

Labor: Race to the Bottom or Race to the Top?

Presentation Summary and Comments

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John G. Evans: Evans observed that the linkage between labor standards and trade remains very controversial at the World Trade Organization (WTO). At the Doha Ministerial, only the European Union (EU) really pushed for stronger labor language. Many in the South still fear that enforceable international rules on labor standards could lead to loss of competitiveness. At the same time, workers and trade unions from developed nations see a strong need for international rules on labor standards in trade agreements because they feel pressure from companies that threaten to relocate to countries with lower wage rates and standards in order to extract concessions.

Evans believed that it is important to establish enforceable international rules in favor of core labor standards. A central weakness in the current system, Evans asserted, is the lack of repercussions for non-compliance with labor standards. To remedy this weakness, an effective way to punish non-compliance must exist.

Evans had six suggestions about how the labor rights effort might move forward: (1) continue to promote use of trade as a tool for sustainable development, which includes respect for international labor standards; (2) improve and rationalize reporting on labor standards by deciding on clear definitions and creating a standard for measurement (to achieve greater transparency); (3) establish the primacy of labor rights over trade rules; (4) increase efforts to promote corporate accountability and enforce existing standards of responsible corporate behavior; (5) improve transparency in the system where possible; and (6) use bilateral trade agreements as a tool for advancing the trade/labor linkage.

Brad Figel: Figel argued that globalization is an ongoing effort without a finish line. Figel rejected the notion that globalization will lead to either a race to the top or to the bottom in labor standards.

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According to Figel, debates on the trade/labor linkage have not been productive to date, whether in the WTO or during consideration of Trade Promotion Authority. Figel suggested as a more constructive approach, replacing the current focus on a sanctions-based approach to a positive-incentives approach. Figel noted that developing nations equate sanctions to disguised protectionism by developed countries, a view that has made labor discussions at the WTO futile. Since they are unlikely to abandon that perception, and given the significant leverage developing countries have in terms of access to their markets, Figel believed that progress would be more easily achieved through an incentives-based approach, involving collaboration between stakeholders.

In particular, Figel believed that the United States could expand and modify the Generalized System of Preferences (GSP) program to make it more effective. Figel noted that the GSP program is currently flawed because it does not include footwear and textiles, two sectors critical to developing countries. Improved labor standards could have important benefits. By expanding the GSP to include such sectors, and continuing the GSP labor standards conditionality, the United States would make significant progress in advancing labor standards. Within this context, the WTO could still play a role by allowing countries to give standard-adhering companies tax and trade incentives in the form of quota relief or tax credits.

Tom Niles: Niles opposed the use of trade sanctions to enforce labor standards, which he thought would hurt developing countries. Niles believed that positive incentives are a superior means to advance labor standards.

The problem in the sanctions-based approach is evident in the results so far at the WTO. Developing countries have not accepted the need to discuss labor in the trade context. To them, efforts to place labor on the multilateral agenda are bad-faith attempts at protectionism that directly violate paragraph five of the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, which stresses that labor standards should not be used for protectionist purposes. Accordingly, it is unlikely that enforceable labor standards will be achieved in multilateral trade agreements, and the failure of the labor agenda at the WTO's Singapore and Doha Ministerials (with Doha being "Singapore-minus" on this issue) proves the point. Accordingly, the labor standards effort is best pursued at the multilateral level, that is, at the ILO, an experienced organization that has developed successful labor programs but has enjoyed little publicity.

Niles stated that unilateral preferences programs and bilateral trade agreements may also be more likely to yield progress. He cited the African Growth and Opportunity Act, which established a clear link between labor standards and trade. If this approach were extended to non-African countries, then global labor standards could be advanced through the incentive of additional market access to the United States, including in the textile and apparel sectors, in exchange for adhering to labor standards.

Andrew Samet: Samet argued that not only is labor not an issue on the WTO's Doha Development Agenda, but no perceptible goals or outcomes on labor exist in the WTO. This is partly because the United States did not express any real interest in the issue during the negotiations leading up to the Doha Ministerial Declaration.

A central question in this debate is whether labor discussions in the WTO benefit or harm the effort. There are three prevailing views on the relationship between trade and labor standards: (1) irrespective of labor standards, trade is unqualifiedly beneficial to all and should not be impeded; (2) labor is an important consideration but should be addressed only by the ILO; and (3) labor issues are not only important but also fundamentally con-

nected to international trade (enforcing labor standards expands trade, and the WTO is an appropriate forum to address labor standards).

Despite these differences in views, significant progress has occurred over the last decade. The ILO's unanimous adoption in 1998 of the Declaration on Fundamental Principles and Rights at Work, defining four core labor standards, was a significant milestone. Further, numerous sectors and industries have developed internal codes of conduct covering labor standards, to which most major transnational corporations have committed themselves. Moreover, the current trend in the trade-labor standards issue appears to be the integration of rules on labor standards in bilateral agreements.

Samet raised two concerns about using the multilateral trading system as the forum for seeking to advance the trade-labor debate. First, it remains unclear what trade-offs will be possible when moving from unilateral preferences programs to bilateral agreements. Moreover, a focus on the WTO might take away from more successful efforts at the bilateral level. Second, Samet cautioned that the current focus in the WTO of trying to shift the labor standards issue solely to the ILO is flawed, because the ILO cannot effectively enforce labor standards, and there is no real relationship between the ILO and WTO rules or the WTO as an institution. Samet did note one benefit of discussions in the WTO: they may help move the ILO process. For instance, he suggested that without the United States and other countries mobilizing on labor issues at the WTO's Singapore Ministerial, the ILO probably would not have been successful in its effort to produce the 1998 Declaration.

Karen Tramontano: According to Tramontano, as evidenced by the 1998 ILO Declaration, an international consensus exists that countries must respect certain core labor standards. Tramontano expressed concern, however, that the failure of the United States to ratify any of the convention's underlying the ILO's 1998 Declaration has hampered progress in spreading respect for the core ILO labor standards.

Even accepting the premise that an international consensus on the core labor standards exists, the central question remains whether trade agreements are an appropriate and useful means of promoting labor standards. Two factors complicate the debate. First, many believe that the benefits of globalization are not distributed equitably, causing resentment from the South towards the North. Advocates of labor standards link these standards to shared prosperity and thus view standards as one way of bridging the equity gap. Second, there is an unprecedented lack of trust between developing and developed countries, particularly *vis-a-vis* the United States. In many cases, export processing zones in developing countries contain harsh labor conditions, so developing countries view attempts to enforce core labor standards simply as protectionism. It is vital that nations bridge the trust gap. This cannot be done, however, if nations like the United States advocate labor standards while refusing to ratify ILO conventions and maintain inconsistent and hypocritical positions.

Another common enforcement debate, Tramontano said, is whether labor should be addressed entirely by either the WTO or the ILO. Such a debate, she stated, ignores the reality that players in the WTO are the same players as those in the ILO. Governments align themselves in the same manner in both institutions; thus, simply placing the same actors into different governmental bodies will not suffice for progress.

Tramontano offered three realistic steps the United States should take in the short term. First, the United States should build credibility for its labor position across the world by ratifying the ILO conventions and by providing technical assistance to other countries that have ratified the conventions. To do so, the United States should approve funding necessary for technical support through the ILO. The Administration has sought to cut such funding;

the Senate has restored the funding; the House has yet to vote. Second, the United States should continue to support its labor unions, which have gained strength in recent years while faced with a declining manufacturing base. Finally, the United States should bilateralize and regionalize the labor issue wherever possible, as these forums have yielded more positive results. As we did with the U.S.-Jordan Free Trade Agreement and the African Growth and Opportunity Act, the United States can promote labor standards and establish linkages through regional or bilateral agreements and preferences programs.

Questions and Answers: The question was raised about which ILO reforms could shine a spotlight on parties not conforming to labor standards. Could bilateral agreements be linked into the ILO?

Tramontano responded, stating that translations from the ILO to the United States are difficult, given the differences in the culture of social dialogue between the two. Advocates need to develop a comprehensible way of communicating the ILO's work to the American public. Examples include introducing the ILO to U.S. school children by talking about international child labor in school or explaining the ILO's work to various communities. Importantly, advocates need to work much more directly and collectively with state and federal representatives to make them understand the impact and effectiveness of the ILO throughout the world. Tramontano offered no comments about how to link mutual trade agreements with the ILO. Evans added that the key question—leaving internal issues aside—lies in increasing the ILO's authority through coherence. Over the last decade, the same people who support the ILO have been trying to close it out.