LABOR

Hidden Subsidies

US Department of Labor
Worker Rights in Export Processing Zones

Bureau of International Labor Affairs, FPB, 200 Constitution Ave. NW, Washington, DC 20210.

The Omnibus Trade and Competitiveness Act of 1988 directed the US Secretary of Labor to conduct a study every two years on the extent to which foreign countries adopt and enforce "internationally recognized worker rights." The recent report to the Congress — first in the series — examines Export Processing Zones (EPZs) in 11 countries.

At least 50 countries currently host EPZs. These zones employ more than a million people. The workers are predominantly female (over two-thirds) and young (ages 17–25). EPZ wages vary from as little as $1–2 per day in Sri Lanka to as much as $13–18 a day in South Korea. In some countries, EPZ wages are lower than prevailing wages while in other countries, EPZ wages are higher. India is the only nation out of the 11 that excludes EPZs from its minimum wage laws.

The most important finding in the report involves freedom of association and collective bargaining. These fundamental rights were found to be abridged within EPZs in five of the 11 countries studied.

In three of the countries labor unions fall under a different legal status in EPZs than they do elsewhere. In Korea, strikes in EPZ businesses can be restricted and arbitration imposed. In Malaysia, the government prohibits workers in the electronics and textile industries (which together account for 64 percent of EPZ employment) from organizing into national unions. In India, the government has declared its main EPZs as "public utilities," which has the effect of outlawing strikes not approved by regulatory officials.

In Sri Lanka and the Dominican Republic, labor organizers are prevented from entering EPZs. There are no unions among the 129 EPZ companies in Sri Lanka or the 200 EPZ companies in the Dominican Republic. Yet in Sri Lanka, some 20 percent of comparable workers outside the EPZs belong to unions, and in the Dominican Republic, about 12 percent.

The significance of this study for trade policy is that it provides an empirical underpinning for the thesis that lower labor standards for EPZs could be viewed as an indirect export subsidy. If the GATT Subsidy Code is broadened to include government actions on a "benefit to recipient" standard or actions that are "off-budget," a good case could be made that any exemption of EPZs from otherwise applicable labor laws or regulatory practices should be subject to international discipline.

— Steve Charnovitz

UNITED STATES

Effects of the Deficit

US Congressional Budget Office
The Federal Deficit: Does it Measure the Government Effect on National Saving?

CBO, Second and D Streets SW, Washington, DC 20515.

In the decade 1980–89, the federal deficit absorbed 4.3 percent of the net national product of the United States. That was more than two—thirds of net private saving (6.2 percent of NNP). Even with the help of a state and local government surplus of 1.4 percent and capital imports (foreign saving) of 1.8 percent, only 5.1 percent of NNP was available for net domestic investment. That figure compares to close to 8 percent in the three preceding decades, when the federal deficit averaged less than 1 percent of NNP.

These stark facts presented by the Congressional Budget Office clarify the federal

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