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The Impact of Trans Pacific Partnership (TPP) Agreement on US and Malaysian Business' Foreign Labour Practices

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Abstract

The Obama Administration achieved a symbolic milestone in October 2015 when the Trans Pacific Partnership (TPP) Agreement was signed among 12 nations. The total trade share between the United States (US) and TTP partners are estimated at US\$892.4 billion. An important implication of TPP is the explicit expectation on Malaysia to ameliorate its poignant foreign labour practices. The paper examines the extent of TPP-readiness among Malaysia and US companies in tackling foreign labour issues. Concomitantly, the feasibility of TPP's ambitious standards on labour rights or remains a political rhetoric?

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1. Introduction

In October 2015, the Obama Administration achieved a significant milestone when the Trans Pacific Partnership (TPP) Agreement was signed among 12 nations: United States of America (US), Japan, Brunei, Chile, New Zealand, Singapore, Australia, Canada, Malaysia, Mexico, Peru and Vietnam, after long negotiations that began since 2004. The total trade share between the US and TPP partners are estimated at US\$892.4 billion. Regional Trade Agreements

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(RTAs) like the TPP has proven to facilitate integration of partner countries with global market access. Both the US and Malaysian business are expected to gain immensely through the partnership with estimated trade volume worth US\$26.7 billion. In the context of Malaysia, financial reports (Fortune, 2015; Bloomberg Markets, 2014) have listed Malaysia in ‘Top 5 Emerging Markets’ for three consecutive years. Further, weakening of the Ringgit currency is set to springboard Malaysian business into new markets as well as attract foreign direct investments (FDIs). At the same time, US business sets to gain strong trade traction from the sturdy market growth within the region. With concerns over China’s influence, TPP augments US government’s political strategy to strengthen its presence within the heart of Asia Pacific’s dynamic economic belt.

The paper examines the impact of TPP Agreement on both US and Malaysian business operations. First, an important implication of TPP is the explicit expectation by the US and TPP members on Malaysia to address its poignant forced labour and human rights grievances or potentially face severe trade sanctions. The question that arises is “What is the level of TPP-readiness among Malaysian business in relation to foreign labour practices?” The level of readiness inadvertently influences the extent of business opportunities available to Malaysian companies from the TPP zone or otherwise. Concomitantly, bigger US presence in the TPP region has multi-fold implications on corporate America. Firstly, US is a signatory to the United Nations’ Sustainable Development Goals (SDGs) adopted in December 2015. In RTAs like the TPP, companies who take advantage of regional trade opportunities, in fact, serve as ambassadors for their country. The extent of commitment to sustainability issues exhibited by corporate America has a profound impact on strengthening or negating US government’s political strategy to position itself as a champion for social justice through the TPP Agreement. Secondly, imminent pressures from political consumerism (Stolle and Micheletti, 2013) inextricably means that US business operating in this region are expected to explicitly demonstrate commitment towards the promotion of fair labour practices and addressing human rights issues in order to retain favourable global brand reputation and continued social licence to operate. Hence, the inherent question that arises is “What is the level of TPP-readiness among US business in relation to tackling foreign labour issues?” The paper examines the state of readiness among US and Malaysian companies in addressing a critical social sustainability issue relating to human rights affirmed in the TPP Agreement. In the context of this study, foreign labour practices are examined in four sectors: the plantation/agriculture, construction, mining and manufacturing sectors which are expected to gain the most from this regional trade agreement.

2. TPP challenges – A political rhetoric on labour rights?

Despite the ratification by the US government and its TPP partner nations on addressing human rights issues, which includes forced labour or foreign labour/worker rights in Malaysia and Vietnam through the TPP, the incontrovertible reality is that issues on foreign labour rights may remain a political rhetoric. Substantial literature (Peters and Pierre, 2007; Stolle & Micheletti, 2013; Keohane 2003) asseverate the traditional model of political responsibility that assumes the government as the collective actor with supreme authority to solve matters on common and public good has limitations and challenges. In the TPP context, does the US Government have significant influence over Corporate America (which runs on the fundamental principles of capitalism) to support and act as strategic facilitators to promote responsible labour practices and sustainable business practices with its Malaysian counterparts?

If a regional trade agreement like the TPP’s ambitious standards is expected to make significant inroads in terms of ameliorating the state of human rights practices in this region, particularly in Malaysia, there is a need to make a strong business case for corporate sector buy-in to act as key political agents for meaningful change.

3. Making a business case through Sustainable Development Goals (SDGs)

With deepening tensions among US and Malaysian citizenry, on the actual beneficiaries from regional trade agreements such as the TPP, are often the large corporations (evident from existing RTAs) – making a strong business case for corporate buy-in and participation is critical. Otherwise, the Agreement’s ambitious standards as well as US’s strategic political positioning are set to fail in the face of enticing China’s trade influence within the region.

Here, one compelling business proposition is the alignment of TTP Agreement with United Nations’ Sustainable Development Goals (SDGs). As climate change threats take centre stage on a global scale, nations and corporations

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