instruments at its disposal to back up this insistence.

The following conclusions and recommendations are broken down institutionally to relate more transparently to the team's scope of work. It is believed, however, that their relevance to the above three objectives will be apparent. Cost estimates for recommended new programs, supplied as required by the scope of work for this study, are on a five-year basis unless otherwise stated.

A.I.D.: New Programs

The A.I.D. personnel who would be involved in the implementation of the strategy recommended know little about Labor either as a factor of production or as a social force within the countries in which they work. They also know little about the players or their relations in the labor movements in their countries. While they may look to the AIFLD CPD's and the Labor Affairs Officers in their countries as primary sources of expertise in these matters they need enough background to understand what they're being told. In addition, should the strategy recommended here be implemented, close coordination will be called for, in the field, between officers managing the Labor program and the Private Enterprise/Investment Incentives program to be sure that the Private Sector is getting the same messages about new, productivity-based labor-management relations, workers' rights, etc. as is Labor. Finally, senior A.I.D. field personnel will have to be convinced of the soundness of adding an essentially new sector to those of more traditional A.I.D. concern.

- **Recommendation:** A.I.D. should set up a labor training course and require attendance by all Mission Directors, Deputy Directors, Program Officers, Democratic Initiatives specialists (i.e., those responsible for those portfolios in country and in Washington) and Private Enterprise specialists. These courses should include, inter alia, units on the role of Labor in the A.I.D./LAC regional strategy, Workers' Rights, the role of Labor in the economy and the society, a brief history of the Labor Movement in the United States with focus on Labor today, an introduction to AIFLD (including a visit to the George Meany Center and a briefing on programs carried out there) and a specific briefing on the Labor Movement in their country of assignment. Consideration should be given to having one or several of the above courses, in addition to that on AIFLD, given by AIFLD personnel. Once an initial round of training has been completed the course should be held on an annual or semi-annual basis to train personnel coming into the positions defined above.^{1 2}

¹ In setting up this course A.I.D./LAC may wish to consult with those responsible for the annual eight-week Labor Officer Training Course.

² While recommendations purporting to reach beyond A.I.D./LAC are not within the mandate of this study, the team cannot avoid the observation that training similar to the above for State Department Econ./Commercial Officers would serve U.S. interests well.

Estimated Cost: \$250,000 the first year (initial round), \$50,000 a year thereafter. **Five year cost: \$450,000.**³

(**Note:** The team is aware that, unlike the remainder of the recommendations made for moving into a sector strategy in Labor, this recommendation would require the use of very scarce O & E funds rather than program funds. Nevertheless, the team feels it is impossible to overstate the need for the kind of training recommended here if a Labor sector program is to have any chance of success.)

In talking to national level labor leaders throughout the region, the team found a great amount of understanding, on their part, of the changes in their countries' situations being brought about by the need for structural adjustment internally and, externally, by the rapid advent of international competition. They accept the fact of these changes, but have limited notions of what to do about them either in their posture vis-a-vis their own governments or in specific collective bargaining situations. They are generally ahead of their counter-parts in government and the private sector in feeling the need for collaborative approaches to both sets of relationships but lack the analytical means (i.e., research, data collection and marshalling the materials thus gathered into operating strategies) to know where to go in the present circumstances.

Labor also wants a greater voice in policy matters affecting it at both national and international levels but suffers here too from the lack of analytical capacity noted above.

- **Recommendation:** A.I.D., working with AIFLD and national labor leaders, should set up a series of, perhaps, four labor research centers throughout the region. (While this should be done in close collaboration with AIFLD, that organization should not be assigned the task of setting up the centers.) The centers should be staffed to provide analytical capacity in economics, law and social science, all from a labor point-of-view and should work with labor leaders to develop strategic approaches to the problems facing labor today at both national

³At the request of A.I.D., the team has attempted to put a dollar figure with each of its recommendations. This is important because of the scarce resources that are likely to be available for these programs and the need to make some hard choices among options, choices in which cost will play an important role in management decisions.

We hasten to emphasize that these are estimates. We have based the numbers on our experience in the design of A.I.D. projects, discussions with a range of specialists, and the budgeting experience of Development Associates. By definition, however, these are gross figures and subject to revision.

and international levels. In addition to the normal research agenda items flowing from their recommended mandate, two additional specific items should be incorporated into that mandate: (1) an attempt to gather information on union membership throughout the region (numbers of members, profiles, etc.); and (2) a targeted search for apparently successful models of collaborative labor-management relations resulting in greater productivity, the results of which are shared between the two sides. They should not only aggressively seek out such examples but also attempt to analyze them in sufficient detail to enable labor leaders and investors to decide on their applicability to specific situations. (This function is deemed to be sufficiently important so that A.I.D. should consider adding funding to one of the centers to specialize in this operation.) These centers should be networked to facilitate maximum exchange of information among them. They also should network with those national economists and lawyers presently consulted by the associated members in specific negotiating situations in order to provide improved data services to those individuals for those situations.

The specific suggestion for the number of centers relates to the usual regional breakdown of LAC -- i.e., Caribbean, Central America, the Andean Region and the Southern Cone plus Brazil. The team feels that these centers should be close enough to national constituencies to interrelate easily with them. Thus, for example, one center, attempting to cover the entire region, would be too remote and out of touch.

National unions, at the confederation level, should be very involved in setting up these centers and financing them, if only on a token basis to start. In this connection, association should be sought from the widest possible range of labor organizations, not just those that are presently affiliated with the ICFTU. Active collaboration also should be sought -- on a technical and, where possible, financial level -- from such organizations as the ILO, ORIT, the OAS, ECLA, the research department of the AFL-CIO and other similar organizations. Thought should be given early to the sustainability of these centers though A.I.D. should be prepared to carry them pretty much alone for at least the first five years.

Estimated Cost: \$6,000,000.

(Note: Such an effort need not start from absolute scratch. There are several institutions in the region that might serve as a base for expanding activities into this field. The University of Chile has just established a department to work in related areas. The Joint Trade Unions Research Development Center in Jamaica might be willing to help extend its very sophisticated work into the Caribbean. In Venezuela the CTV has a training institute, with government funding, which has a research division. The CTM Workers Training School (a university-level institution) in Mexico also is thinking seriously about expanding into the sort of research discussed here, though that's more problematic. The Brazilian center.

which was established with U.S. help, should also be looked at for "lessons to be learned." There may be other such possibilities; they should be sought.)

In a number of the countries visited by the team, labor courts were perceived as inadequate to the tasks at hand such as upholding workers' rights, providing prompt, just relief in labor-management disputes or (in those countries where labor courts were given jurisdiction over such issues) providing remedies for abuse of power by union leadership or otherwise guarantying that unions, including federations and confederations, abided by their own internal by-laws. Labor courts were characterized by both sides in many countries as impossibly slow, unpredictable, opaque, often corrupt and generally to be avoided. This situation, plus the general lack of any alternative means for resolving labor-management disputes, leaves strikes or lock-outs as the only perceived available means for resolving labor issues that cannot be successfully negotiated between the parties. That result, in turn, not only results in lost production to the company and the country but also, if it becomes a generalized pattern, will serve as a deterrent to increased investment.

- **Recommendation:** A.I.D. should, following a country-by-country survey to determine where such interventions should be accorded the highest priority, include labor courts under its existing Administration of Justice project or otherwise initiate activities to strengthen these important institutions. These projects should be conditioned on (as necessary) increasing the number of labor judges and providing them with adequate staff and budget for their effective functioning. These projects should draw on additional expertise from the U.S. National Labor Relations Board and or attorneys specializing in labor affairs.

Estimated Cost: \$5,000,000 to \$10,000,000. (Assumption: Program would start in five countries, move to additional countries as first five moved into "maintenance phase.")

In a number of countries visited by the team labor inspectors were too few, too poorly trained and too lacking in operating funds (such as, e.g., transportation expenses) to even start to carry out their mandate of reporting on violations of workers' basic rights, let alone taking steps to insure compliance with national health and safety regulations or other laws or regulations covering hours of work and child and women's labor.

- **Recommendation:** A.I.D. should, following country-by-country surveys to determine need and priority, initiate programs to train labor inspectors and strengthen their ability to carry out their jobs in an adequate, professional manner. These projects should be conditioned, as necessary, on increasing the number of labor inspectors, raising their salaries (where this is possible) to levels necessary

to attract good candidates and provide an adequate standard of living (enough, in any event, to lower significantly the temptation to take bribes) and the provision of adequate operating funds. These projects also could be included in present or projected AOJ contracts or carried out under separate contracts. Additional expertise should be sought from OSHA and/or additional offices of the U.S. Department of Labor.

Estimated Cost: \$2,500,000. (Assumption: the program would start in five countries and move into new countries as the first five "graduated" into a maintenance phase.)

(Note: With respect to the suggestion that this program and the Labor Courts program mentioned above might be carried out under existing AOJ contracts, noted that Labor Inspectors and, in most countries, Labor Courts, fall under the jurisdiction of the Ministry of Labor rather than that of the Supreme Court which is the signatory of most of the AOJ agreements. In some countries this could cause a problem; it should be investigated in each case.)

Although there are exceptions, most countries in the region lack mechanisms for alternative resolution of disputes, i.e., alternatives to the established legal system such as mediation, arbitration and similar means frequently employed in the U.S. and Europe. Even if the existing legal institutions were functioning well, alternative dispute resolution procedures are faster, cheaper and most importantly in labor disputes, more apt to arrive at mutually acceptable solutions leaving no residue of acrimony to complicate labor/management relationships. An additional benefit of these procedures is that they reduce case loads in the legal system, helping to keep the latter from getting bogged down. The team believes some experimentation here might produce significant dividends. Accordingly, the team makes the following

■ **Recommendations:**

- A.I.D. should try, on a pilot basis in one interested country, a project to train labor inspectors in mediation techniques, drawing on expertise from the U.S. Conciliation and Mediation Service of the Department of Labor. An attempt at this was made in Guatemala but problems of program management, both within the country team and in DOL, and various local circumstances resulted in what the team believes to have been less than a fair test of the idea. The team considers this to be an idea with a very high potential pay-off if it succeeds and, therefore, worth a real trial. The Guatemala project should be studied carefully before this pilot is designed.

Estimated Cost: \$100,000.

As another approach to alternative methods of dispute resolution, A.I.D. should, again on a pilot basis, try to set up an independent arbitration body with a limited geographic focus. The area of operations and composition of this body should be international to insulate it from single-country political considerations. It should be composed of highly respected labor experts -- respected ex-ministers of labor, retired labor judges and union leaders and internationally known and respected labor lawyers. The American Arbitration Association should be studied as a possible model and expertise might be drawn from that institution to assist in setting up the proposed body. There also are similar panels in Europe which might also contribute both as possible models and as possible sources of expertise. The Central American region strikes the team a good place to test this idea. (Caveat: There is an arbitration system established by law in Costa Rica. Although not legally so limited, it is said to be used mostly in disputes involving public sector employees. The system is said to be time-consuming and expensive. Nevertheless, if this recommendation is implemented, care should be taken to avoid conflict with this institution.)

Estimated Cost: \$250,000.

A.I.D./LAC is not presently staffed to carry out a program of the scope recommended. Setting up and managing such a program, or even substantial parts of it, will require the full time of a senior (i.e., grade 15) officer with, at least, shared administrative support. (The team cannot help but observe that a number of the management shortcomings pointed out in this report are due to inadequate staffing of the present program at the Washington level.)

- **Recommendation:** If a decision is made to implement the above recommendations, or any significant part of them, A.I.D./LAC should provide for adequate staffing.

Estimated Cost: \$100,000 per year.

In Central America, and also, although to a lesser extent in South America, the team found that management had done less thinking about the possibilities of new, non-conflictive labor-management relations. But if these new labor-management relations are to come about, the active, informed participation of management obviously also will be required.

- **Recommendation:** A.I.D. should investigate whether labor-management relations currently are taught at Latin American and Caribbean business schools -- such as ESSAN in Peru (if it still exists) and INCAE in Central America and if so, how up to date the curricula are. A.I.D. should seek to assist those schools and others which it may identify in up-grading their labor-management training along the lines set out in this report. In this connection, a number of USIA programs such as the AmPart program, the Office of Citizen Exchange, the Academic Specialists program and the Fulbright program all could be used to great effect.

Estimated Cost: Impossible to determine but should be quite cheap.

A.I.D. MANAGEMENT OF THE AIFLD PROGRAM

Despite some recent improvements and attempts to "get a handle" on this difficult program, which the team finds highly commendable, A.I.D. management of the AIFLD program remains deficient in all aspects: planning and programming, monitoring and evaluation/follow-up.

- **Recommendations:**
 - A.I.D. should require that AIFLD country programs be submitted to A.I.D./Missions by the AIFLD CPD at the same time as they are submitted to AIFLD/W. Missions should be required to submit their comments on the proposed programs to A.I.D./W. These comments should be taken into account in negotiating the AIFLD program in Washington. The procedure should allow time for A.I.D./W to get back to Missions on disputed points.
 - A.I.D. review of country program submissions, at both the Washington and field levels, should focus particularly on objective and indicator statements to assure that the former are specific and the latter are measurable.
 - A.I.D./LAC should establish an annual program review of the AIFLD program.
 - The responsibility for monitoring AIFLD programs should be in the field and should be assigned clearly. This may require a review of Mission staffing in some instances. It will also require a clearer definition of AIFLD goals, objectives and indicators country-by-country. (See the recommendation on this point under "Recommendations: AIFLD" below.)
 - AIFLD should be evaluated on the same schedules as other multi-year A.I.D. programs. (The team recognizes and applauds the fact that the present evaluation is a step in that direction.) The proposed five year

follow-on program should call for both mid-term and final evaluations. Again, clearer indicators are needed. Evaluations of the follow-on program should also follow-up on implementation of the recommendations made here.

In carrying out its management responsibilities for this program, A.I.D. should continue to work closely with S/IL and ARA/PPC/LAB in Washington and LRO's in the field. They are valuable sources of expertise and have an obvious interest in developments in the labor field. Their assistance in reviewing AIFLD country programs and semi-annual reports will be very important to A.I.D.'s accomplishment of its objectives under the labor program.

A cursory reading of on-going/proposed AIFLD programs funded by A.I.D./LAC and those funded by the Latin American and Caribbean Office of the National Endowment for Democracy indicate a number of possible areas of overlap or duplication between them. A.I.D./LAC and the NED office in charge of Latin American and Caribbean programs are not in contact with each other.

- **Recommendation:** A.I.D./LAC/DI should take the initiative in setting up with NED permanent liaison arrangements that will allow periodic exchanges of information about on-going AIFLD programs each is funding or proposing to fund.

AIFLD: PROGRAM

AIFLD education and training programs in the region have been highly effective.

- **Recommendation:** AIFLD's education and training programs should be continued and should continue to be the centerpiece and substance of A.I.D.-funded AIFLD activities. The present focus on these activities should be tightened even further than they are at present.

The team applauds AIFLD's addition to its training curricula of courses on workers' rights and particularly training in how to document violations and present that documentation to competent authorities. The team also applauds AIFLD's work in serving as a channel to publicize these situations in the United States and bring them to the attention of the U.S. Trade Representative.

- **Recommendation:** A.I.D. should continue to support AIFLD in these efforts.

AIFLD's Agrarian Union Development Programs are a conceptually "blurred" set of activities which attempt to combine union organizing with more "traditional" rural development activities. Because the two sets of objectives implied are not necessarily congruent project results are equivocal.

- **Recommendations:**

AIFLD should phase out the Agrarian Union Development Programs, whether or not linked to "traditional" rural development activities, by no later than the end of the proposed five-year follow-on program. This recommendation applies to both A.I.D./W- and Mission-funded projects. No funding for new AUD projects should be included in the proposed five-year follow-on grant. The team does not wish to be read here as imposing any objection to AIFLD's competing as a contractor or being a grantee on projects justified in terms of A.I.D.'s rural development objectives but those projects should not be centered or concentrated on agrarian unions or otherwise linked to union organizing.

While "Social Projects" may serve some purpose in helping unions to attract new members, that has never been demonstrated. The team concludes that this is probably a high-cost way of attaining that result in any event. The times call for tighter budgets and greater project focus. In this connection, the team notes that, while the great bulk of funding for these projects now comes from non-A.I.D. sources, the overhead costs for managing these activities continue to be funded under A.I.D.'s core grant.

- **Recommendation:** No new funding for social projects should be included in AIFLD's proposed five-year follow-on grant. On-going A.I.D.-funded social projects should be phased out as rapidly as possible. As an adjunct to this recommendation, A.I.D. should review the funding of the AIFLD/W office charged with backstopping and monitoring these projects and reduce it accordingly.

AIFLD's education and training programs have been highly successful in getting across to national-level union leaders a clear conception of the new challenges they face in coming to grips with the new, changed nature of the problems facing their governments and of some of the new parameters to be explored in collective bargaining. These important new ideas have not yet gotten down to the federation level, much less to the level of individual union members. It is

very important that this realization of how much the world has changed be communicated as rapidly as possible to all levels of the labor movement in the region.

- **Recommendation:** In addition to the curriculum changes already made at the George Meany Center, AIFLD should, on an urgent basis, design and incorporate into country-level training programs units on economic restructuring, worldwide competition as they affect unions today. These units should also stress the value of collaborative negotiating strategies based on productivity with shared benefits. These units should be pitched to the level of individual union members. Heightened attention also should be paid to communicating these ideas to mid-level union leaders and federation leaders.

The one area in which AIFLD training has not been effective is that designed to encourage the incorporation of more women into positions of leadership in the labor movement. The team understands the "machista" nature of Latin American society but would point out that efforts on this score in other fields in Latin America have been successful.

- **Recommendation:** AIFLD should redouble its efforts in this field. Training courses for women to help them assume positions of leadership are important, and should be continued, but the problem here is men. Course work at the Meany Center and in the field should include units on this matter aimed at men, particularly union leaders. AIFLD might wish to take advantage of some of the excellent training programs available through A.I.D.'s office of Women in Development, which includes programs for training trainers.

With the end of the Cold War, the nature of AIFLD's key task has changed considerably. With a few exceptions the task no longer is to strengthen those unions that stood against imported, anti-democratic dogma and those seeking to impose them on their countries. The new task is to strengthen Labor's role as a full participant in free, democratic societies and, as part of that effort, to be sure that Labor understands the changed nature of the problems they face internationally, nationally and in labor-management relations. To be fully effective, this needs to be an inclusive rather than exclusive effort. The team believes it is time for AIFLD to expand its efforts. (The team is aware that AIFLD has been doing this in some countries, but feels that effort needs to be expanded hemisphere wide. The team also recognizes there will be some unions that continue to be "beyond the pale.")

- **Recommendation:** AIFLD should seek to expand its education and training activities to democratically-oriented unions not previously included in its ambit of operations.

Dues collection continues to be a serious problem in many of the unions with which AIFLD works. Improved dues collection, in addition to the obvious economic benefits it would bring to the labor organizations in question, would have another decided advantage: it should enhance the democratic functioning of these organizations as well since, presumably, dues paying workers will want full information on how their money is being spent and will exert efforts to get that information.

- **Recommendation:** Here again, AIFLD needs to make a greater effort. Education and training have not been enough to resolve this problem. AIFLD and A.I.D. should consider the possibility of conditioning AIFLD assistance to low-paying unions -- including federations and confederations containing a number of "problem unions" among their affiliates -- on the attainment of specific goals for improvement. CPD's in those countries where this problem is present should be required, in their periodic reports to AIFLD/W, to report specifically on steps taken to solve the problem and progress achieved.

AIFLD: MANAGEMENT

AIFLD's existing programming and reporting systems are adequate as general systems but need to be refined and sharpened to fully serve their intended purposes.

- **Recommendation:** The present AIFLD programming and reporting system of strategy statements, program objectives and indicators should be continued, but AIFLD should institute standard record keeping requirements at the country-level to document in some detail the relevant information which forms the basis for reporting to headquarters on achievement of objectives. The semi-annual reports to headquarters on objective achievement should contain more narrative information relevant to progress toward achievement of objectives and indicators. These reports also should include a section on problems encountered and steps taken, or recommended, to resolve them. In line with the recommendation above that responsibility for monitoring AIFLD programs be assigned to the field, copies of these reports should be submitted to the A.I.D. Missions in country at the same time as they are submitted to AIFLD/W.

As stated above, AIFLD's education and training programs have been highly successful. Nevertheless, the team believes their management can be improved.

■ **Recommendations:**

- AIFLD should seek professional assistance to tighten the management of its educational program in Washington and in the field and to install a single system, which will be used throughout, to bring about closer articulation between Washington and field education activities. Standard record-keeping, evaluation and follow-up procedures should be installed. This would include developing, with participating unions, tighter selection procedures to ensure that those attending the Meany Center are capable of understanding the course material. It would also include the systematic production of teachers guides and training materials on a continuing basis to be used both in Washington and the field.
- AIFLD should develop a new follow-up system on the graduates of the international training programs and the in-country programs which would include the total number of courses and participants, including women trained in both programs, as well as other pertinent statistics.

The George Meany Center is an excellent facility. Its location in the Washington, D.C., metropolitan area provides ready access to a rich variety of resources, including lecturers and the academic, governmental and trade union communities. While members of the team generally prefer Latin American training sites for Latin American trainees, they believe that the Meany Center, with the many advantages it offers, is an exception. The team also would doubt the financial wisdom of attempting to set up an appropriate center elsewhere, involving, as it would, not only site acquisition and construction costs but also the additional costs involved in travelling lecturers to another site and the probable decreased availability of lecturers.

- **Recommendation:** The AIFLD international training program should stay at the George Meany Center.

The Union-to-Union Program

Given the time constraint under which the team was operating, this study can only "scratch the surface" of this program. Anecdotal evidence indicates this is a useful and welcome program to its ultimate recipients. Some of the products it has produced, such as a Spanish language manual on conducting training courses, are excellent. However, programs vary widely between unions and program documentation is sketchy and contains few clear statements of goals or objectives. There are no evaluation procedures for either the union-to-union program itself or the individual sub-programs. Program reporting is pro forma and unenlightening.

- **Recommendation:** AIFLD should carry out a full evaluation of this program and should provide for regular evaluations as long as this program runs. A.I.D. should participate in drafting the scope of work for the initial evaluation which should cover, in addition to program impact and effectiveness, such issues as the need for clear statements of objectives, measurable indicators and standardized reporting formats, the adequacy of programming procedures, follow-up and evaluation and documentation. This program should not be forward funded for more than one additional year without an A.I.D. review of this evaluation.

Other Matters

The scope of work for this study raises the general question of the financial sustainability of AIFLD. The team finds this question difficult to understand, as stated, since it seems to equate AIFLD, as an institution, with the LAC labor organizations it was set up to assist. In the team's view that equation is not valid. Labor organizations are important to both the economic and the political development of their own countries and thus a proper focus of A.I.D. activities in carrying out its overall strategy of assisting those countries in their struggle for economic and political development. As institutions to be assisted, the question of their foreseeable sustainability is very much a proper matter of A.I.D. concern. AIFLD, on the other hand, is not such an institution. It is an instrumentality of A.I.D. and the AFL/CIO, established by them to carry out mutually agreed goals. At least from the A.I.D. point of view it has no *raison d'être* outside of that framework; it can cease to exist once it has met the goals established for it or when its work is no longer of relevance to A.I.D.'s goals and objectives. (As indicated throughout this report, that certainly is not the case at the moment.) Thus, in the team's view, the question of the sustainability of AIFLD never arises.

What does seem to be in play here is a budget question, namely, to what extent should AIFLD be encouraged/pushed to seek outside funding so as to lighten the load on A.I.D.'s diminishing funds. To some extent AIFLD is doing this already. It's contribution for the AFL/CIO continues and it has been successful in getting new money from NED. AIFLD also has been successful in getting Mission-funded OPG's, although whether that constitutes "additionality" is an arcane philosophical point the team will leave to others to determine.

Certainly it would be to A.I.D.'s and AIFLD's advantage, if only from a budgetary point of view, to broaden the base of AIFLD's financial support always provided that the goals of additional funders are congruent and not conflictive with A.I.D.'s goals. NED certainly fits in that category. However, conditioning A.I.D. funding on AIFLD's obtaining additional sources of outside revenue, as suggested in the scope of work, poses some risk to A.I.D. and to AIFLD which A.I.D. ought to weigh carefully before moving in that direction.

- A.I.D. should continue its funding of AIFLD based, as at present, on its own budgetary resources and priorities keeping in mind, of course, that below a certain level of funding AIFLD would cease to be viable. The amount contemplated for

AIFLD's follow-on five year core grant doesn't start to approach that minimal level.

- While AIFLD should be encouraged, indeed urged, to seek additional sources of funding, A.I.D. should think very carefully before conditioning its own funding on AIFLD's success in accomplishing that aim. The possibility of A.I.D.'s shooting itself in the foot appears to the team to be a real one here.

The probable importance of the informal sector as an employer of last resort (or first resort, in many cases) is known. But not enough is known about this very complex sector to even start to know what kind of interventions might be useful in increasing its potential as an employment creator.

- **Recommendation:** A.I.D. should try to inveigle the World Bank or the OECD Development Center to carry out, in Latin America and the Caribbean, studies of the informal sector similar to those carried out in Africa several years ago. The Peruvian Institute for Liberty and Democracy should also be involved, if possible. The studies should be more program oriented than were the Africa studies, i.e., they should specifically seek priority points of intervention in that sector.

Finally, the team wishes to mention here the importance it attaches to labor training/retraining. Training is important, of course, to continually up-grade the skills of the labor force which is and will continue to be an important factor in private sector investment decisions. Retraining is essential to the re-employment possibilities of many of the skilled and semi-skilled workers who will be thrown out of jobs in at least the early stages of economic restructuring. A.I.D. was involved in a number of labor training programs in the '60's, and the team does not recommend that A.I.D. get back into that area. But its importance cannot be overlooked and A.I.D. should seek to get that message across to entrepreneurs, government officials and labor leaders.

As pointed out in Chapter II, Section 5.a, USIA has a number of programs which have been used occasionally in support of Country Team labor programs. Many of these programs, such as, particularly, the IVP, the AmPart Program and the ARNet program suggest themselves in many ways as parts of an expanded labor sector strategy. In addition to using them to foster exchanges of ideas and experiences among labor leaders and even rank and file labor members, they could be used to support specific objectives such as the labor research centers recommended above. These and other USIA programs could also be used to foster exchanges among U.S. and LAC businessmen on new techniques in labor-management relations (including, importantly, the need to think in terms of searching for such new techniques). The recent conference in the Dominican Republic on this theme might be replicated if the results show further interest in the idea. The Office of Citizen Exchange already has been used creatively in the labor field.

- As a part of putting together a new strategy for the labor sector in the Latin American/Caribbean region, A.I.D. should discuss with USIA the possibility of

expanding its own programs in this subject area. While individual programs would have to be worked out country-by-country, preferably in-country, a joint understanding between the two agencies setting out proposed increased cooperation in the labor field would be a useful way to get that ball rolling.

APPENDIX A

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"Short Review of the Guatemalan Solidarista Movement"

"Relations between the USG (Union Solidarista de Guatemala) and labor unions in Guatemala and between the Solidarista movement and labor unions in Central America"

Additional Information on the Solidarista Philosophy and Methodology."

APPENDIX B:
AIFLD EVALUATION PEOPLE INTERVIEWED

WASHINGTON

USAID

Peter Sellar, A.I.D./LAC/DI
James H. Michel, Assistant Administrator, A.I.D./LAC
Arthur Dannart, Desk Officer, LAC/Southern Cone
Mary C. Ott, Economist, LAC/DR

Department of State

Tony Freeman, Assistant to Secretary for Labor Affairs
Les Slayzac, ARA Labor Affairs Officer
Luigi Einaudi, Ambassador to OAS
Barbara Bowie Whitman, Economic Officer, OAS Delegation
John Farrar, Desk Officer, Argentina
Leslie Rowe, Desk Officer, Chile
Edward Ramotowski, Acting Desk Officer, Venezuela

Department of Labor

Peter Acola
John Ferch
Jorge Perez

National Endowment for Democracy

Tim Goodman

AIFLD Headquarters

William Doherty, Executive Director
Jesse A. Friedman, Deputy Executive Director
John Heberle, Director, Economic and Social Department
Ruben Rotondero, Director of Education
Michael Donovan, Director, Budget and Finance, Venezuela, Central America and
Caribbean
Michael Verdu, Regional Director South America
Kevin Shaver, Assistant Director of Finance

USIA

Thomas Haran, Cultural Coordinator, Office of American Republics
(interview by phone)
Sally Dupree, American Participants Program
Tom Stillitano, International Visitors Program

Human Rights

Congressman Don Pease of Ohio (Author of worker rights provision in 1984 GSP legislation)

International Organizations (International Labor Organization)

Steve Schlossberg, Director, Washington Office
David Waugh, Deputy Director

Labor

Gary Nebeker, Vice President, United Food and Commercial Workers Union
Jack Howard, Assistant to the President, for International Affairs, American Federation of State, County and Municipal Employees
Louis Moore, Director, International Affairs, Communications Workers of America

ARGENTINA

USAID

Elizebeth Ainscough, Administrative Assistant
Juliana Abella, Democratic Initiatives Officer
Sam Summers, Consultant

U.S. Embassy

Terrance Todman, Ambassador
William Lofstom, Labor Attache
Scott Danaher, Economic Officer

AIFLD

Norman Schipull, CPD
Hugo Belloni, Education Director

Ministry of Labor

Amalia Villaroel, Director of Employment Service

Confederacion General de Trabajadores (CGT)

Oscar Lescano, President

Miguel Candore, ex Secretary of International Relations, President of National Institute of Social ProCivil Service Employees

Labor Organizations

Carlos Etchahun, Secretary General, Meat Workers Federation

Eleuterio Cardoso, Adviser and ex-Secretary General, Meat Workers Federation

Carlos Fernando Moccia, Press Secretary, Plastic Workers Union

Pedro S. Ratto, Education Coordinator, Racetrack Workers Federation

Enrique Mico, Secretary General, Garmet Workers Federation

BARBADOS

USAID

Mosina Jordan, A.I.D. Director

Barry Burnett, Deputy Director

Vernita Fort, Economist

Emilie McPhie, Program Officer

Henry Recktor

U.S.Embassy

G. Philip Hughes, Ambassador

Tain Tompkins, Deputy Chief of Mission

John R. Savage, Political/Economic Counselor

Raymon Brown, Economic Officer

Gerald Waters, Public Affairs Officer

Mary Ann Singlaub, Labor Attache

AIFLD

Lawrence Doherty, Country Program Director

Ministry of Labor

Senator Carl D. Clarke, Minister of Labor
Fozlo Brewster, Permanent Secretary
Millicent Small, Acting Deputy Permanent Secretary

Labor Organizations

Joseph Goddard, General Secretary, National Union of Public Workers
Ronald Jones, President, Barbados Union of Teachers
Yvonne Walkes, Senior Tutor, Barbados Workers' Union (BWU) Labor College
Ulric Sealey, Tutor, BWU Labor College
Robert Morris, M.P., Assistant General Secretary, BWU
Vera Rock, Comptroller, BWU; Director, BWU Labor College
Leroy Trotman, President BWU; President, Caribbean Confederation of Labor (CCL); President, International Confederation of Free Trade Unions
Kertist Augustus, Secretary/Treasurer, CCL

Private Sector

Edward S. Bushell, Executive Director, Barbados Employers Confederation
Reginald R. Farley, Executive Director, Barbados Chamber of Commerce and Industry

CHILE

USAID

Paul Fritz, Director

U.S. Embassy

Kirk Kammon, U.S. Ambassador
Michael Cotter, DCM
Joseph McLean, Labor Attache
Richard Behrend, Economic Counselor
Alexander Wolf, Political Counselor

AIFLD

Norman Schipull, CPD

Ministry of Labor

Eduardo Loyola, SubSecretario
Guillermo Campero, Adviser

Labor Organizations

Manuel Bustos Huerta, President, Central Unitaria de Trabajores (CUT)
Arturo Martinez, Vice President, Central Unitaria de Trabajores (CUT)
Jorge Millan, Federico Mujica, Manuel Jimenez, Enrique Vergara, Members of
CUT's Coordinating and Liaison Committee with ORIT, Central Unitaria de
Trabajores (CUT)
Maria Rozas, Director International Relations, Central Unitaria de Trabajores (CUT)

Darwin Bustamante, President, Federation of Copper Workers

Enrique Mellado, President, National Farmers Confederation
Eugenio Leon, Vice President, National Farmers Confederation
Eduardo Sepulveda, Director, National Farmers Confederation

Oswaldo Verdugo, President, National Teachers Union
Julio Balladares, Vice President, National Teachers Union
Samuel Soto Aguilar, Adviser, National Teachers Union

Manuel Romero, President, Postal Workers Union
Hernol Flores, ex-President and ex-President of Central Democratico de
Trabajadores (CDT), Postal Workers Union

Eduardo Rios, President, and President of CDT, Confederacion Maritima
(Longshoremen)

Guillermo, Videla, Labor Lawyer, University of Chile
Francisco Walker, Labor Lawyer, University of Chile
Francisco Tapia, Labor Lawyer, University of Chile

Carlos Cardenas, Director, National Bank Workers Confederation
Veronica Munoz, Director, National Bank Workers Confederation
Raul Requena, Director, National Bank Workers Confederation

Barbara Urzua, Executive Vice President, Free Trade Agreement Office,
Chilean American Chamber of Commerce

GUATEMALA

USAID

Terrence Brown, Director
Stephen Wingert, Deputy Director
Tully Cornick, Director, Office of Trade and Investment
Kim Delaney, Office of Trade and Investment
Paul Novick, Office of Rural Development
Gary Byllesby, Controller
John McAvoy, Contracts Officer
Edgar Pineda, Office of Rural Development

U.S. Embassy

John Keane, Chargé d'Affaires
Gerry Chester, Economic Consellor
John Knight, Labor Affairs Officer

ROCAP

Ulrich Ernst, Economist
Al Zucca, Controller
John Acree, RENARM

AIFLD

Clemente Hernandez, CPD, Guatemala

Ministry of Labor

Dr. Mario Solorzano, Labor Minister
Dr. José Antonio Montes, Advisor to the Minister

Ministry of Economy

Ing. Eddy Sperisen, Vice Minister of Economy

Labor Organizations

Juan Ramundo Lopez M., Secretary General, Union of Light and Power of Guatemala
Rudolfo Robles, Central American Representative, International Union of Food and Allied Workers' Associations (IUF - an International Trade Secretariat)

Lic. Juan Francisco Alfaro M., Secretary General, CUSG
Luis Gustavo Pacheco, Secretary of Finance, CUSG
Carlos Pineda, Secretary of Acts and Correspondence, CUSG

David Tzay A., Secretary General, Bank Workers' Federation

Byron Morales, Secretary General, UNSITRAGUA

Oscar de Paz Rosales, Fernando Desaki, Manuel Castillo, Directors, Sindicato de Trabajadores Centro Cultural

Business/Employee

Rina Sanchinelli Pilon, Executive Secretary, Guatemala Solidarista Union

Human Rights

Rhett Doumitt, International Contact, U.S./Guatemala Labor Education Project

Private Sector

FUNDESA

Carmelo Torrebiarte, Paul Wever, Members of the Board of Directors

CACIF

Mario Ganai Fernandez, President of the Board

Carlos Viemann Montes, Federico A. Pola, Members of the Board

Gerald K. Brunelle, Vice President and General Manager, BANDEGUA (Del Monte)

Fanny de Estrada, Juan Sanchez B., GEXPRONT

Carlos Aries, VESTEX Commission

Other

Friedrich Ebert Stiftung

Friedrich Kramme-Stermose, Representative in Guatemala

HONDURAS

USAID

Marshall Brown, D/USAID
Emily Leonard, HRD
Karen Ott, HRD/DI
Maggie Arbuckle, HRD/DI
Lee Arbuckle, RD

U.S. Embassy

Kathleen Croom, Labor Attache
Hugo Llorens, Economic Counsellor

AIFLD/H

Selma Padron Solera, CPD

Ministry of Labor

Lcda. de Martinez, Dir. Gen. de Inspeccion

Congress

Oscar A. Escalante A., Chairman, Committee on Labor Affairs

Labor Organizations

CTH

Jose Angel Meza, President - (FECESITLIH)
Oscar Martinez, Treasurer - (President, ANDEPH)
Neptali Garcia, Secretary, International Affairs - (FECESITLIH)
Antonio Rodriguez, Secretary of Cooperatives - (ACAN)
Carlos Spilbury - (Vice President, FECESITLIH; also activist)
Rafael David Flores - (Treasurer, FECESITLIH)
Carlos Borjas, Secretary of Human Rights, Sindical - (ANDEPH)
Veronica Castro - (Secretary of Acts, FECESITLIH)
Luis Anibal Kelly - (President, SEPCAMAT, FECESITLIH)
Angela Reyes - (Secretary for Women's Affairs, FECESITLIH)

FENESTRANH

Mario Quintanilla, President - (SUTRAFSCO)
Armando Gaidamez, Secretary General - (SITRATERCO)

Emma Leal, Secretary of Women's Affairs - (SITRACOSTURA)
Mauro Gonzalez, Fiscal Officer - (SUTRAFSCO)
Donatilo Gonzales - (SITRAEASISA)
Mario Martinez - (SITRAFENAL)
Claudio Villafranca - (SITRAENSULA)
Maria Angelina Mejia, President - (SITRAWA)
Gloria Gusman, Secretary of Women's Affairs - (CTH)
Corolina Delgado, President, Sind. de la Costura
Juana Martinez, Secretary General, Sind. de la Costura
Concepcion Perdomo, Treasurer, Sind. de la Costura
Miguel Angel Torres, Activist, La Ceiba
Esperanza Reyes, Activist, ZIP Choloma
Raul Muenguia, Activist
Pablo Reyes, Head of Activists
Miguel Zavala, Activist, ZIPs Buffalo, Villanueva

ANACH

Officers, Board of Directors and Members

Private Sector

Ing. Luis Fernando Rivera Ribas, Executive Director for Economic Development,
Chamber of Commerce and Industries of Cortes (CCIC)
Lic Manuel Edgardo Reynaud, Executive Director for International and Export
Relations, CCIC
Juan M. Canahuati, Chairman, Choloma Export Processing Zone
Norman Garcia, Executive President, Fundacion para La Inversion y Desarrollo de
Exportaciones (FIDE)

Other

Ian Walker, Consultant

JAMAICA

USAID

Marilyn Zack
John Tenant
Valerie Marshall

U.S. Embassy

John P. Riley, Economic Counselor
Edmond E. Seay III, Labor Attache

Ministry of Labor

Anthony Irons, Permanent Secretary
Gresford A. Smith, Chief Director, Industrial Relations

Labor Organizations

Trevor Monroe, President, University and Allied Workers Union (UAWU)
Lambert Brown, Vice President, UAWU
Ivan Harris, Chairman, Joint Trades Union Research Development Center
(JTURDC); Jamaica Association of Local Government Employees
Senator Lloyd Goodley, Director, JTURDC
David Gordon-Rowe, Research Officer, JTURDC
Hugh Shearer, M.P., President, Bustamante Industrial Trade Union (BITU)
Lascelle Beckford, General Secretary, BITU
Lloyd Frances, Island Supervisor, BITU
Senator Dwight Nelson, Vice President, BITU
George Fyffe, BITU

Private Sector

S. George Kirkaldy, Director, Jamaica Employers Federation
Charles Ross, Executive Director, The Private Sector Organization of Jamaica

MEXICO

U.S. Embassy

John Vincent, Labor Affairs Officer

Office of the A.I.D. Representative

Liesa Sherwood-Fabre

ORIT

Luis Anderson, Secretary General

Private Sector

American Chamber of Commerce

John Bruton, Executive Director

Lic. Luis Manuel Guaida, Attorney; Chairman of Labor Affairs Committee,
AMCHAM

Lic. Hector M. Gonzalez Loya, Director of Labor Relations, Kraft General
Foods, Mexico

Labor

Tomás Martinez Sanchez, Advisor to the Secretary of Education, CTM

MIAMI, FLORIDA

Labor Organization

Tim Beaty, Inter-American Regional Secretary, Public Services International (PSI
and International Trade Secretariat)

VENEZUELA

U.S. Embassy

Michael Skol, Ambassador

George Dempsey, Labor Attache

William Millan, Political Counselor

Stephen Thompson, Economic Officer

AIFLD

Lawrence Doherty, CPD

Melanie Berg, Assistant CPD

Confederacion de Trabajadores de Venezuela (CTV)

Gaston Vera, Acting President

Cesar Olarte, Secretary General

Jose Beltran Vallejo, Executive Secretary

Federico Ramirez Leon, Director International Relations

Instituto de Altos Estudios Sindicales (INAESIN)

Jesus Urbieta, Director
Jose Rojas Medina, Course Director
Iraida Marin, Research Director

Construction Workers Federation

Jose Ramiro Moncada, President
Matilde Guerrero de Moncada, Social Works Director

National Federation of Public Employees

Jesus Rodin, Secretary General, Municipal Workers Federation
Carlos Lugo, Executive Secretary, Union of Ministry of Transportation and
Communication
Jesus Lama, Organization Secretary, National Union of Ministry of Environment
and Natural Resources

Federation of Chambers of Commerce and Industry (FEDECAMARAS)

Alexis Garrido Soto, Labor Advisor

APPENDIX C:

GLOSSARY

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GLOSSARY

AFL-CIO	American Federation of Labor-Congress of Industrial Organizations.
CPUSTAL	Permanent Congress for the Unity of Latin American Trade Union. Regional arm of the Communist WFTU
JTURDC	Joint Trade Unions Research Development Centre (Jamaica)
ICFTU	International Confederation of Trade Unions
ILO	International Labor Organization
NAFTA	North American Free Trade Agreement
USDOL	U.S. Department of Labor
WFTU	World Federation of Trade Unions
AIFLD	American Institute for Free Labor Development
LAC	The Latin American/Caribbean Bureau of A.I.D.; also used in this study to indicate the Latin American/Caribbean geographic region
LAC/DI	The Democratic Initiatives office of LAC
USAID/W	The Washington offices of A.I.D.
USAID/ (country)	A.I.D. mission in a given country
IFI	International Finance Institutions
GATT	General Agreement on Trade and Tariffs
CBERA	Caribbean Basin Economic Recovery Act
CBI	Caribbean Basin Initiative
GSP	General System of Preferences (in trade)
OPIC	Overseas Private Investment Corporation
MIGA	Multilateral Investment Guarantee Agency
USTR	U.S. Trade Representative
MFN	Most Favored Nation (status in trade)
EPZ	Export Processing Zone
CPD	(AIFLD) Country Program Director
FLT	Foreign Labor Trends (Reports of USDOL/ILAB)
ILAB	Bureau of International Labor Affairs (USDOL)
CLAT	Latin American Confederation of Workers (regional organization of the World Confederation of Labor)
WCL	World Confederation of Labor
CTH	Confederation of Honduran Workers
CUT	Unified Confederation of Workers (Chile)
CGT	General Confederation of Workers (Argentina and Brazil)
CTV	Confederation of Venezuelan Workers
FMCS	Federal Mediation and Conciliation Service
ANACH	National Association of Honduran Campesinos (small farmers)
IBRD	International Bank for Reconstruction and Development (World Bank)

OECD	Organization for Economic Cooperation and Development
NED	National Endowment for Democracy
FTUI	Free Trade Union Institute (AFL-CIO)
CDT	Democratic Center of Workers
ORIT	Inter-American Regional Organization of Workers (of the ICFTU)
OSHA	Occupational Safety and Health Administration (USDOL)
BLS	Bureau of Labor Statistics (USDOL)
USIA	U.S. Information Agency
USIS	U.S. Information Service (Title for USIA missions abroad)
LRO	Labor Reporting Officer (in U.S. Embassies)
IVP	International Visitors Program (of USIA)
ARNet	American Republics Network (Regional organization for USIA's "Worldnet" TV Hookup)
OAS	Organization of American States
MOU	Memorandum of Understanding (between two governments)
U/U	Union-to-union programs (of AFL-CIO/AIFLD)
ITS	International Trade Secretariat
PRELAC	Regional Employment Program for Latin America (ILO)
CELADE	Latin American Center for Development
CCL	Caribbean Confederation of Labor

APPENDIX D:
**NATIONAL ACCORD FOR THE IMPROVEMENT OF
PRODUCTIVITY AND QUALITY**

**NATIONAL ACCORD FOR THE IMPROVEMENT OF
PRODUCTIVITY AND QUALITY***

- * Extracted from Acuerdo Nacional para la Elevación de la Productividad y la Calidad (México: Secretaría del Trabajo y Previsión Social, 1992), pp. 7-9 and 65-84. Unofficial translation by the Bureau of International Labor Affairs, U.S. Department of Labor.

Introduction

In a ceremony held on May 25, 1992, witnessed by Licenciado Carlos Salinas de Gortari, President of the Republic, the labor, agricultural, and business sectors and the Federal Government signed the National Accord for the Improvement of Productivity and Quality.

The Accord, which stemmed from the concerns of the signatories to the Pact for Stability and Economic Growth, has as its aim to bring together the efforts of the labor, agricultural, and business sectors and of the government "to improve the creative potential of the population, open new possibilities for enterprises within a more competitive economic environment, and set the bases for attaining higher living standards" through sustained increases in quality and productivity.

Thus, the joint efforts that have been made to date to maintain a firm strategy to abate inflation and regain the capacity to have positive economic growth will now be shifted to promote the structural change that is required by the country in many different areas.

The Accord is predicated on a number of basic points of consensus among the parties. These points of consensus include the definition of the concept of productivity, the many elements that affect productivity, and the imperative for the equitable distribution of the benefits of productivity improvements. The Accord also sets forth six courses of action: modernization of organizational structures, including those of businessmen, labor, and government; improvement of management; focus on human resource development, including continuing training, improvement of workplace conditions, motivation and welfare of workers, and better remuneration; improvement of labor-management relations; modernization and technological improvement, research and development; and a macroeconomic and social climate conducive to improvement of productivity and quality.

The labor, agricultural, and business sectors and the government, through the aforementioned six courses of action, intend to contribute to the understanding of the economic transformations that the country is facing at the present time and to assume a common responsibility to raise levels of productivity and quality and promote their sustained growth.

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National Accord for the Improvement of Productivity and Quality

In the context of the Pact for Stability and Economic Growth, the labor, agricultural, and business sectors, and the federal government, have joined their efforts during the last three and a half years to maintain a firm strategy to lower inflation, to regain economic growth, and to make progress regarding structural change.

As the rate of price increases has moderated, the economic disruptions caused by inflation have been reduced. This permits the future focus of attention of each of the mentioned sectors and of the government to be turned to the elimination of obstacles and structural inefficiencies in order to develop the production capacity of the country, to obtain greater participation in the international economy, and to improve standards of living.

The labor, agricultural, and business sectors and the federal government, recognizing the crucial role that productivity and quality play in fostering the creative potential of the population, opening new opportunities for companies operating in a competitive environment, and creating the material base for attaining higher standards of living, express their determination to work together to tackle at once the challenge of improving current productivity and quality levels.

Basic Points of Consensus:

- The labor, agricultural, and business sectors understand productivity as a concept which transcends the operational relationship between inputs and outputs and implies, as has been established by the National Program for Training and Productivity, "a qualitative change which permits our society--public or private firms or social sectors--to produce more and better, to utilize the available resources more rationally, to participate more actively in innovation and in the development of technological advances, to facilitate the more active participation of all workers in the economy and in its benefits."
- Improvement in productivity and quality cannot result from changes in a single factor of production. It cannot result from unilateral efforts on the part of workers, or from the mere replacement of machinery, or from changes in the technology used by the enterprise. It spans such diverse matters as planning and organization of production; labor relations, the use of labor, worker motivation and participation; the availability of financial resources; the capabilities and performance of management; the relationship of the enterprise with its suppliers and customers; the work

climate; the capacity to incorporate technological changes; and the environment in which the enterprise and its workers operate.

- Thus, sustained improvements in the levels of productivity and quality are the collective responsibility of all who participate in the production process: owners, managers, administrators, blue collar workers, technicians, farmers, and labor, farm, and business organizations. It also involves the scientific and academic communities, the government, and society at large, all within a framework characterized by full cooperation and participation.
- An essential requirement to improve productivity and quality is the equitable distribution of the benefits derived from them. Only through the equitable participation of all sectors and of society at large in the benefits generated from collective efforts will it be possible to achieve sustained improvement in the global levels of productivity and quality.
- A social and economic precondition for the improvement of productivity and quality is that the ecological balance be preserved. Toward that end, individual and collective efforts should be brought together lest they contribute to the socioeconomic deterioration of the nation.

Based on these propositions, the labor, agricultural, and business sectors and the government commit themselves to pursue, within their areas of responsibility and through their respective organizations, the following:

Courses of Action:

- Modernization of organizational structures involved in the production process, including those of businessmen, labor, and government.
- Improvement of management.
- Focus on human resource development.
 - Continuing training.
 - Improvement of workplace conditions.
 - Motivation and welfare of workers.
 - Better remuneration.
- Improvement of labor-management relations.

- Modernization and technological improvement, research and development.
- A macroeconomic and social climate conducive to improvement of productivity and quality.

The purpose of this document is to propose broad areas for action rather than to define specific measures. The latter must be adopted within the context of each enterprise or workplace, with the active participation of all those affected and in a spirit of cooperation.

1. Modernization of Organizational Structures Involved in the Production Process, Including Those of Business, Labor, and Government

An important part of the improvement of productivity and quality involves the modernization of the organizational structures of private and public enterprises. Nowadays, we are experiencing a new economic and technological revolution in which rigid organizations for mass production of standardized goods are giving way to a new model of more flexible organization, capable of adapting itself rapidly to technological change, to changes in consumer demand, and to fluctuations in the relative prices of products. In this context, the economic sectors and the government agree to the following, within their respective scopes of action:

- Encourage companies to engage in the evaluation and modernization of their structures, in order to simplify hierarchical levels and excessive departmentalization which impede the timely flow of information across all levels and the rational adjustment of the productive processes to the changing conditions of markets and of technology.
- Develop within each company and/or workcenter in industry, agriculture, or the service sector, objectives, goals, and explicit indicators of productivity, quality, and service which take into account specially changes in corporate efficiency and customer satisfaction based on quality and prices.
- Promote the establishment of closer relations between each productive unit and its suppliers, and encourage joint development of projects, inputs, and products.
- Encourage and improve labor relations in each establishment; encourage the creation in each establishment of a climate conducive to the development of labor-management relations characterized by cooperation and participation at each level and promote practices which tend to give the worker a broader understanding of the organization.

2. Management Improvement and Development

The transformation of organizational structures calls for management that is more attuned to the needs of our time. In this regard, the economic sectors and the government agree to promote, in coordination with the educational sector, the modernization of management techniques, ranging from development to training programs, with emphasis on the following aspects:

- Training and development of trained administrators, able to perform in an economy that is open to external pressures and subject to the challenge of structural change.
- Giving prioritized attention to quality and productivity as ways for companies to gain access to, and remain active in, the marketplace, rather than to rely on subsidies or on the cost advantage derived exclusively from low labor cost.
- Raising the profile of the productive process of work, and of the situation of workers to administrators, to ensure that they are not subordinated to the mere pursuit of short-term financial results.
- Paying greater attention to the goals and requirements of the firm beyond the short term, thereby permitting planning and evaluation of results in a broader perspective;
- Establishing a work environment that favors participation in all spheres of activity and communication by the parties.
- Creating a broad management approach that links the interests of the firm with that of its suppliers and customers; and that recognizes labor organizations as having a legitimate role in developing changes to productive processes that promote the social responsibility of the firm.
- Lending special attention, on the part of management to the care of the ecological environment within which the productive unit operates.

An effort will be made in all productive units to put in place management training and development programs in order to prepare them to meet the challenges and needs of a more open economy, faster technological change, and new forms of competition.

3. Emphasis on Human Resources

Productivity growth requires a greater emphasis on human resources. Work is the point where physical resources, capital, and technology interact, and, as such, it constitutes an essential agent in the process of change. In this regard, the

signatory parties agree to:

- Promote within work centers, as a priority, policies oriented toward the improvement of human resources and the creation of an environment that favors the humanization of work, the satisfaction of the needs of workers, greater participation of workers in the improvement of productive processes, teamwork, job security, a healthy and dignified work atmosphere where workers and their organizations feel that they can participate in the future of the enterprise.
- Replace the narrow view which tends to consider labor as a cost factor to be minimized with a new approach that considers human resources as a valuable asset that needs to be nurtured and properly valued.

Training

The signatory parties believe that the promotion of the following policies within enterprises, with the assistance of the workers themselves and their organizations, is essential:

- Training at all levels--managerial, administrative, technical, and operational--as a permanent activity, closely associated with each position.
- Retraining of the current labor force to keep up with the rapidly changing needs created by technology and the consequent changes in the importance of training needed for different types of workers.
- On-the-job training programs that underscore the importance of training and how it can be seen as an investment in the future, reinforced with promotion policies and opportunities for advancement within the enterprise.
- New methods to train workers in agriculture and in small- and medium-sized companies that will bring together the efforts of production units with similar problems, reduce costs, and diffuse the results more broadly.
- New government policies regarding establishment, registration and contents of training programs, with the purpose of streamlining and decentralizing such activities as much as possible while maintaining access to critical information.

Workplace conditions

The improvement of productivity and quality, and the full development of the potential of the worker, call for adequate working conditions that will permit the worker to fulfill his or

her function in a more humane environment and in an environment that is conducive to his or her safety and personal fulfillment. The various sectors and the government agree to:

- Reinforce, with the support of mixed safety and hygiene commissions, the fulfillment of standards that protect the safety of workers or their health.
- Organize, with the support of the Consultative Councils on Safety and Health, an intensive program of orientation and preventive measures designed to substantially reduce risk factors present in the workplace and to improve safety and health in workplaces.
- Develop, with the direct participation of workers and enterprises, programs to improve the ecological setting in which the productive unit operates.
- Develop joint programs among labor and business organizations and government in order to facilitate the transportation of the workers between their homes and the workplace.

Motivation and Welfare

The development of human resources and the desire on the part of the worker to participate more actively in the enterprise are closely tied to motivation. Even though the desire to participate more actively in the enterprise is, to a large extent, a function of the sociocultural environment, the enterprise has an important role to play in motivating workers. In this regard, the labor, agricultural, and business sectors and the government recommend the establishment or reinforcement of programs to enhance worker motivation that consider, among others, the following elements:

- Promotion of the constant flow of information, from the highest ranks of management to the lowest-level employees, regarding objectives and policies of the enterprise and stimulation of feedback from the lowest levels to the top levels of management as a means to support greater worker participation and commitment.
- Creation of opportunities for workers that provide alternatives to routine tasks and that result in intrinsic job satisfaction in addition to material motivation.
- Recognition, evaluation, and stimulation of good performance, initiative, and participation of workers.

Remuneration

There is a strong two-way relationship between productivity and remuneration. The perception that the worker forms about the value of his or her work based on the remuneration he or she receives constitutes an essential determinant of a worker's productivity. And changes in productivity and economic growth influence increases in remuneration.

This two-way relationship between remuneration and productivity requires that action be taken in both directions: to ensure that remuneration stimulates productive effort and that economic gains are accurately reflected in the benefits received by the worker.

In this regard, it will be necessary to:

- Revise and update methods of remuneration so that they contribute to worker motivation, adequately reflecting workers' contribution to productivity and quality, and guaranteeing the equitable distribution of benefits.
- Strengthen creativity and participation, recognizing the potential contribution of training and experience to the productive potential the worker, reducing the spread of occupational structures and close the gap between management, technical, and operational levels, and, in general, giving due recognition--through remuneration--to the training, efficiency, initiative, responsibility, and effort of workers.

Although there may be many remuneration modalities, the fundamental consideration is that their development, implementation, and evaluation be the result of agreements between enterprises and worker organizations or workers.

4. Strengthening of Labor Relations

The new environment of quality and productivity calls for the strengthening of labor-management relations in order to overcome conflict and to guide their interaction within a climate of greater openness and objectivity that stimulates cooperation and participation within work centers. It implies an acceptance of worker organizations as legitimate partners in the development of enterprises and requires from them a shared responsibility in the pursuit of quality and productivity, a common aim for the betterment of the worker and of the enterprise. It also means bringing together the will of many and opening channels of communication, involvement, and creativity. Based on the above, the following courses of action are proposed:

- Develop in enterprises and/or work centers, in accord with the conditions and characteristics of each, new forms of

dialogue which will permit discussion and adoption of quality and productivity programs taking into consideration the experiences and views of all who participate in the productive processes.

- Promote the participation of workers and their organizations, together with enterprises, in the identification of those forms of motivation that may stimulate initiative and creativity of workers in the productive process.
 - Encourage in the enterprises a greater involvement of mixed safety and hygiene committees and of other work groups composed of worker and company representatives. Rather than routine, their activity should be to analyze problems and propose solutions in the areas of training, safety and health, and programs to motivate workers and to develop the enterprise.
 - Recognize the right of workers and their organizations to contribute and strengthen communication and dialogue among management, workers, and their organizations so that the work centers can maintain or increase the generation of employment and improve the level of income of workers in the face of greater competition, structural change, and technological change.
5. Modernization and Technological Development, Research, and Development

Research, development, and the application of technology to attain the optimal use of resources and to improve the quality of goods and services is a recognized element in the achievement of higher productivity. The economic sectors and the government will encourage, within the scope of their powers and competencies, the following courses of action emanating from the National Plan for Development and from the Program for Technical Development:

- Promote the development of a technological environment in the country beginning with basic education; encourage efforts of the enterprises to design, adapt, and establish competitive technologies; strengthen information, support, and technological consulting services; and encourage the establishment of total quality programs.

Similarly, the signatory parties of this document agree to:

- Promote within the work centers, in cities, and in the countryside with the support of organizations representing the economic sectors and the government, programs designed to prepare for the introduction of technological change.

These programs might address changes in human resources or in the organization of work.

- Encourage, with the participation of organizations from the economic sectors, the development of programs to readapt human resources and, where appropriate, the search for alternative sources of employment.
- Promote closer links between domestic organizations of the economic sectors and the government and international organizations promoting productivity and quality.
- Promote investment and the channeling of resources of enterprises toward research and technological modernization programs and strategies.

6. Macroeconomic and Social Environment Conducive To Productivity and Quality

There exist economic, sociocultural, and institutional factors that are external to the enterprise and are necessary in order to create a climate conducive to productivity growth. In this regard, the government assumes the following commitments:

- To promote, with the concurrence of the productive sectors, a macroeconomic framework that favors price stability, the recovery of the real purchasing power of consumers, increased investment, and economic growth, which stimulates quality and competitiveness.
- To institute a regulatory framework for economic activity that promotes quality, efficiency, and competitiveness in all economic branches.
- To address the requirements of the economic and social infrastructure of development, with emphasis on education, technological research, and the improvement of the physical infrastructure.
- To promote efficiency and quality in public services.
- To create a climate of confidence through the establishment of clear rules of general application, which avoid special and discretionary treatment.
- To develop information systems that facilitate decision-making and the systematic analysis of productivity.
- To enhance its role in labor relations, in accord with the needs created by modernization, by promoting cooperation, dialogue, and respect among the economic sectors.

Final Considerations and Commitments:

Productivity and quality cannot be imposed; they stem from the will of all the factors that contribute to the productive process and presuppose a highly participatory process. Because of this, the goals and specific commitments related to productivity and quality will have to be developed within the workplace, as the result of dialogue and cooperation.

The economic sectors and the government, through the six areas for action described above, intend to contribute to the understanding of the economic transformations that the country is facing at the present time and to assume a common responsibility to raise levels of productivity and quality and promote their sustained growth.

The following agreements are also established:

1. The economic sectors and the Federal Government agree to combine efforts to develop a broad social consensus that will bring about the creation of a new labor environment in the country by developing the necessary strategies and actions at the national level to contribute, through the mass media, seminars, technical events, and other means of communication, to generating a favorable dynamic toward the development of an environment conducive to improving productivity and quality.
2. The business sector commits to promoting among its organizations a program of technical support, encouragement, and information regarding specific actions taken by enterprises along the lines discussed in this accord.
3. Worker organizations agree to implement a Plan of Action to contribute toward generating within their membership, a consciousness about changes and about new forms of production, organization of work, and competition in different markets, as well as the active role that workers and worker organizations have to play in this environment.
4. Worker, farmer, and employer organizations commit to supporting training and human resource development programs within productive units, those designed to improve the working climate, and those which may be designed--according to the characteristics and needs of each enterprise--to motivate workers and stimulate their contributions to productivity and quality.
5. The worker and business sectors agree to develop within each company and/or work center, specific programs that they believe are necessary along the following courses of action: modernization of the structural organization of production,

including business, labor unions, and government; improvements in administration; emphasis on human resources; strengthening of labor relations; modernization and technological development, research, and development; and macroeconomic and social environment conducive to productivity and quality and their sustained growth.

6. The government, through the instruments at its disposal and the programs that have emanated from the National Development Plan, will promote the conditions that permit the development of a macroeconomic environment conducive to the sustained growth of productivity and quality.
7. The parties agree to form a Monitoring and Evaluation Committee that will keep track of the obligations they have contracted in this accord.

This Accord has been signed at the Official Residence of Los Pinos, on May 25, 1992.

Signed by:

Carlos Salinas de Gortari, Distinguished Witness
Secretary of Labor and Social Welfare
President of the Congress of Labor
President of the Business Coordinating Committee
Secretary-General of the National Agricultural Confederation
Other members of the Federal Government and of the labor,
agricultural, and business sectors

APPENDIX E:
DATA TABLES

Table 1

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS ^a

Indicators	1985	1986	1987	1988	1989	1990	1991	1992 ^b
Gross domestic product at market prices (index, base year 1980=100)	102.6	106.4	109.9	110.8	111.7	112.0	116.0	118.8
Population (millions of inhabitants)	385.2	393.3	401.4	409.5	417.6	425.7	433.7	442.0
Per capita gross domestic product (index, base year 1980=100)	91.8	93.3	94.4	93.3	92.3	90.8	92.2	92.7
Growth rates								
Gross domestic product	2.8	3.7	3.3	0.8	0.9	0.3	3.5	2.4
Per capita gross domestic product	0.6	1.6	1.2	-1.2	-1.1	-1.6	1.6	0.5
Consumer prices ^c	280.1	64.1	208.9	773.5	1 205.0	1 185.0	198.7	410.7
Terms of trade (goods)	-4.5	-11.0	-0.9	-0.3	1.3	-0.4	-5.6	-3.4
Purchasing power of exports of goods	-4.6	-11.9	7.8	8.1	4.5	5.3	-1.0	3.0
Current value of exports of goods	-5.8	-15.8	14.4	13.9	10.0	9.6	-0.4	4.0
Current value of imports of goods	0.0	2.6	12.5	14.0	6.5	15.7	18.1	18.4
Billions of dollars								
Exports of goods	92.0	77.5	88.7	101.0	111.1	121.8	121.3	126.1
Imports of goods	58.2	59.7	67.2	76.6	81.6	94.4	111.5	132.0
Trade balance (goods)	33.8	17.8	21.5	24.4	29.5	27.4	9.8	-5.9
Net payments of profits and interest	35.3	32.6	31.5	34.3	37.9	34.7	30.9	29.6
Balance on current account ^d	-3.6	-17.4	-11.1	-11.2	-6.8	-6.2	-19.4	-32.7
Net movement of capital ^e	3.0	9.9	15.4	5.5	9.6	20.3	39.2	57.0
Global balance ^f	-0.6	-7.5	4.3	5.7	2.8	14.1	19.8	24.3
Total gross external debt ^g	385.1	401.0	428.1	420.9	425.4	440.9	442.6	450.9
Net transfer of resources ^h	-32.2	-22.6	-16.1	-28.7	-28.0	-14.4	8.4	27.4

Source: ECLAC, on the basis of official figures.

^a The figures for the gross domestic product and consumer prices refer to the group of countries included in table 2 and table 5, respectively. The data on the external sector correspond to the 19 countries listed in the table on the balance of payments of Latin America and the Caribbean. ^b Preliminary estimates, subject to revision. ^c Variation from December to December.

^d Unincludes net unrequited private transfer payments. ^e Includes long- and short-term capital, unrequited official transfer payments, and errors and omissions. ^f Corresponds to the variation in international reserves (of opposite sign) plus counterpart items. ^g See the notes to the table "Latin America and the Caribbean: total disbursed external debt".

^h Corresponds to net inflow of capital, less net payments of profits and interest.

Table 2

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LAC REGION: TOTAL POPULATION (Thousands)

Country	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991p	Average Annual Growth Rates			
											1971	1981	1990	
											1980	1990	1991	
	Thousands										In Percent			
Argentina	29,086	29,505	29,921	30,331	30,737	31,137	31,534	31,929	32,322	32,712		1.7	1.4	1.2
Bahamas	218	222	226	232	236	241	246	250	255	260		2.1	1.9	2.0
Barbados	250	251	253	253	254	254	254	254	255	255		0.4	0.2	0.0
Bolivia	5,875	6,034	6,200	6,371	6,548	6,730	6,918	7,113	7,314	7,521		2.6	2.8	2.8
Brazil	126,898	129,776	132,658	135,564	138,493	141,452	144,428	147,404	150,368	153,330		2.4	2.2	2.0
Chile	11,519	11,717	11,919	12,122	12,327	12,536	12,748	12,961	13,173	13,387		1.5	1.7	1.6
Colombia	28,085	28,678	29,275	29,879	30,489	31,104	31,725	32,349	32,978	33,613		2.3	2.1	1.9
Costa Rica	2,421	2,493	2,566	2,642	2,716	2,791	2,866	2,941	3,015	3,088		2.8	2.8	2.4
Dominican Republic	5,978	6,123	6,269	6,416	6,565	6,716	6,867	7,019	7,170	7,321		2.6	2.3	2.1
Ecuador	8,606	8,857	9,115	9,317	9,565	9,816	10,070	10,327	10,587	10,851		3.0	2.7	2.5
El Salvador	4,625	4,663	4,707	4,768	4,846	4,934	5,032	5,138	5,252	5,376		2.3	1.5	2.4
Guatemala	7,315	7,524	7,740	7,963	8,195	8,434	8,681	8,935	9,197	9,467		2.8	2.9	2.9
Guyana	758	757	757	757	756	756	755	755	755	759		0.4	0.0	0.5
Haiti	5,567	5,670	5,777	5,889	6,006	6,127	6,253	6,381	6,513	6,647		1.7	1.9	2.1
Honduras	3,939	4,085	4,234	4,383	4,531	4,679	4,829	4,982	5,138	5,298		3.4	3.4	3.1
Jamaica	2,235	2,266	2,302	2,336	2,372	2,409	2,448	2,483	2,521	2,551		1.5	1.5	1.2
Mexico	67,720	69,362	71,019	72,689	74,374	76,075	77,789	79,515	81,250	82,997		2.9	2.3	2.2
Nicaragua	2,957	3,058	3,163	3,272	3,384	3,501	3,622	3,745	3,871	4,000		3.0	3.4	3.3
Panama	2,043	2,088	2,134	2,180	2,227	2,274	2,322	2,370	2,418	2,466		2.8	2.1	2.0
Paraguay	3,358	3,468	3,580	3,693	3,807	3,922	4,039	4,158	4,277	4,397		3.0	3.1	2.8
Peru	18,058	18,539	18,964	19,417	19,840	20,261	20,684	21,113	21,550	21,996		2.7	2.2	2.1
Suriname	351	351	352	353	355	357	359	362	364	370		-0.5	0.3	1.7
Trinidad and Tobago	1,083	1,084	1,106	1,118	1,130	1,144	1,157	1,171	1,215	1,234		0.4	1.3	1.6
Uruguay	2,951	2,970	2,989	3,008	3,025	3,042	3,060	3,077	3,094	3,112		0.4	0.6	0.6
Venezuela	15,940	16,394	16,851	17,317	17,792	18,272	18,757	19,246	19,735	20,227		3.5	2.8	2.5
Latin America	357,836	365,945	374,077	382,270	390,570	398,964	407,441	415,978	424,586	433,234		2.4	2.2	2.0

Source: IDB estimates based on data from the Latin America Demographic Center and the United Nations Population Division.

URBAN AND RURAL

Country	1980			1990			1991			Average Annual Growth Rate			
	Urban	Rural	% Urban	Urban	Rural	% Urban	Urban	Rural	% Urban	Urban		Rural	
										1971	1981	1990	1991
										In Percent			
Argentina	23,401	4,836	82.9	27,887	4,435	86.3	28,313	4,399	86.6	2.2	1.8	1.5	-0.8
Bahamas	123	87	58.6	161	93	63.4	166	94	64.0	2.3	2.8	2.9	0.3
Barbados	100	149	40.2	114	141	44.7	115	140	45.2	1.2	1.3	1.2	-1.0
Bolivia	2,465	3,105	44.3	3,748	3,588	51.2	3,908	3,613	52.0	3.4	4.3	4.3	1.3
Brazil	80,334	40,952	66.2	112,643	37,725	74.9	115,857	37,473	75.6	4.1	3.4	2.9	-0.7
Chile	9,054	2,091	81.2	11,314	1,850	85.9	11,543	1,844	86.2	2.3	2.3	2.0	-0.8
Colombia	17,200	9,708	63.9	23,079	9,890	70.0	23,713	9,900	70.5	3.5	3.0	2.7	0.0
Costa Rica	535	1,299	43.1	1,420	1,595	47.1	1,470	1,618	47.6	3.7	3.7	3.5	1.4
Dominican Republic	2,877	2,820	50.5	4,329	2,841	60.4	4,483	2,838	61.2	4.9	4.2	3.6	-0.1
Ecuador	3,815	4,308	47.0	5,934	4,653	56.0	6,173	4,678	56.9	4.8	4.5	4.0	0.5
El Salvador	1,880	2,645	41.5	2,332	2,920	44.4	2,411	2,965	44.8	2.9	2.2	3.4	1.5
Guatemala	2,587	4,330	37.4	3,628	5,560	39.4	3,771	5,696	39.8	3.3	3.4	3.9	2.3
Guyana	232	526	30.6	261	494	34.5	267	492	35.2	0.7	1.2	2.3	-0.5
Haiti	1,272	4,098	23.7	1,840	4,673	28.3	1,916	4,731	28.8	3.8	3.8	4.1	1.2
Honduras	1,315	2,347	35.9	2,245	2,893	43.7	2,358	2,940	44.5	5.6	5.5	5.0	1.6
Jamaica	1,017	1,156	46.8	1,319	1,202	52.3	1,351	1,200	52.9	2.7	2.6	2.4	-0.2
Mexico	42,783	21,695	66.4	58,971	22,279	72.6	60,727	22,270	73.2	4.1	3.3	3.0	0.0
Nicaragua	1,480	1,291	53.4	2,313	1,558	59.8	2,416	1,584	60.4	4.4	4.6	4.4	1.7
Panama	973	983	49.7	1,292	1,126	53.4	1,330	1,136	53.9	3.2	2.9	3.0	0.9
Paraguay	1,312	1,835	41.7	2,030	2,247	47.5	2,116	2,281	48.1	4.2	4.5	4.2	1.5
Peru	11,153	6,142	64.5	15,132	6,418	70.2	15,562	6,434	70.7	3.9	3.1	2.8	0.3
Suriname	158	194	44.9	173	191	47.4	177	193	47.9	-0.8	0.9	2.7	0.7
Trinidad and Tobago	616	452	57.7	839	376	69.1	851	383	69.0	5.0	3.1	1.4	1.8
Uruguay	2,442	472	83.8	2,644	450	85.5	2,665	447	85.6	0.6	0.6	0.8	-0.6
Venezuela	12,510	2,514	83.3	17,859	1,878	90.5	18,373	1,854	90.8	5.0	3.6	2.9	-1.2
Latin America	222,083	120,834	64.8	303,507	121,078	71.5	312,633	121,208	72.0	3.8	3.2	2.8	0.1

Source: IDB estimates based on data from the Latin America Demographic Center and the United Nations Population Division.

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Table 3

**LATIN AMERICA AND THE CARIBBEAN: GROWTH OF
TOTAL GROSS DOMESTIC PRODUCT**
(Percentages based on values at 1980 prices)

	Average annual rates								Cumulative variation
	1985	1986	1987	1988	1989	1990	1991	1992 ^a	1981-1992 ^a
Latin America and the Caribbean^b	2.8	3.7	3.3	0.8	0.9	0.3	3.5	2.4	18.8
Oil-exporting countries	2.1	0.3	2.7	2.0	0.1	4.0	4.5	3.4	24.1
Bolivia	-1.0	-2.5	2.6	3.0	2.8	2.6	4.1	3.5	6.4
Colombia	3.8	6.9	5.6	4.2	3.5	3.7	2.2	3.0	51.1
Ecuador	3.9	2.8	-4.8	8.8	0.2	1.4	4.2	3.5	29.0
Mexico	2.6	-3.8	1.7	1.2	3.3	4.4	3.6	2.5	25.1
Peru	2.3	8.7	8.0	-8.4	-11.5	-5.1	1.9	-2.5	-11.4
Trinidad and Tobago	-4.3	-2.2	-4.6	-3.3	-0.5	2.2	1.8	0.0	-18.2
Venezuela	0.0	6.6	3.8	5.9	-7.8	6.8	10.2	7.5	23.2
Non-oil-exporting countries	3.3	6.3	3.7	0.0	1.4	-2.4	2.8	1.6	15.0
South America	3.6	6.7	3.7	0.0	1.2	-2.6	2.9	1.5	14.4
Argentina	-5.1	5.2	3.1	-1.8	-6.3	0.2	7.3	6.0	4.1
Brazil	-9	7.6	3.6	-0.1	3.3	-4.4	0.9	-1.5	15.2
Chile	2.2	5.7	5.7	7.5	9.8	2.0	5.8	9.5	53.0
Guyana	1.1	0.3	0.8	-2.6	-4.9	-3.0	6.0	3.0	-18.4
Paraguay	4.0	-0.3	4.5	6.7	5.9	3.1	2.3	1.5	41.8
Suriname	2.0	0.8	-6.2	8.2	4.2	-1.7	-2.5	0.0	0.8
Uruguay	1.7	8.3	7.9	-0.2	1.5	0.7	1.6	7.0	10.2
Central America and the Caribbean^b	0.5	2.2	4.4	0.0	3.3	0.9	1.4	2.5	20.9
Bahamas	13.5	3.6	4.9	2.3	2.0	1.0	-2.0	1.0	46.9
Barbados	0.9	5.2	2.6	3.5	3.6	-3.3	-3.3	-2.5	2.8
Belize	0.3	4.5	12.9	10.0	14.2	7.6	4.8	...	...
Cuba ^c	4.6	1.2	-3.9	2.2	1.1	...	...	...	...
Haiti	0.4	0.0	-0.7	0.9	1.0	-0.2	-0.3	-5.0	-8.9
Jamaica	-5.4	2.2	6.7	1.1	6.3	3.8	1.9	1.5	23.4
Panama	4.8	3.4	2.2	-15.9	-0.2	5.2	9.1	7.5	24.7
Dominican Republic	-1.9	3.0	8.4	1.5	4.1	-5.5	-1.0	7.5	29.3
Central American Common Market	0.1	1.4	3.3	1.8	3.3	2.3	2.3	3.9	16.8
Costa Rica	0.7	5.3	4.5	3.2	5.4	3.5	1.2	4.0	31.7
El Salvador	1.8	0.5	2.7	1.5	1.1	3.4	3.3	4.5	6.9
Guatemala	-0.6	0.3	3.6	4.0	3.7	2.9	3.2	4.0	17.0
Honduras	2.8	2.3	4.9	4.9	4.7	-0.5	2.2	4.5	33.8
Nicaragua	-4.1	-1.0	-0.7	-12.1	-1.9	-0.7	-0.5	0.5	-13.4
OECS countries^d	7.1	6.5	5.0	8.1	5.0	4.9	3.1	4.2	78.0
Antigua and Barbuda	8.7	9.7	9.1	7.7	5.2	2.7	...	...	...
Dominica	1.6	6.8	6.8	8.0	-1.2	6.6	2.1	2.0	61.4
Grenada	5.0	5.4	6.0	5.3	5.7	5.3	3.1	0.5	63.5
Saint Kitts and Nevis	5.7	6.1	7.4	9.8	6.7	3.1	6.8	...	...
Saint Lucia	9.1	5.0	0.5	9.2	5.4	5.6	1.8	...	...
Saint Vincent and the Grenadines	7.1	5.9	5.7	7.4	7.1	7.0	4.6	10.0	113.0

Source: ECLAC, on the basis of official figures.

^a Preliminary estimates, subject to revision.^b Does not include Cuba.^c Refers to total social product.^d OECS = Organization of Eastern Caribbean States.

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Table 4

ANNUAL VARIATION IN THE CONSUMER PRICE INDEX¹, 1971-91

(In Percent)

	1971-80	1981-83	1984-86	1987	1988	1989	1990	1991
Countries with relative price stability (annual rise in prices of less than 5 percent)		Panama 4.5	Panama 0.9 Barbados 3.3 Honduras 4.1 Bahamas 4.6	Haiti -11.4 Panama 1.0 Honduras 2.4 Barbados 3.3	Panama 0.3 Haiti 4.0 Bahamas 4.2 Honduras 4.6 Barbados 4.9	Panama 0.0	Panama 0.8 Barbados 3.1 Bahamas 4.6	Panama 1.3 Trin. & Tobago 3.8
Countries with moderate inflation (annual rise in prices of between 5 and 20 percent)	Panama 7.1 Bahamas 7.5 Honduras 8.1 Venezuela 8.5 Guatemala 9.7 Suriname 9.9 Guyana 10.3 Dominican Rep. 10.5 El Salvador 10.6 Haiti 10.9 Costa Rica 11.1 Ecuador 12.6 Trin. & Tobago 13.2 Paraguay 13.4 Barbados 14.6 Mexico 16.8 Jamaica 16.5	Guatemala 5.4 Dominican Rep. 6.7 Suriname 6.9 Bahamas 7.1 Honduras 8.9 Haiti 9.5 Barbados 10.0 Jamaica 10.5 Venezuela 10.7 Paraguay 11.4 El Salvador 13.2 Trin. & Tobago 13.7 Chile 19.0 Guyana 19.4	Haiti 6.8 Trin. & Tobago 9.5 Suriname 11.1 Venezuela 11.7 Costa Rica 12.9 Guyana 16.0 Colombia 19.7 Guatemala 19.7	Bahamas 6.0 Jamaica 6.6 Trin. & Tobago 10.8 Guatemala 12.3 Bolivia 14.6 Dominican Rep. 16.0 Costa Rica 16.9 Chile 20.2	Trin. & Tobago 7.7 Suriname 8.0 Jamaica 8.3 Guatemala 10.9 Chile 14.7 Bolivia 16.0 El Salvador 19.8	Bahamas 5.4 Barbados 6.2 Haiti 6.9 Honduras 9.8 Trin. & Tobago 11.4 Guatemala 11.4 Jamaica 14.2 Suriname 15.0 Bolivia 15.2 Costa Rica 16.6 Chile 17.0 El Salvador 17.8	Trin. & Tobago 11.0 Bolivia 17.1 Costa Rica 19.0 Suriname 19.5 Haiti 21.5 Jamaica 22.0 Honduras 23.3 El Salvador 24.0 Chile 26.0 Mexico 26.7 Colombia 29.1 Paraguay 38.2 Venezuela 40.6 Guatemala 41.2 Ecuador 48.5 Dominican Rep. 59.5 Guyana 65.0 Uruguay 112.5	Barbados 6.2 Bahamas 7.1 El Salvador 14.4 Haiti 15.4 Bolivia 21.4 Chile 21.8 Mexico 22.7 Paraguay 24.3 Suriname 26.5 Costa Rica 28.7 Colombia 30.4 Honduras 34.0 Venezuela 34.2 Guatemala 35.1 Ecuador 48.7 Jamaica 51.1 Dominican Rep. 53.9 Guyana 80.0 Uruguay 102.0 Argentina 172.8 Peru 409.5 Brazil 440.8
Countries with high inflation (annual rise greater than 20 percent)	Bolivia 20.2 Nicaragua 20.4 Colombia 21.3 Peru 31.8 Brazil 36.7 Uruguay 83.1 Argentina 141.8 Chile 174.1	Nicaragua 26.6 Ecuador 27.1 Uruguay 34.1 Costa Rica 53.3 Mexico 62.9 Peru 83.7 Brazil 115.2 Bolivia 143.5 Argentina 204.4	Chile 23.3 Dominican Rep. 24.7 Paraguay 25.7 Ecuador 27.4 Uruguay 68.0 Mexico 68.6 Peru 117.2 Brazil 189.8 Nicaragua 312.1 Argentina 463.0	Paraguay 21.9 Colombia 23.3 El Salvador 24.9 Venezuela 28.1 Guyana 28.7 Ecuador 29.5 Suriname 53.5 Uruguay 64.2 Peru 85.8 Argentina 131.3 Mexico 131.8 Brazil 229.7 Nicaragua 911.9	Costa Rica 20.8 Paraguay 22.7 Colombia 28.1 Venezuela 29.5 Guyana 39.9 Dominican Rep. 44.4 Ecuador 58.3 Uruguay 61.9 Mexico 114.2 Argentina 343.0 Peru 667.1 Brazil 682.3	Mexico 20.0 Colombia 25.6 Paraguay 26.2 Dominican Rep. 45.4 Ecuador 75.6 Uruguay 80.5 Venezuela 84.2 Guyana 90.0	Argentina 2,314.0 Brazil 2,938.0 Peru 7,482.6 Nicaragua 7,485.2	Nicaragua 1,400.0
Countries with very high inflation (annual rise greater than 1000 percent)			Bolivia 4,435.3		Nicaragua 14,295.3			

¹Annual averages of monthly consumer price indexes.Source: International Monetary Fund, *International Financial Statistics*; and IDB estimates.

Table 5

LAC COUNTRIES -- KEY LABOR INDICATORS
(Compiled by ILO and U.S. Dep't of Labor)

ARGENTINA		1987	1988	1989	1990	1991
Population	Millions	31.1	31.5	31.9	32.3	32.7
Labor force	"			12.1	12.3	..
Employment	"			11.1	11.2	..
Unemployment	Percent				6	5
Underemployment	"				8	7
Unionization	Percent				28	28
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/month				72	98
BOLIVIA		1987	1988	1989	1990	1991
Population	Millions	6.7	6.9	7.1	7.3	7.5
Labor force	"				2.3	2.4
Employment	"				2.1	2.2
Unemployment	Percent				9	7
Underemployment	"				20	20
Unionization	Percent				29	29
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/month				34	36
BRAZIL		1987	1988	1989	1990	1991
Population	Millions	141.5	144.4	147.4	150.4	153.3
Labor force	"			57.0	..	..
Employment	"			..	..	..
Unemployment	Percent			3	4	..
Underemployment	"			..	..	..
Unionization	Percent			12
Hours worked	Aver./wk.			48	40	..
Minimum wage	US\$/month			80	71	..

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DOMINICAN REPUBLIC		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	6.7	6.9	7.0	7.2	7.3
Labor force	"				3.0	3.0
Employment	"				2.0	..
Unemployment	Percent				29	30
Underemployment	"				23	23
Unionization	Percent				12	12
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/month				100	115
ECUADOR		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	9.8	10.1	10.3	10.6	10.9
Labor force	"				3.5	4.4
Employment	"				3.2	4.1
Unemployment	Percent				8	8
Underemployment	"				..	61
Unionization	"				14	14
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/month				42	40
GUATEMALA		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	8.4	8.7	8.9	9.2	9.5
Labor force	"		2.7	..	2.9	..
Employment	"		2.6	..	..	..
Unemployment	Percent		42	..	41	..
Underemployment	"		34	..	35	..
Unionization	Percent		6	..	7	..
Hours worked	Aver./wk.		..	..	..	..
Minimum wage	US\$/day		2	..	2	..

CHILE		1987	1988	1989	1990	1991
Population	Millions	12.5	12.7	13.0	13.2	13.3
Labor force	"				4.7	4.8
Employment	"				4.5	4.5
Unemployment	Percent				6	5
Underemployment	"				..	..
Unionization	Percent				13	14
Hours worked	Aver./wk.				..	..
Minimum wage	Pesos/month				26,000	33,000
COLOMBIA		1987	1988	1989	1990	1991
Population	Millions	31.1	31.7	32.3	33.0	33.6
Labor force	"				12.0	12.4
Employment	"				10.8	10.9
Unemployment	Percent				10	10
Underemployment	"				13	15
Unionization	Percent				..	8
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/month				82	106
COSTA RICA		1987	1988	1989	1990	1991
Population	Millions	2.8	2.9	2.9	3.0	3.1
Labor force	"				1.1	1.1
Employment	"				1.0	1.0
Unemployment	Percent				5	6
Underemployment	"				..	20
Unionization	Percent				15	15
Hours worked	Aver./wk.				48	48
Minimum wage	Colones /month (000)				12	16

HAITI		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	6.1	6.3	6.4	6.5	6.4
Labor force	"	2.7	..	..	..	..
Employment	"	..	2.5	..	..	..
Unemployment	Percent	49	49	..	..	..
Underemployment	"	..	..	..	..	..
Unionization	Percent	..	..	50	..	..
Hours worked	Aver./wk.	..	..	45	..	..
Minimum wage	US\$/day	..	3	3	..	..
HONDURAS		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	4.7	4.8	5.0	5.1	5.3
Labor force	"				1.4	1.4
Employment	"				1.2	1.2
Unemployment	Percent				14	15
Underemployment	"				45	45
Unionization	Percent				20	20
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/month				10	14
MEXICO		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	76.1	77.8	79.5	81.2	83.0
Labor force	"				26.2	..
Employment	"				22.3	22.6
Unemployment	Percent				3	3
Underemployment	"				12	..
Unionization	Percent				28	28
Hours worked	Aver./wk.				34	..
Minimum wage	US\$/day				4	4

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NICARAGUA		1987	1988	1989	1990	1991
Population	Millions	3.5	3.6	3.7	3.9	4.0
Labor force	"	1.1
Employment	"	0.8	..	..	..	..
Unemployment	Percent	25	..	..	..	..
Underemployment	"	..	..	..	..	..
Unionization	Percent	23	..	..	..	..
Hours worked	Aver./wk.	44	..	..	..	..
Minimum wage	US\$/week	2	..	..	..	..
PANAMA		1987	1988	1989	1990	1991
Population	Millions	2.3	2.3	2.4	2.4	2.5
Labor force	"				0.8	0.9
Employment	"				0.7	0.7
Unemployment	Percent				17	16
Underemployment	"				18	..
Unionization	Percent				14	9
Hours worked	Aver./wk.				..	..
Minimum wage	US\$/hour				1	1
PERU		1987	1988	1989	1990	1991
Population	Millions	20.2	20.7	21.1	21.6	22.0
Labor force	"			7.4	7.5	..
Employment	"				5.3	..
Unemployment	Percent			8	8	..
Underemployment	"			74	86	..
Unionization	Percent			18	16	..
Hours worked	Aver./wk.			..	..	..
Minimum wage	Intis/month			435	25,000	..

URUGUAY		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	3.0	3.1	3.1	3.1	3.1
Labor force	"				1.4	1.4
Employment	"				1.2	1.3
Unemployment	Percent				9	9
Underemployment	"				22	..
Unionization	Percent				17	17
Hours worked	Aver./wk.				42	41
Mini. um wage	US\$/month				69	82
VENEZUELA		1987	1988	1989	1990	1991
		-----	-----	-----	-----	-----
Population	Millions	18.3	18.8	19.2	19.7	20.2
Labor force	"			6.9	7.3	
Employment	"			6.2	6.5	
Unemployment	Percent			10	10	
Underemployment	"			40	42	
Unionization	Percent			..	..
Hours worked	Aver./wk.			..	..
Minimum wage	US\$/month			97	128	

LAC COUNTRIES -- UNIONIZATION OF LABOR

	(In percent)	
	1990	1991
Argentina	28.0	28.0
Bolivia	29.0	29.0
Brazil	12.5	..
Chile	12.8	14.7
Colombia	..	8.2
Costa Rica	15.0	15.0
Dominican Republic	12.0	12.0
Ecuador	13.5	13.5
Guatemala	6.0	7.0
Guyana	45.0	45.0
Haiti	4.5	..
Honduras	20.0	20.0
Jamaica	16.3	16.3
Mexico	27.5	27.5
Nicaragua	..	..
Panama	14.4	9.2
Paraguay	..	..
Peru	18.0	16.0
Uruguay	17.0	17.0
Venezuela	..	..
Regional average	18.2	18.6

Source: U.S. Department of Labor, "Foreign Labor Trends".

Table E-12
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LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES

	1984	1985	1986	1987	1988	1989	1990	1991	1992 ^a
Average annual indexes (1980 = 100)									
Argentina ^b	116.9	106.1	102.0	93.5	92.7	84.6	80.3	76.2	75.6 ^k
Brazil									
Rio de Janeiro ^c	105.1	111.8	121.5	105.4	103.2	102.3	87.6	87.8	105.5 ^k
São Paulo ^d	96.7	120.4	150.7	143.2	152.1	165.2	142.1	125.4	133.2 ^k
Colombia ^e	118.1	114.6	120.1	119.2	117.7	119.4	113.4	115.3	116.7 ^k
Costa Rica ^f	84.7	92.2	97.8	89.2	85.2	85.7	87.2	83.1	...
Chile ^g	97.2	93.5	95.1	94.7	101.0	102.9	104.8	109.9	114.9 ^l
Mexico ^h	74.8	75.9	71.5	71.3	71.7	75.2	77.9	83.0	85.0 ^m
Peru ⁱ	87.2	77.6	97.5	101.3	76.1	41.5	36.2	41.8	42.5 ⁿ
Uruguay ^j	72.2	67.3	71.9	75.2	76.3	76.1	70.6	73.2	75.1 ^o
Percentage variation with respect to the same period of the preceding year									
Argentina	27.3	-9.2	-3.9	-8.3	-0.9	-8.7	-5.1	-5.1	-0.8
Brazil									
Rio de Janeiro	-6.7	6.4	8.7	-13.3	-2.1	-0.9	-14.4	0.2	25.0
São Paulo	2.9	24.4	25.2	-5.0	6.2	8.6	-14.0	-11.8	10.1
Colombia	7.3	-3.0	4.8	-0.7	-1.3	1.4	-5.0	1.7	0.3
Costa Rica	7.8	9.1	6.1	-9.7	-4.5	0.6	1.7	-4.7	...
Chile	0.1	-3.8	1.7	-0.4	6.7	1.9	1.8	4.9	4.7
Mexico	-7.3	1.5	-5.8	-0.3	0.6	4.9	3.6	6.5	8.2
Peru	-6.6	-11.0	25.6	3.9	-24.9	-45.5	-12.8	15.5	1.9
Uruguay	-14.8	-6.8	6.8	4.6	1.5	-0.3	-7.2	3.7	3.3

Source: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Average total wages in manufacturing. Twelve-month average. ^c Average wages in basic industry, deflated by the CPI for Rio de Janeiro. Twelve-month average. ^d Wages in manufacturing in the State of São Paulo, deflated by the cost-of-living index for the city of São Paulo. Twelve-month average. ^e Wages of manual workers in manufacturing. ^f Average remunerations declared by persons covered by the social security system. ^g Average remunerations of wage-earners in non-agricultural sectors. Twelve-month average. ^h Average wages in manufacturing. Twelve-month average. ⁱ Wages of private-sector manual workers in the Lima metropolitan area. ^j Index of average real wages. Twelve-month average. ^k January-August average. ^l January-October average. ^m January-June average. ⁿ Average of February, April and June. ^o January-September average.

Table 8 E-13

LAC REGION: GROSS DOMESTIC INVESTMENT

(Millions of Dollars)

Country	Millions of 1988 Dollars										Average Annual Growth Rates		
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 ^p	1980	1981	1990
Argentina	14,766	13,194	11,734	9,387	11,027	12,899	11,507	7,981	7,467	9,707	3.7	-11.0	30.0
Bahamas	...	...	...	...	...	...	...	...	...	...	...	...	...
Barbados ¹	342	303	252	240	258	265	270	305	291	286	0.6	-3.2	-1.8
Bolivia	558	531	724	962	837	930	704	634	593	869	2.2	-3.3	46.5
Brazil ²	70,668	54,703	56,745	66,243	81,466	80,538	76,839	77,568	71,349	69,554	9.5	-2.2	-2.5
Chile	3,565	2,795	4,821	3,995	4,464	5,477	5,980	7,705	7,477	7,620	2.8	0.6	1.9
Colombia	9,440	9,237	8,693	7,854	8,196	8,951	9,668	8,960	8,668	8,450	5.1	0.9	-2.5
Costa Rica	552	735	815	878	1,151	1,191	1,109	1,215	1,320	962	9.3	1.0	-27.1
Dominican Republic	722	783	820	782	813	1,032	1,130	1,253	1,127	1,110	10.2	1.4	-1.5
Ecuador	3,954	2,719	2,679	2,893	2,980	2,886	2,779	2,948	2,876	2,993	10.4	-3.4	4.1
El Salvador	545	499	514	485	590	565	669	844	597	705	3.6	-0.6	18.0
Guatemala	1,131	940	997	806	808	1,070	1,059	1,063	1,007	1,104	5.2	-1.9	9.7
Guyana	86	80	76	79	90	91	94	89	106	107	-0.7	-1.7	1.0
Haiti	263	278	291	254	233	252	217	222	224	199	11.8	-2.2	-11.0
Honduras	420	443	554	582	484	565	722	715	765	861	5.8	0.0	12.7
Jamaica	728	755	686	683	574	729	851	1,012	1,038	1,101	-9.4	6.2	6.0
Mexico	44,701	32,628	34,619	38,198	30,117	31,486	36,005	38,081	42,351	45,294	6.6	-1.9	6.9
Nicaragua	696	756	763	758	749	738	521	402	405	349	0.2	-3.0	-13.9
Panama	1,031	816	726	776	842	862	314	177	781	940	3.8	-2.3	20.4
Paraguay	1,541	1,261	1,280	1,294	1,341	1,431	1,487	1,637	1,787	1,994	18.2	1.2	11.6
Peru	12,066	7,379	6,647	5,911	7,848	10,054	9,112	6,076	6,569	7,407	8.9	-4.9	12.8
Suriname	863	470	347	233	186	173	217	206	286	330	3.5	-9.2	15.2
Trinidad and Tobago	2,449	2,107	1,872	1,474	1,303	1,045	666	784	748	857	16.6	-11.9	14.6
Uruguay	1,823	1,155	965	863	1,011	1,197	1,111	981	954	1,114	9.0	-9.0	16.8
Venezuela	19,198	9,359	13,171	13,727	14,354	16,397	18,888	8,942	8,172	16,827	4.6	-7.1	105.9
Latin America	182,109	143,925	150,792	159,357	171,704	180,823	181,724	169,800	166,959	180,741	7.4	-3.1	8.3

¹Fixed capital investment only.²Excludes change in inventories from 1985.

PRIVATE SECTOR: DIRECT INVESTMENT

(Millions of Dollars)

Country	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 ^p
Argentina	257	183	268	919	574	-19	1,147	1,028	2,036	2,481
Bahamas	3	-6	-5	-30	-13	11	37	25	-16	0
Barbados	4	2	-2	3	5	5	11	5	10	...
Bolivia	31	7	7	10	10	36	-12	-25	44	50
Brazil	2,534	1,373	1,556	1,267	177	1,087	2,794	744	0	209
Chile	384	132	67	62	57	97	109	259	587	576
Colombia	337	514	581	1,016	642	293	159	547	471	479
Costa Rica	27	55	52	65	57	78	121	95	109	...
Dominican Republic	-1	48	69	36	50	89	106	110	133	145
Ecuador	40	50	50	62	70	75	80	80	82	81
El Salvador	-1	28	12	12	24	18	17	14	...	...
Guatemala	77	45	38	62	69	150	330	76	...	...
Guyana	4	5	5	2	...	...	...	...	...	...
Haiti	7	8	5	5	5	5	10	9	8	...
Honduras	14	21	21	28	30	39	47	37	44	56
Jamaica	-16	-19	12	-9	-5	53	-12	57	94	...
Mexico	1,655	461	390	491	1,523	3,246	2,594	3,037	2,632	4,762
Nicaragua	0	0	0	0	0	0	0	0	0	0
Panama	3	72	10	59	-62	57	-52	36	-30	...
Paraguay	37	5	5	1	1	5	8	13	79	73
Peru	48	38	-89	1	22	32	26	59	34	-7
Suriname	-6	46	-40	12	-34	-73	-96	-168	-43	...
Trinidad and Tobago	204	114	110	-7	-22	35	63	149	109	135
Uruguay	-14	6	3	-8	33	55	45	0	0	...
Venezuela	253	86	-3	57	-444	-16	21	77	98	1,899
Latin America	5,888	3,274	3,181	4,115	2,789	5,356	7,553	6,266	6,477	10,939

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LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOW AND TRANSFER OF RESOURCES
(Billions of dollars and percentages)

	Net capital inflow	Net payments of profits and interest	Transfer of resources (3)=(1)-(2)	Exports of goods and services	Transfer of resources/exports of goods and services (5) = (3) / (4)
	(1)	(2)	(3)	(4)	(5) ^a
Latin America and the Caribbean					
1975-1979 ^b	104.9	44.6	60.3	267.4	21.0
1975-1979 ^c	21.0	8.9	12.1	57.5	21.0
1980	32.0	18.9	13.1	104.9	12.5
1981	39.8	28.5	11.3	113.2	10.0
1982	20.1	38.8	-18.7	102.9	-18.2
1983	2.9	34.5	-31.6	102.4	-30.9
1984	10.4	37.3	-26.9	113.6	-23.7
1985	3.2	35.4	-32.2	108.6	-29.7
1986	10.0	32.6	-22.6	94.8	-23.8
1987	15.3	31.4	-16.1	107.9	-14.9
1988	5.5	34.2	-28.7	123.0	-23.3
1989	9.9	37.9	-28.0	136.5	-20.5
1990	20.3	34.7	-14.4	151.1	-9.5
1991	39.2	30.8	8.4	152.2	5.5
1992 ^d	57.0	29.6	27.4	159.9	17.1
Oil-exporting countries					
1975-1979 ^b	43.6	18.2	25.4	140.9	18.0
1975-1979 ^c	8.7	3.6	5.1	28.2	18.0
1980	13.4	8.3	5.1	54.6	9.3
1981	17.6	12.2	5.4	59.2	9.2
1982	3.8	17.2	-13.4	55.7	-24.1
1983	-4.7	14.9	-19.6	54.0	-36.3
1984	-2.7	16.4	-19.1	59.5	-32.1
1985	-2.6	15.2	-17.8	55.0	-32.4
1986	2.6	13.4	-10.8	44.5	-24.3
1987	4.9	13.0	-8.1	52.4	-15.5
1988	1.2	13.2	-12.0	53.9	-22.3
1989	5.1	15.2	-10.1	62.4	-16.2
1990	8.4	13.8	-5.4	74.3	-7.3
1991	26.7	12.5	14.2	74.1	19.2
1992 ^d	30.8	13.2	17.6	74.6	23.6
Non-oil-exporting countries					
1975-1979 ^b	61.3	26.4	34.9	146.5	23.8
1975-1979 ^c	12.3	5.3	7.0	29.3	23.8
1980	18.6	10.6	8.0	50.3	15.9
1981	22.2	16.3	5.9	54.1	10.9
1982	16.3	21.6	-5.3	47.3	-11.2
1983	7.6	19.6	-12.0	48.4	-24.8
1984	13.1	20.9	-7.8	54.1	-14.4
1985	5.8	20.2	-14.4	53.6	-26.9
1986	7.4	19.2	-11.8	50.4	-23.4
1987	10.4	18.4	-8.0	55.4	-14.4
1988	4.3	21.0	-16.7	69.2	-24.1
1989	4.8	22.7	-17.9	74.0	-24.2
1990	11.9	21.0	-9.1	76.8	-11.8
1991	12.5	18.3	-5.8	78.1	-7.4
1992 ^d	26.2	16.4	9.8	85.3	11.5

Source: 1975-1991: ECLAC, on the basis of figures supplied by the International Monetary Fund; 1992: ECLAC, on the basis of official figures.

^a Percentages. ^b Accumulated. ^c Average. ^d Preliminary estimates.

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Table 10

DIRECT FOREIGN INVESTMENT, NET (\$ Millions)

Selected Latin American and Caribbean Countries

(Extracted from "Selected Economic Data, by Country")

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>Est. 1991</u>
Brazil	1557	2328	2547	1359	1549	1263	185	1148	2981	655	328	na
Chile	170	362	384	133	67	189	312	98	109	259	610	316
Colombia	52	228	337	514	561	1016	562	287	179	547	471	468
Costa Rica	48	66	26	na	na	na	57	89	168	143	109	120
Dominican Rep.	63	80	-1	48	69	37	50	89	106	110	133	145
Ecuador	70	60	40	50	50	62	70	75	80	80	82	85
El Salvador	5	-6	-2	0	na	12	na	na	na	na	na	na
Guatemala	111	126	86	46	40	64	69	91	97	68	84	88
Honduras	6	-4	14	18	20	28	30	39	47	37	40	48
Jamaica	na	na	na	na	na	20	2	61	0	69	120	44
Mexico	1844	2536	1398	460	391	490	1522	3248	1727	1853	2549	3100
Panama	-47	171	1	55	6	57	-61	50	-35	12	50	na
Paraguay	-7	26	32	28	na	na	na	na	na	na	na	na
Venezuela	60	180	250	90	20	70	20	20	90	200	500	na

Table 11

REVEALED COMPARATIVE ADVANTAGE IN MANUFACTURES BY FACTOR-INTENSITY CATEGORY

	Latin America		Industrialized Countries		Industrializing Asia ^b		Ex-CPEs ^c	
	RCA 1988-90	Change from 1978-80	RCA 1988-90	Change from 1978-80	RCA 1988-90	Change from 1978-80	RCA 1988-90	Change from 1978-80
Total Manufacturing Exports	1.62	0.08	1.02	0.01	1.86	-0.82	1.21	0.04
Human Capital/Technology-Intensive:	1.49	0.44	1.04	0.01	1.18	-0.05	1.19	0.00
Iron and Steel	3.42	2.26	0.99	-0.01	0.70	0.15	1.57	0.43
Chemical Elements and Compounds	1.98	-0.05	1.03	0.02	0.32	0.12	0.73	0.32
Explosives, Pyrotechnic Products	1.61	-1.36	0.90	0.11	0.19	-0.12	1.11	-0.83
Rubber Manufactures	1.16	0.22	1.03	0.03	0.87	-0.25	0.84	0.02
Plastic Materials	1.12	0.72	1.06	-0.03	0.57	0.35	0.66	0.25
Manufactures of Metal, n.e.s.	1.05	0.10	1.01	0.01	0.80	-0.12	1.00	0.37
Chemical Materials and Products, n.e.s.	0.99	-0.50	1.06	0.02	0.40	0.22	0.69	0.16
Dyeing, Tanning, & Coloring Materials	0.91	-0.21	1.06	0.03	0.33	0.09	0.89	-0.29
Plumbing, Heating, & Lighting Equipment	0.84	-0.03	1.04	0.03	0.63	-0.46	1.14	0.37
Essential Oils, Perfume Materials, etc.	0.84	-1.34	1.05	0.04	0.42	-0.02	0.35	-0.48
Transport Equipment	0.83	0.13	1.08	0.03	0.29	-0.00	0.79	-0.16
Non-Electrical Machinery	0.75	0.05	1.05	0.01	0.64	0.39	1.62	0.02
Medicinal and Pharmaceutical Products	0.60	-0.67	1.05	0.05	0.17	-0.21	1.66	-0.12
Misc. Manufactured Goods	0.46	-0.41	0.97	0.00	1.53	-0.53	0.47	-0.03
Electrical Machinery and Appliances	0.43	-0.09	0.97	-0.02	1.89	0.12	0.66	-0.24
Prof., Sci., and Control. Instruments	0.37	0.05	1.03	0.01	0.88	-0.56	0.53	-0.09
Unskilled Labor-Intensive:	2.51	-0.58	0.80	-0.03	3.38	-1.54	1.41	-0.32
Leather and Leather Manufactures	5.50	-1.91	0.88	0.08	1.02	0.65	0.54	0.30
Footwear	3.74	0.48	0.71	-0.08	3.40	0.68	2.61	-0.71
Textile Yarn and Fabrics	1.14	-0.60	0.85	-0.05	1.78	-0.21	0.97	0.16
Travel Goods and Handbags	1.10	-1.64	0.72	0.05	4.54	-2.91	2.02	0.38
Clothing	0.85	-0.69	0.63	-0.03	4.23	-2.28	1.07	-0.46
Furniture	0.36	-0.14	1.04	0.03	0.68	0.01	1.48	0.06
Natural Resource-Intensive:	1.15	-0.09	1.00	0.04	1.91	-0.34	0.95	0.40
Wood and Cork Manufactures	1.48	-0.79	0.81	-0.01	3.38	-0.45	1.40	0.81
Manufactured Fertilizers	1.22	0.37	0.95	0.01	0.68	-0.55	1.04	0.46
Non-Metallic Mineral Manufactures	1.11	0.12	0.97	0.05	0.52	-0.01	0.95	0.36
Paper Manufactures	1.07	0.14	1.08	0.01	0.30	0.07	0.26	0.04
Mineral Tar and Crude Chemicals	0.71	-0.50	0.86	0.34	2.64	-0.56	0.00	-0.94

Note: The totals for the three factor-intensity categories are trade-weighted averages of the individual product divisions, and the total for manufactures is calculated as the trade-weighted average of the three factor intensity categories. The ordering of product divisions within the three factor intensity categories is based upon the ranking of the product divisions in the Latin American region during 1988-90.

^a Based on regional RCA index values at the 2-digit SITC code level for 1988-90 and changes from 1978-80.

^b Industrializing Asia includes Hong Kong, Singapore, South Korea, Malaysia, Indonesia, Thailand, and the Philippines.

^c The ex-CPEs consist of Hungary, Poland, and Czechoslovakia due to lack of available data for the remaining countries in this category.

Source: Derived from data in United Nations, COMTRADE data base.

Table 12 E-17

LATIN AMERICA'S TRADE PERFORMANCE IN HIGH-TECHNOLOGY PRODUCTS

(Millions of Dollars)

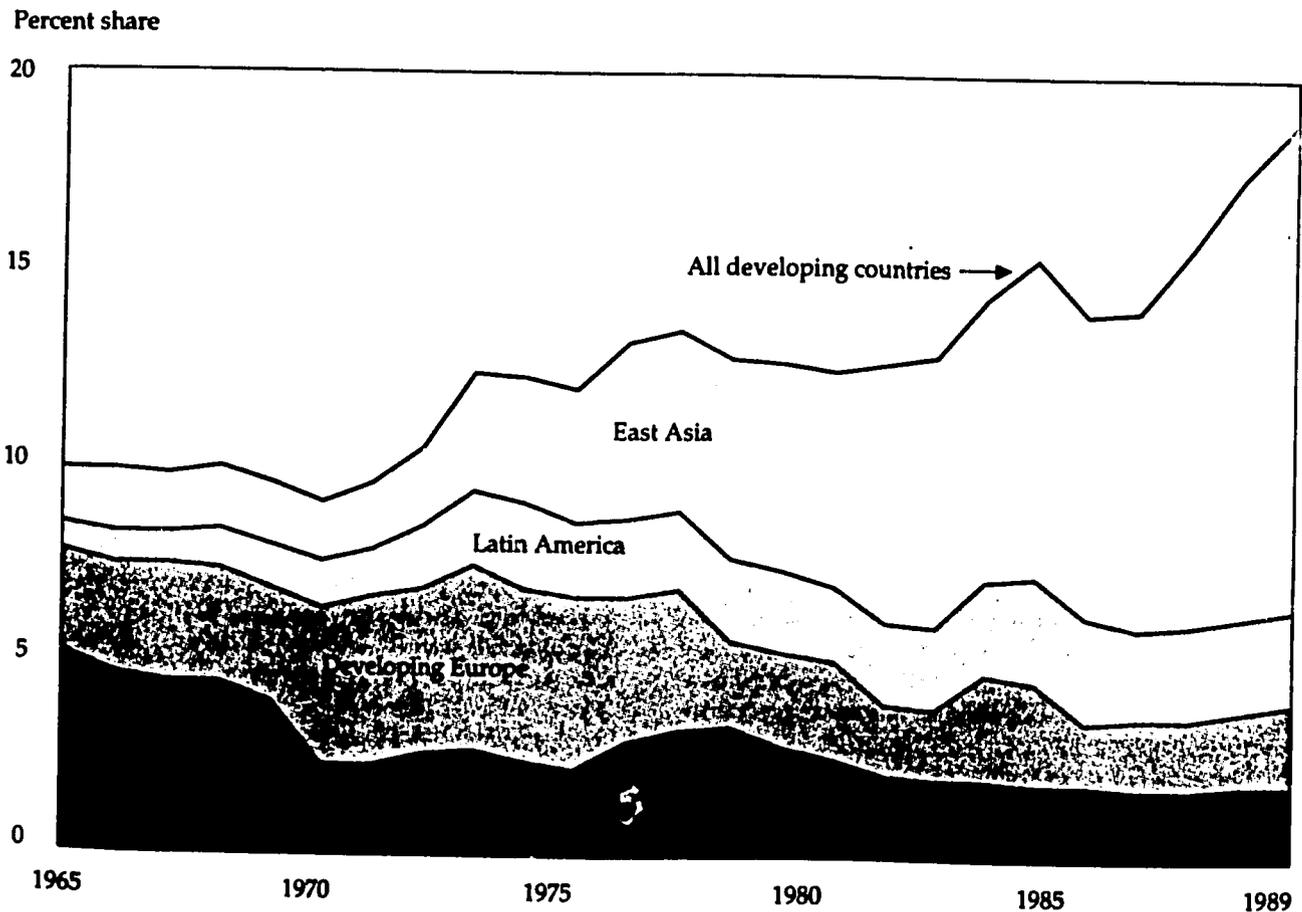
	Brazil			Mexico			Latin America ^a		
	Value of Exports 1989	World Market Share (%)		Value of Exports 1989	World Market Share (%)		Value of Exports 1989	World Market Share (%)	
		1989	Change from 1970		1989	Change from 1970		1989	Change from 1970
Chemicals	1,030	1.2	0.9	862	1.0	0.3	2,526	2.9	1.3
Medicinal and Pharmaceutical Products	70	0.2	0.0	111	0.3	-0.5	243	0.8	-1.0
Plastic Materials	533	0.9	0.9	289	0.5	0.4	1,085	1.9	1.8
Non-Electrical Machinery	2,844	0.7	0.5	2,568	0.6	0.5	5,842	1.5	1.0
Electrical Machinery and Appliances	1,113	0.4	0.3	720	0.3	-0.0	1,972	0.8	0.3
Transport Equipment	2,831	0.8	0.7	2,328	0.6	0.6	5,381	1.6	1.4
Prof., Sci., and Control Instruments	278	0.3	0.3	212	0.2	0.2	556	0.7	0.5
Total of High-Technology Products	8,699	0.7	0.6	7,090	0.6	0.4	17,605	1.4	0.9

^a Based on eleven countries for which trade data were available in 1989. See Technical Notes for data availability.

Source: Based on data in United Nations Statistical Office, COMTRADE data base.

Table 13

Developing countries' share of labor intensive manufactures imported by industrial countries



Source: World Bank staff estimates from COMTRADE.

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