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THE LABOR-TRADE LINK

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The effort to bring labor issues into the domain of trade negotiations has a long history. Initially, in the period after World War II, U.S. labor unions recognized that wages were necessarily lower in developing countries than in the United States, and the thrust of the effort was to impede imports from producers whose wages were lower than average in the exporting country. The effects of these efforts were negligible.

The nature of the effort changed after NAFTA was negotiated. Once again, economic logic made it hard to insist that wages in Mexico must be raised across-the-board, and the target instead emphasized satisfactory working conditions and core labor rights. These core rights are freedom of association and collective bargaining, elimination of exploitative child labor, prohibition of forced labor, and nondiscrimination in employment. These are embodied in conventions agreed to in the International Labor Organization (ILO), which for the most part, the United States has not ratified.

The reason for linking labor issues and trade negotiations, as articulated by those who favor this, is that this provides leverage-the ability to punish when agreed standards are breached. It is unclear who would make punishment decisions, whether the importing country, as is done for antidumping duties, or a panel of experts, as is the practice for resolving other disputes in the World Trade Organization (WTO). The ILO as now constituted offers the ability to publicize violations of core labor standards but not to impose import restrictions.

The foregoing simple description of the position of U.S. labor unions makes it evident why it has attracted no support in developing countries. The motive is to punish, to turn back exports from developing countries under guidelines that will be nearly impossible to devise. Developing countries believe they are now disadvantaged in the WTO from the long-standing industrial country restrictions on textile and apparel imports, the use by rich countries of export and producer subsidies in agriculture, and the highly restrictive operation of U.S. antidumping procedures. One concern is that labor sanctions will work more or less like antidumping sanctions now work and that the mere lodging of a complaint will almost always lead to a restriction against imports. The targets in the labor area will be developing countries.

Despite these misgivings by developing countries, the United States reportedly came close in Seattle to establishing a working group on trade and labor. The effort collapsed when President Clinton told a Seattle newspaper that he expected the end result of the working group to be a system of trade sanctions against countries violating the agreed standards. This was implicit from the outset, else why use the WTO, but there was no escape from the reality that this was official U.S. thinking when President Clinton made it explicit. It will be difficult, probably impossible, to recover from this setback to the U.S. stance.

The rationale put forward by U.S. labor unions, their supporters in Congress, and the administration is not that they seek import restrictions, but rather that freer trade requires more protection for workers in developing countries. Some U.S. supporters of the trade-labor linkage may believe this, but the argument has no credibility in developing countries. The prevalent view in these countries is that the United States seeks to protect labor-as long as it is American.

Two verifications of this point can be cited. President Ernesto Zedillo of Mexico, in a speech before the World Economic Forum in Davos on January 28, 2000, stated that proponents of global, homogeneous labor standards imposed as a precondition for additional trade liberalization "overlook the fact that for most people in developing countries who work in trade-related activities, their jobs mean a significant improvement with respect to their previous occupations." *The Wall Street Journal,* in a front-page article on February 28 of this year, reported on a U.S. offer to Cambodia to increase its quota for apparel exports to the United States in exchange for Cambodian actions to improve domestic wages and working conditions. If the article is correct, the Cambodians lived up to their part of the bargain, but the United States did not.

Most of the preceding argumentation is irrelevant in the current trade policy context in the United States. The labor unions and their supporters assert that low wages and unsatisfactory working conditions in developing countries disadvantage competing U.S. workers. The evidence that low labor standards give countries a competitive export advantage is questionable, according to a study by the Organization for Economic Cooperation and Development. The U.S. export community has been unwilling to accept legislation that imposes trade penalties on countries for violations of whatever labor standards are adopted by the United States. It is now apparent that such standards will not be accepted internationally in the WTO. The two sides now talk past each other. Yet, this unjoined debate is preventing passage of fast-track legislation that would permit the United States to be a full participant in either the negotiations for a Free Trade Area of the Americas or a new multilateral round in the WTO. Whatever the intent, protectionism prevails.

For those who believe that the free flow of goods and services among nations benefits both global and national welfare, the task is to figure out techniques that will let trade flourish while not prejudicing the majority of workers in developed and developing countries. The two main political parties have made no progress in this task, and the two minor party candidates, Pat Buchanan and Ralph Nader, despite their vastly different ideologies on social issues, both take positions that would result in reducing imports from developing countries.

One technique worth exploring is to set up a mechanism under which complaints about violations of labor standards would be examined not by the WTO, but by panelists from the countries involved in the dispute, with a neutral expert as chairperson. Complaints would be limited to violations of core labor standards. If a violation were found, then a monetary fine would be levied against the violating company. For reasons of sovereignty, it may be necessary to fine the offending country, but with the understanding that this would be passed on to the company. The fine would go into the treasury of the country where the violation was committed for use in future domestic monitoring of labor conditions.

This suggestion is made in order to avoid trade sanctions because it is now clear that these will not be accepted by developing countries. Using the fines at home to improve working conditions has the merit of not punishing a country for the actions of some of its corporations. The right to bring a complaint should not be exclusively industrial country against developing country, but any combination in any direction. The procedure could be supervised by the ILO, thereby removing two impediments: tying labor sanctions to trade negotiations; and giving some bite to the ILO in its monitoring of labor standard violations.

Will this technique work? I don't know. It will not work if the objective of supporters of the trade-labor link is to prevent further trade liberalization. What we do know is that nothing else has worked so far to eliminate an arid debate on linking trade and labor issues-with the result that progress in further freeing of trade has been stymied.