

A Better Way Forward on Trade and Labor Standards

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U.S. policy should focus on ensuring that U.S. workers have an adequate safety net, while assisting countries in improving compliance with labor standards as part of a strategy to promote economic development and stronger democracies around the world.

U.S. trade policy is being challenged on all fronts, in part because of growing anxieties among American workers about stagnant incomes and job insecurity. Trade gets far more than its share of the blame for contributing to these concerns, but it is also clear that broader sharing of the benefits of globalization must be part of the response. Ultimately that goal can be achieved only if policymakers develop *domestic* policies that address those anxieties, including improved education and training, better mechanisms for providing health care, and a stronger safety net for workers, whatever the reason when they are dislocated.

The new Democratic majority in Congress is adamant, however, that improved domestic policies here would not be enough and that trade agreements must also include enforceable international labor standards. Trade-related abuse of fundamental worker rights should be addressed in trade agreements because they violate basic human rights, as well as market principles regarding free choice. There is also evidence supporting the argument that labor standards can contribute to a better distribution of the gains from globalization. But advocates overestimate the impact that higher standards elsewhere would have on American workers, as well as the effectiveness of external pressure in raising standards in other countries.

What standards to include and how to enforce them are central to disagreements over the future of U.S. trade policy, as well as pending agreements with Peru, Colombia, and Panama. Congressional Republicans and the Bush administration are concerned that making application of the four core standards promoted by the International Labor Organization (ILO) an enforceable obligation of bilateral trade agreements could be used to force changes in U.S. laws.¹ The practical effect of such provisions is likely to be far less than they fear, but there is an important question about how far trade agreements should go in requiring regulatory changes in areas that are principally domestic in their effects.

Going forward, U.S. policymakers should consider a new approach to labor standards that:

- Leaves details of labor laws to national governments, with monitoring by the ILO
- Focuses enforcement under trade agreements to egregious and clearly trade-related violations of the core labor standards
- Provides financial and technical assistance to help countries improve labor conditions

The approach to trade and labor issues developed by the Republican majority in 2002, and reflected in the pending agreements with Peru, Colombia, and Panama, *exhorts* participants to “strive to ensure” that their labor laws are consistent with the ILO core standards and notes that is inappropriate to weaken those laws for competitive reasons. But the only *binding* obligation is that parties must enforce their own laws. This does nothing to encourage countries to improve working conditions and the vagueness of the language, including an affirmation that countries retain flexibility to determine how to allocate scarce resources, makes it virtually impossible to enforce.

The U.S. Trade Representative’s office floated a compromise to allow FTA parties to choose whether to accept an obligation to having labor laws that are consistent with the ILO standards or with U.S. laws. But that would undercut international norms and the ILO without resolving the political impasse because the AFL-CIO and its supporters in Congress view U.S. labor laws as inadequate in key areas and inconsistent with international norms. Moreover, most developing countries have ratified more ILO conventions than the United States and many developed their labor laws with advice from ILO experts. The primary problem in developing countries is in the application rather than the letter of the law.

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Policymakers should emphasize capacity-building with more narrowly targeted enforcement measures reserved for those who willfully disregard international norms.

A more effective approach would emphasize capacity-building with more narrowly targeted enforcement measures reserved for those who willfully disregard international norms. International trade rules and U.S. bilateral agreements allow countries to block imports of goods produced using slave labor. This provision could be expanded to allow action against exports directly associated with egregious violations of any of the four core labor standards, such as young children working long hours or restrictions on union organizing in export processing zones. This approach targets exporters profiting from labor rights violations and it requires no cooperation from the partner government. To guard against efforts to distort this provision and block imports for protectionist reasons, evidence of violations should be confirmed by the ILO and partner countries should have recourse to dispute settlement procedures if they believe sanctions are not justified.

Even more important, the Bush administration should reverse its policy of seeking to defund the Department of Labor's technical assistance programs and policymakers, including in Congress, should embrace robust and adequately funded cooperation programs as the principal mechanism for promoting better working conditions (see the table). Such assistance should focus on helping workers help themselves, since this is the most effective strategy where government capacity is weak. This means ensuring that union organizers are not discriminated against and, in the absence of unions, providing workers with information about their rights and mechanisms for reporting violations and mediating disputes outside of normal channels. Countries and export firms can also demonstrate commitment to improved labor standards by submitting themselves to independent monitoring of export factories, such as has been done by the ILO in Cambodia.

The core labor standards are an important mechanism for spreading the benefits of globalization more equitably and both should be promoted together. But the effects will be mainly local—within the countries that apply higher standards. U.S. policy should focus on ensuring that U.S. workers have an adequate safety net, while assisting countries in improving compliance with labor standards as part of a strategy to promote economic development and stronger democracies around the world.

Bureau of International Labor Affairs Budget (millions of dollars)

Fiscal year	Actual	President's request
2000	70	n.a.
2001	148	n.a.
2002	148	72
2003	152	55
2004	152	12
2005	90	31
2006	72	12
2007	73	12
2008	n.a.	14

n.a. = not applicable or not available

Footnotes

¹ The four "core" ILO standards are: abolition of forced labor, an effective end to child labor, nondiscrimination in employment, and respect for the rights of workers to organize and bargain collectively.