

EDITORIAL/OPINION

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Promoting World Labor Rules

By STEVE CHARNOVITZ

At the commencement of the Uruguay Round in 1986, the Reagan administration attempted to add worker rights to the agenda. That effort failed. All the United States could obtain was a statement by Uruguay's foreign minister that worker rights was an issue "on which a consensus to negotiate could not be reached at this time."

Eight years later, as the Round came to fruition, the Clinton administration tried to obtain a working party to discuss the linkage between labor standards and trade. That effort failed, too. All the United States could obtain was a statement by GATT Director General Peter Sutherland that the topic of labor standards could be discussed by the preparatory committee for the new World Trade Organization (WTO).

Looking back over the past eight years, it is easy to conclude that no progress is being made on recognizing the link between labor standards and world trade. Some people may find this inaction comforting. But many others recognize that better international rules are needed.

The Clinton administration should pursue a new approach to break the deadlock.

The idea that international competition necessitates some minimal rules on labor standards goes back well over a century. There were multilateral treaties on labor standards long before there were multilateral treaties on trade relations. The drive for labor cooperation led to the establishment of the International Labor Organization (ILO) in 1919. It was the only institution created by the Treaty of Versailles that the United States ever joined.

When the U.N. Conference on Trade and Employment designed the International Trade Organization in 1948, the governments agreed to a social clause calling for fair labor standards. But the demise of the organization vitiated this clause.

The only mention of the issue in the GATT is the provision allowing countries to use unilateral trade restrictions against products made with prison labor.

There has been a long-running debate as to whether trade rules on

labor would help or hurt the cause of trade liberalization. The potential for protectionist abuse is obvious. But the case for linkage is strong. By addressing egregious labor practices, free traders can respond to anti-trade sentiments couched in moral or equity terms.

William E. Brock, who was U.S. trade representative and secretary of Labor during the Reagan administration, put it well. "Those countries that are flooding world markets with goods made by children, or by workers who can't form free trade unions . . . are doing more harm to the principle of free and fair trade than any protectionist group I can think of," he said.

The Clinton administration seems to have the right motive for incorporating labor into international trade rules. U.S. Trade Representative Mickey Kantor is not seeking standards on wage adequacy. (He would help himself by being clearer on this point.) Mr. Kantor also has substituted the term "labor standards" for "worker rights." The latter term was unnecessarily dogmatic.

The international business community would like to raise labor standards. But no company can afford to be much more altruistic than

its competitors. Business groups are voicing strong doubts about Mr. Kantor's efforts in part because the administration has not clearly articulated how labor issues fit into its overall international economic policy.

Competition among governments as to how to regulate markets is almost always a good thing. Among its many virtues, free trade is beneficial because it exposes domestic producers to foreign competitors who may enjoy smarter government.

Nevertheless, there are some government policies that are beyond the pale. While granting export subsidies, indifference to copyrights or trademarks and reliance on forced labor can provide competitive advantages, the trading system rejects their legitimacy. Importing nations are permitted to resist such practices.

The debate over labor standards in trade boils down to a few simple questions. Are there government policies, such as a tolerance for child labor, that should be covered under international rules? Does increasing economic interdependence imply a need for greater harmonization of social regulation?

The advent of the World Trade Organization provides an opportunity for a bold new approach to international labor standards. The WTO and the ILO should start working together. (The fact that the two headquarters buildings are only a mile apart will facilitate such interchange.)

The two organizations should develop a code of basic labor standards that can serve as a floor for international commerce. To demonstrate the sincerity of their motives, industrial countries should declare an eight-year moratorium on any enforcement of such standards through trade restrictions. Such a moratorium should cover unilateral (e.g., Section 301) measures as well as WTO dispute procedures.

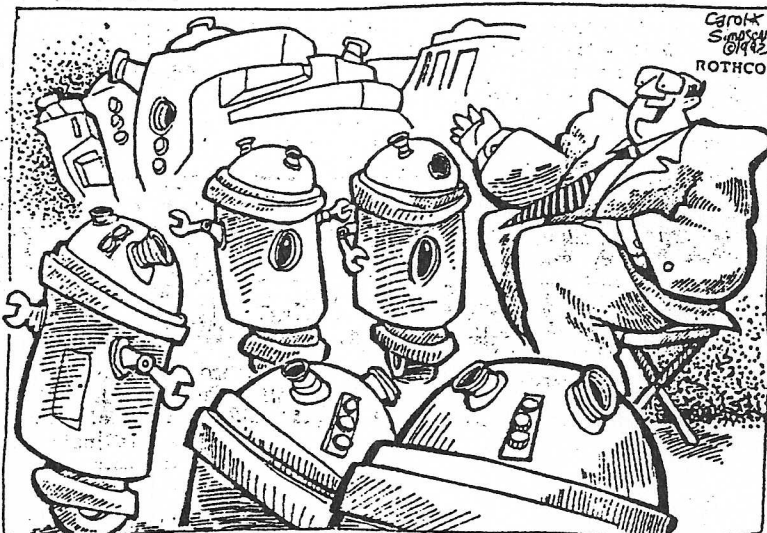
There are not many social problems that can be ameliorated by trade restrictions. Ideally, the new labor code would be honored, so that the difficult questions of trade enforcement would never have to be addressed.

While promulgation of a code by the WTO would be constructive, that alone is not sufficient. The ILO needs to improve the effectiveness of its monitoring and technical assistance programs. Unfair labor conditions have become a trade problem because the ILO is losing the fight against slave labor, child labor and export processing zones that restrict trade unions.

The ILO could also be used more creatively to coordinate global efforts in combating unemployment. With its unique tripartite structure — it has business, labor, and government delegates — the ILO is well suited to tackle structural problems like inefficient labor regulations, high payroll taxes and low-quality vocational training. By reducing unemployment, nations will be better placed to lower trade barriers.

The issue of fair labor standards is not going to go away. If approached in a positive manner, a new multilateral initiative could do a world of good.

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