

# foreign policy *in focus*



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## Trade and Labor

A fundamental challenge facing policymakers and activists is how to set and enforce rules to protect workers from repression, exploitation, and danger. Today,

### Key Points

- Most labor occurs within the evolving context of a globalized economy in which countries and communities increasingly compete for scarce investment by lowering or repressing working conditions and wages.
- The crisis facing the world's workers is intensifying.
- The problem of establishing effective international labor policies is not new—just the urgency.

most labor occurs within the evolving context of a globalized economy in which countries and communities increasingly compete for scarce investment by lowering or repressing working conditions and wages. In this global workplace, transnational corporations (TNCs) exercise more power than many sovereign nations. Global institutions such as the International Labor Organization (ILO) lack the power to enforce standards. Meanwhile, U.S. poli-

cymakers have responded inadequately to the need to establish and enforce international regulations.

The crisis facing the world's workers is intensifying:

- At least one billion adults, more than 30% of the global work force, are unemployed or seriously underemployed. Wages and working conditions are declining—in the U.S. by 1% annually for the past twenty years, in poor countries at a much faster pace.
- Throughout the global North the number of “3-D” jobs—dangerous, dirty, and difficult work—done for extremely low pay by illegal or unprotected immigrant workers is rapidly rising.
- Child labor is used increasingly for production of exports in countries with massive adult unemployment.
- In China, imprisoned workers produce goods entering international commerce in competition with the work of wage labor, even in such complex industries as aerospace. Prison labor in the U.S. forms a growing part of the manufacturing work force.

New technologies enable corporations to diversify production to take advantage of comparative vulnerabilities of countries across the globe. Under such conditions, the ability of even the strongest national governments to

reverse these trends through progressive national labor laws or policies is clearly inadequate. Establishing effective international labor policies is not a new problem—just the urgency is new. Attempts to condition trade with protective labor standards date back nearly a century. In 1905 the Berne Convention outlawed the production or sale of matches made with white phosphorus because of its horrible crippling effects.

In 1919, following World War I and the Bolshevik Revolution, the western capitalist nations formed the International Labor Organization to regulate the conditions of work internationally—under the clear threat that the failure to do so could lead to a further spread of radical worker unrest. Since then, 178 international conventions, regulating everything from freedom of association to the rights of indigenous and migrant workers, have been established. The U.S. has ratified only eleven.

After World War II an effort was made to establish the International Trade Organization (ITO), whose “members recognize that unfair labor conditions, particularly in production for export, create difficulties in international trade.” This effort failed largely because of U.S. Senate resistance. In its place world leaders established the Generalized Agreement on Tariffs and Trade (GATT), which, according to economist Robert Gilpin, operates on the assumption “that a liberal world of self-adjusting free trade, freedom of capital movements, and an efficient division of labor provides the natural and best economic order.” This perspective has dominated international trade policy throughout the past half century. The principles of free trade are codified in successive GATT agreements, most recently the Uruguay Round in 1994, which established the World Trade Organization (WTO). Since the end of the cold war, extreme ideological support for this “free market” approach has resurfaced.

Workers in both wealthy industrial and low-income countries are experiencing an unprecedented assault against their rights, safety, and livelihood. Increasing international trade, an instrument of accumulation for some, has for many others resulted in deepening impoverishment and oppression.

The Reagan, Bush, and Clinton administrations have shared a common devotion to free trade—with only the slightest inclination by the current administration to mitigate its worst effects. During the past decade, however, efforts to challenge trade growth's harmful effects on labor have resulted in several laws that form the beginning of a counterattack against the corporate-dominated rules of international investment and trade:

- The Generalized System of Preferences (GSP) authorizes more than 3,000 products from 140 developing countries to enter the U.S. market duty-free. In 1984, new GSP provisions prohibit such access to any country that is “not taking steps to afford internationally recognized worker rights to its workers (including those in export processing zones).” These rights are statutorily defined to include freedom of association, the right to organize and bargain collectively, prohibition of any form of forced or compulsory labor, establishment of a minimum age for the employment of children, and acceptable work conditions (with respect to minimum wages, hours of work, and occupational safety and health).
- The Caribbean Basin Initiative has included since 1992 mandatory criteria that prohibit the U.S. from granting tariff-free status under this program if “such country has not or is not taking steps to afford internationally recognized worker rights to workers in the country.”
- The Overseas Private Investment Corporation (OPIC) provides political-risk insurance for U.S. investors in a foreign country. In 1985 OPIC was amended to allow such insurance “only if the country in which the project is to be undertaken is taking steps to adopt and implement laws that extend internationally recognized worker rights to workers in that country.”
- Since 1988 U.S. representatives to the newly formed Multilateral Investment Guarantee Agency (MIGA) are required to exert influence to see that whether a country has taken steps to afford workers internationally recognized rights is among the factors considered when making loans or providing insurance.
- Section 301 of the 1988 Trade Act authorizes the president to treat as an unfair trade practice the competitive advantage that any foreign country derives from the systematic denial of internationally recognized worker rights.
- The Foreign Aid Appropriations bill was amended in 1993 to bar the U.S. from providing assistance for the purpose of establishing or developing in a foreign country any export-processing zone or des-

ignated area in which the tax, tariff, labor, environment, and safety laws of that country do not apply.

- The 1994 Implementing Bill for GATT directs the president to seek, in GATT and its successor, the WTO, the establishment of a working group to examine the relationship of internationally recognized worker rights to the articles, objectives, and related instruments of these entities.
- Since 1994 the U.S. executive directors for all international financial institutions (World Bank, IMF, etc.) are required to use their voice and vote to encourage policies that support respect for internationally recognized worker rights.
- The North American Agreement on Labor Cooperation, adopted by the U.S., Mexico, and Canada in September 1993 as a side agreement to NAFTA, commits the three governments to “protect, enhance, and enforce basic workers’ rights,” and it established national and trinational structures to promote the observance of eleven “labor principles.”

This body of law has, in principle, moved the U.S. to the forefront in combating the negative impact of free trade on workers. However, weak and inconsistent enforcement deprives most of these measures of any serious impact. The GSP program has successfully challenged several countries, among them Sri Lanka, El Salvador, and Guatemala, to rewrite their labor laws. But when the U.S. trade pressure eased, in almost every case the affected governments ignored or reversed their laws. Political considerations unrelated to labor rights resulted in the dismissal or the dropping of GSP cases against such important trading partners as Indonesia and Mexico.

## Key Problems

- Weak and inconsistent enforcement deprives most of the U.S. measures to protect workers of any serious impact.
- When U.S. pressure has eased, in virtually every case the affected governments ignored or reversed their worker-rights laws.
- Political considerations unrelated to labor rights resulted in the dismissal or the dropping of GSP cases against such important trading partners as Indonesia and Mexico.

The labor side agreement to NAFTA provides a forum where a few cases have been brought to highlight the gap between labor law and practice in both Mexico and the U.S. But, without any enforcement power related to trade remedies, these cases have ended without positive change. In the WTO, the U.S. stands almost alone in calling for a working group on trade and labor linkage. U.S. executive directors at the development banks have yet to vote against loans to gross labor-rights violators or to influence these institutions to change their approach. In sum, while a body of U.S. laws exists to move trade toward more pro-labor rights practices, weaknesses in the laws and inconsistency in their enforcement have deprived the U.S. of significant leadership on this issue.



# sources for more information

## Organizations

**AFL-CIO**  
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 815 16th Street NW  
 Washington, DC 20006  
 Voice: (202) 637-5187  
 Fax: (202) 508-6992  
 Website: <http://www.aflcio.org>

**Coalition for Justice in the Maquiladoras**  
 Benedictine Resource Center  
 530 Bandera Road  
 San Antonio, TX 78228  
 Voice: (210) 732-8957

**Economic Policy Institute**  
 1660 L Street NW  
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**International Labor Rights Fund**  
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**Center for Latin America Research and Studies**  
 Florida International University  
 University Park Campus-LC 304  
 Miami, FL 33199  
 Voice: (305) 348-1415  
 Fax: (305) 348-2241

**National Labor Committee for Human Rights in Central America**  
 275 Seventh Avenue  
 New York City, NY 10001  
 Voice: (212) 242-3002  
 Fax: (212) 242-3821

**North American Commission for Labor Cooperation**  
 One Dallas Center  
 350 N Saint Paul, Ste. 2424  
 Dallas, TX 75201-4240  
 Voice: (202) 273-3454  
 Website: <http://www.naalc.org>

**Resource Center of the Americas**  
 Labor Project  
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 Fax: (612) 627-9450  
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