Global Inequalities at Work

Work's Impact on the Health of Individuals, Families, and Societies

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The Role Global Labor Standards Could Play in Addressing Basic Needs

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The scene could be Seattle in 1999, Prague in 2000, or Genoa in 2001: Dark-suited government functionaries and helmeted police confront weirdly attired young protesters chanting "Hey, hey, ho, ho, globalization has got to go." The functionaries huddle behind closed doors to discuss the need for multilateral trade agreements monitored by international organizations run by fellow functionaries. The protestors outside demand protection for workers and the environment equal to that provided to investors and intellectual property rights owners.

The battle between the proponents of unfettered globalization and the proponents of globalization with standards to protect labor and the environment has replaced the struggle between communism and capitalism over the best way to deliver the benefits of modern production to people around the globe. On the side of expanded globalization, many economists, international organizations, and developing country governments believe that free trade of goods and services and foreign investment promote the growth of less developed countries, and they fear that labor and environmental standards will undermine their competitiveness in global markets. The critics see global standards as a scheme to lower the comparative advantage of poor countries, and they believe that trade sanctions to enforce standards are protectionism in disguise.

Embracing an alternative vision of globalization, many nongovernmental organizations and human rights activists, as well as most trade unions, believe that unencumbered free trade increases income inequality and creates a race to the bottom for workers worldwide. Many of these groups, particularly from developed countries, want trade agreements that include global labor standards and trade sanctions to enforce them. Nongovernmental organizations and unions from developing countries are often in the middle of this debate, favoring higher standards in their own countries but opposing the linking of those standards to trade for fear that their exports, and therefore jobs, will suffer.

Who is right? Which is the road to economic progress in less developed countries: free trade or global labor standards? What practical steps can the world community take to improve labor standards without harming trade with less developed countries?

We argue that the globalization–labor standards debate has posed the problem of standards and trade incorrectly. Free trade and labor standards are complementary, rather than competitive, ways to raise living conditions in less developed countries. They are political complements because neither can advance far without the other. They are policy complements because global integration directs attention to labor conditions in poor countries, and this attention creates consumer demands for global labor standards to improve conditions. This, in turn, gives multinational corporations an incentive to go beyond legally mandated minimum standards in their overseas operations. Furthermore, improved labor standards can increase the benefits of free trade to less developed countries' workers and can expand the constituency for free trade in developed economies. By contrast, ignoring labor standards guarantees continued confrontation between adherents of free trade and adherents of global standards that could block future trade agreements and wider sharing of the benefits of trade. The central problem with standards in less developed countries is not that standards depress trade but that institutional weaknesses make it difficult to enforce or deliver decent working conditions in low-income and nondemocratic or marginally democratic countries.

Our argument proceeds in three parts. The first section of this chapter describes the labor standards at the heart of the debate; the rationale for global rather then local standards; and the conditions under which standards improve or worsen economic well-being in less developed countries. The second section provides evidence on the economic effects of standards and trade and their interconnection. The third section highlights the problem of delivering standards in less developed countries and argues for an increased role for global institutions, as well as a major effort to improve standards in export processing zones (areas of countries designed to produce for the global market, with various tariff and other concessions), to demonstrate the positive effects of globalization on the well-being of workers in less developed countries.

Defining Global Core Labor Standards

The starting point for the debate over labor standards and globalization is often whether there are any standards, other than the prohibition of slavery, that are universally accepted. Those who say no argue that all other labor market regulations must depend on a country's local preferences and level of development—what it can afford (Bhagwati, 1995; Srinivasan, 1994). Those who say yes argue that additional labor standards should be regarded as fundamental because they are basic human rights or because they are essential to a well-functioning labor market. But there are still disagreements as to which particular standards should be in the *core* (Freeman, 1996; OECD, 1995; Portes, 1994).

As a matter of policy priority, the world community has endorsed four standards as core at this time. From 1998, *all* 175 International Labor Organization (ILO) member governments and their labor and employer constituents were committed to promoting four objectives as defined in the "Declaration on Fundamental Principles and Rights at Work":

- Freedom from forced labor
- Nondiscrimination in the workplace
- The "effective abolition" of child labor
- Freedom of association and the right to organize and bargain collectively

No one today questions the *prohibition of slavery and coerced labor*, but it is important to recall that slavery was an accepted practice in the ancient world and in the U.S. South prior to the Civil War.[1] Chattel slavery persists in the world today only in a few isolated pockets, mainly in sub-Saharan Africa. However, the poorest and most vulnerable people continue to be exploited by other forms of coerced labor, particularly in South Asia, and the struggle to eliminate it in practice continues (ILO, 2001).

Nondiscrimination is a recent addition to the menu of labor standards. Not long ago, firms frequently said that they would not hire women or minorities because of their gender or ethnicity. The fact that nondiscrimination has become a core standard about which there is little controversy in principle (save possibly on sexual preference) indicates how rapidly yesterday's radical opinions can become today's norms. Even more than with forced labor, however, translating principle into practice in eliminating discrimination has a long way to go in most countries (World Bank, 2001).

Because *child labor* is overwhelmingly the product of poverty, it is in practice a very nuanced standard. Many families and children in poor countries rely on the labor of children for survival. Recognizing this, ILO members in 1999 approved Convention 182, which calls on countries to take "immediate and effective measures to secure the prohibition and elimination of the *worst forms* [emphasis added] of child labor," including forced labor, labor linked to illicit activities such as prostitution and drug trafficking, and "work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children" (www.ilo.org). By early 2002, 117 countries had ratified Convention 182, putting it well on its way to the goal of universal ratification by 2003.[2]

The freedom of association and right to collective bargaining standard is the most controversial because it increases the power of workers relative to the state or capital. Unlike most voluntary organizations, trade unions can gain sufficient independent political and economic power to threaten nondemocratic or semidemocratic regimes, to shift the distribution of income, and to alter authority relations at workplaces and in society more broadly.

The core standards relate to the rules that govern labor market transactions broadly and are thus comparable to rules in product markets that allow capitalist economies to function—protection of property rights, freedom of transactions. Core standards also empower workers to negotiate other standards with employers and to arrive at an outcome that best serves their interests.

Many other labor protections and benefits are called *cash standards*, because they mandate particular outcomes that raise labor costs. The division between core and cash standards is, to be sure, a fuzzy one, since all standards have components of cost and moral standing. The core standard of freedom of association, for instance, often raises the cost of labor as unions negotiate higher wages. Cash standards are not, moreover, less important than core standards in human well-being. Occupational health and safety standards that protect life and limb could be more important than nondiscrimination. Better to be alive and healthy and facing some discrimination than to suffer from an awful occupational injury or death. We argue that the differentiation between core and cash issues is especially valuable, however, in assessing standards in a global economy.

Global or Local Labor Standards?

At the global level, we contend that the key difference between core and cash standards is that the core standards can be applied universally, regardless of a country's economic situation or development status. While the principles and specific conventions underlying core standards allow countries latitude in choosing how to implement them in ways that fit with local needs and customs, the goal is universal ratification. Cash standards cannot readily be applied globally because, by definition, they mandate outcomes that typically vary with the ability to pay—by country and often by sector.

On the side of the debate against any core global standards, many proponents of unencumbered globalism argue that diversity in standards is a legitimate source of comparative advantage and that, slavery aside, each country should determine its own standards based on local conditions and preferences. In their view, universally applied standards risk driving up labor costs in less developed countries and undercutting their comparative advantage in labor-intensive commodities. Many believe this is in fact the intention of unions in developed countries that lobby for a "social clause" in trade agreements (Bhagwati, 1995; Brown, Deardorf, and Stern, 1996; Srinivasan, 1994).

If the world consisted solely of democracies, the argument against global labor standards would carry substantially more weight. However, authoritarian regimes rule many countries, a fact that makes their choice of standards problematic at best, particularly when almost all such regimes prevent freedom of association.[3] The workers whom standards are designed to protect have little or no say in their determination. If the world community insisted on specific ways to implement core standards, the diversity argument might again have weight. But the focus of the core standards is on

the fundamental *principles* of working, not on the specifics of the regulations. Even the detailed obligations of the ILO conventions allow for a great deal of flexibility in implementation and diversity among countries. The parallel is with rules about protection of property and transactions, which all capitalist countries need in order to function but which vary in numerous ways, depending on legal traditions and national histories.

Finally, to the extent that there are pressures for a "race to the bottom from the bottom" (Chau and Kanbur, 2000), in which some less developed countries find advantages in increased coercion of workers, child labor, and discrimination, global standards place an identifiable floor on that process. Global standards can help less developed countries overcome problems associated with being a "*first mover*" in improving standards and suffering competitive losses due to higher associated costs.

Public Attitudes toward Labor Standards

The vast majority of the public in the United States, the United Kingdom, and, we would surmise, many other countries support global labor standards.[4] Here we review two public opinion polls: (*1*) a 1999 survey of almost 2000 Americans by the University of Maryland's Program on International Policy Attitudes, which asked people their views about labor standards in less developed countries and trade policy, and (*2*) a 1997 Catholic Agency for Overseas Development (CAFOD) survey of consumers in the United Kingdom that asked about the factors that influence purchasing decisions.

In one section of the survey, the Program on International Policy Attitudes presented people with arguments for and against labor standards and asked whether they agreed or disagreed. Seventy-four percent said that they agreed with the argument that "countries who do not maintain minimum standards for working conditions have an unfair advantage because they can exploit workers and produce goods for less." Eighty-three percent agreed that countries should have to meet minimum standards "because it is immoral for workers to be subject to harsh and unsafe conditions in the workplace." By contrast, only 37% accepted the argument that requiring countries to raise their standards would "force some companies to eliminate the jobs of poor people who desperately need the work." And just 41% agreed that "it is up to each country to set its own standards . . . [and] the international community should not intrude by trying to dictate what each country should do within its borders" (University of Maryland, 2000, 22).

These figures show that most respondents found convincing arguments for minimum labor standards, whereas far fewer accepted the arguments against standards. But respondents did not blindly accept all standards, nor were the distinctions they drew entirely in line with the core versus cash standards dichotomy. They recognized the potential problems in global wage standards, with more than 80% realizing that workers in foreign countries could not expect to earn U.S.

labor was common, but many more were concerned about safe working conditions than about the right to unionize.

Finally, considering standards and trade, 90% of respondents in the University of Maryland survey said that "free trade is an important goal for the United States, but it should be balanced with other goals, such as protecting workers, the environment, and human rights—even if this may mean slowing the growth of trade and the economy." Even more striking was the near unanimity (93%) that "countries that are part of international trade agreements should be required to maintain minimum standards for working conditions."

The British survey showed a similar pattern. When prompted, 42% of British consumers surveyed said that they would take into account whether people "worked in an environment that did not affect their health" when buying a product from a developing country; and when prompted on wages, 44% felt workers should be "paid enough to live on." Overall, child labor and safe working conditions were second and third behind only quality as issues these consumers reported taking into account when buying products from developing countries, and 92% of the respondents thought British companies should have to abide by minimum agreed-upon labor standards for their workers in developing countries (Tallontire, Rentsendorj, and Blowfield, 2001, 11).

With massive popular support for standards and with 175 countries agreeing on the ILO definition of core standards, one might imagine that the advocates of global labor standards had won the debate. But the business community, most governments of less developed countries and many trade economists remain skeptical about whether globally enforced standards can improve economic well-being in less developed countries or whether they will simply reduce trade and rates of economic growth. Moreover, signing on to core standards does not mean enforcing standards, so that the battle continues in another way: over how much resources and effort to give to enforcement.

Can Standards Improve Economic Well-being?

The argument over whether any nonmarket intervention can improve well-being is a perennial one in economics. Some economists regard markets as nearly perfect and governments or other social institutions as fallible. They argue that labor standards are unnecessary because a perfectly functioning labor market will produce the best of all possible worlds. For example, Martin and Maskus (1999, 7) argue that "in a competitive market in which employers possessed accurate information about worker productivity, it is difficult to envisage how [gender] discrimination could be maintained for long." Economists of this bent usually oppose trade unions for fear that collective bargaining will drive wages above market levels, reducing employment. They stress that in developing countries, unions exacerbate economic inequalities as well, because membership is concentrated in the relatively high-wage modern sector (Srinivasan, 1994).

On the other side, economists who regard markets as fallible and governments and social institutions as agents of democracy argue that standards can improve outcomes. In this framework, unions elected by workers have "*collective voice*" effects—which can improve productivity—and these effects often dominate their monopolistic tendencies—which raise wages (Freeman, 1993; Stiglitz, 2000). These economists also note that standards can resolve market imperfections, particularly when workers suffer from a lack of information about such things as health hazards. They favor unions to improve labor's bargaining power and to give workers a voice in national debates over policy priorities and reforms (Freeman, 1993; Rodrik, 1999; Sen, 1999; Stiglitz, 2000). These economists suggest three tests of how *global* standards affect workers in low-wage countries: (*1*) whether the standards increase spending on less developed countries' products by reassuring consumers that goods are produced under decent conditions (Elliott and Freeman, 2003b), (*2*) whether the standards alter terms of trade in favor of less developed countries' goods (Brown, Deardorff, and Stern, 1996), and (*3*) whether standards help firms and governments in less developed countries avoid a race to the bottom among themselves (Chau and Kanbur, 2000).

Evidence on the Economic Effects of Standards and Globalization

The most telling argument against labor standards is that they undermine developing countries' comparative advantage in world markets, cutting off a major route to economic growth. Alternatively, low labor standards might give a country a competitive edge in a particular low-wage sector, such as apparel, but might not affect its overall comparative advantage or might even discourage movement into higher-skill, "better" sectors. The extent to which standards affect competitiveness depends on the degree to which standards are violated in traded goods sectors *relative* to domestic production, plus the costs of bringing conditions up to standards.

Violations of Labor Standards in Less Developed Countries

Forced labor appears to be rare, particularly in export industries. The International Confederation of Free Trade Unions (ICFTU) reviewed labor practices in 51 countries and found little or no evidence of forced labor in 32 of them. In the countries where the ICFTU found forced labor, moreover, it was typically bonded or child labor in domestic services or rural areas, not in the traded goods sector. The ILO (2001) has similarly concluded that the most common forms are typically not linked to trade. Still, forced labor has been discovered in exporting activities. According to the *New York Times* (March 1, 2001), one recent case involved Chinese exports of binder clips that were assembled by female prison laborers working long hours with no pay. The

ILO report also contained details about forced labor by Haitian migrant workers in the Dominican Republic's sugarcane industry, the output of which is exported largely to the United States.

Child labor is also more common in agriculture and domestic services than in export industries and is also strongly correlated with poverty. Still, there are export sectors where child labor has contributed to production: rugs, soccer balls, and some plantation agriculture, most recently cocoa, have gained the most notoriety. One researcher regressed the proportion of textiles and apparel in total exports on various proxies for labor standards compliance and found that more child labor is associated with higher exports of such labor-intensive goods (Rodrik, 1996). However, a similar analysis by Morici and Schulz (2001) did not reveal a statistically significant link between child labor and textile exports when an indicator of respect for union rights was included.

By contrast, workplace *discrimination* against women or ethnic groups is found in most countries to some degree. Whether discrimination increases or decreases trade depends on whether discrimination is more intense in traded goods than in other sectors. Discrimination in traded goods, for example in an export sector, reduces the effective labor supply to that sector and thus lowers production and exports (Maskus, 1997). In this case, adherence to an antidiscrimination standard would increase exports and trade. By contrast, if discrimination is more intense in the non–traded goods sector, it will increase the relative supply of labor to traded goods and thus increase trade, so that adherence to nondiscrimination would reduce trade.

In many poor countries discrimination discourages female employment, except in the garment industry. For example, in the apparel industry in Bangladesh, young women are overrepresented in sewing jobs and underrepresented in more skilled jobs in apparel factories and in all other sectors of the economy. Manufacturers reportedly prefer to employ women in sewing jobs because they are more docile, less likely to join unions, and more likely to accept lower wages, in part due to discrimination in other sectors (Paul-Majumder and Begum, 2000). The result is an increased supply of female workers in the apparel sector, which tends to lower prices and increase production and exports of clothing relative to what would hold true otherwise. In short, discrimination outside of the export sector benefits consumers of export goods at the expense of discriminated groups.[5]

Finally, many governments and employers seek to prevent workers from unionizing by restricting *freedom of association*. In some cases, the motivation is political; in other cases, it is the fear that unions will raise costs and deter investment. Bangladeshi government officials, employers, and foreign investors have resisted ILO and U.S. pressures to allow unions into their nation's export processing zones by arguing that unions would deter investment and lower exports. Indeed, unionization rates are frequently lower in export processing zones than in the rest of the economy (ILO, 1998; U.S. Department of Labor, 1989–90), due in part to government restrictions that discourage union organizing in export processing zones.[6]

Table 12–1 summarizes empirical evidence on the relationship between labor standards and trade and foreign investment.[7] In a cross section of 45 developing countries, Mah (1997) found negative associations between total exports as a share of gross domestic product (GDP) and dummy variables indicating whether or not core ILO conventions have been ratified, but he failed to control for any other potential explanatory variables. By contrast, Rodrik (1996) included other variables and found no statistically significant relationship between convention ratification and exports of textile and apparel by less developed countries. Ratification, however, is not a particularly good proxy for enforcement of labor standards. In 77 countries, Morici and Schulz (2001) used the Organization for Economic Cooperation and Development (OECD) (2000) qualitative index of respect for union rights and found that union rights are significantly and negatively correlated with higher exports of textiles and apparel. However, the addition of a variable measuring the difference between male and female illiteracy, as a proxy for discrimination, weakens this result substantially, suggesting that it could reflect other factors correlated with unionism.[8]

Going beyond competitiveness, Palley (1999) found a strong positive relationship between improvements in labor standards and subsequent economic growth in 15 developing countries from various regions.[9] Rama (2001), however, found a negative correlation between union density and growth in a sample of Latin American countries. Reviewing the economic effects of unions more broadly, a World Bank study concluded that unions had different effects on the economy, depending on local conditions, including institutional and legal arrangements and the competitive environment (Aidt and Tzannatos, 2002). When product markets are competitive (as is likely with free trade), unions have limited scope for raising wages. When product markets are monopolized and there is little transparency or accountability, unions often behave as firms do in such an environment—by lobbying, pressuring, and fighting to retain a share of the monopoly profits for themselves. But the problem lies not with the union or firm but with the noncompetitive market structure.

More broadly, we find it implausible that unions can make countries noncompetitive or undo their comparative advantage except in very peculiar situations. Unions do not set wages; they bargain with employers and are fully aware of the employment consequences of their bargaining. Adherents to the unfettered globalization point of view also fear, however, that unions might make it politically difficult to undertake the economic reforms that the international financial community believes are necessary for economies to function well. In fact, unions are often in the forefront of protests against International Monetary Fund (IMF) or World Bank stabilization and structural reform programs. But suppressing union activity does not guarantee that reforms will follow or, if enacted, will succeed. It is more likely to guarantee that workers, who typically bear a large share of the adjustment burden, will have no place in political debates over economic reform and thus no stake in their success. Rama and Tabellini (1995) have suggested that reforms should focus on the product market, which will lead to complementary adjustments in labor markets. When reforms

Table 12–1. Empirical Evidence on Labor Standards and Comparative Advantage

Source and sample period	Countries	Dependent variable	Independent variables	Statistically significant variables
Mah (1997)	45 developing countries	Exports/GDP	*Dummy variables indicating ratification of ILO conventions:*	
			Freedom of association (87)	Negative
			Organizing, bargaining (98)	Weakly negative
			Forced labor (29)	
			Abolition of forced labor (105)	
			Nondiscrimination (111)	Strongly negative
			Real interest rate	
Rodrik (1996) 1985–88	All countries reporting data	Labor cost per worker	Per capita income	Strongly positive
			No. of ILO conventions ratified	Positive
			No. of core conventions ratified	Positive
			Child labor incidence index	Strongly negative
			FH democracy indicator (with 1 = strong democracy)	Positive
Rodrik (1996) 1985–88	Same as above	Textile and apparel exports as share of total exports	Population/land	Positive
			Average years of schooling	Negative
			No. of ILO conventions ratified	
			No. of core conventions ratified	
			Child labor incidence index	
			FH democracy indicator	
			Statutory hours worked	Positive
			Union density	
			Paid vacation (days)	
Rodrik (1996) 1985–88	Sample countries with per capita GDP < US$6000, 1985	Same as above	Population/land	Positive
			Average years of schooling	Negative
			Child labor incidence index	Weakly positive
			Statutory hours worked	Positive
			All others same as above and insignificant	
Rodrik (1996) 1985–88	All countries reporting data	U.S. foreign direct investment/capital stock	Population	Strongly negative
			Black market forex premium	Weakly negative
			Income growth	Strongly positive
			FH democracy indicator	Strongly positive
			Child labor incidence index	Negative
			No. of ILO conventions ratified	
			No. of core conventions ratified	
Morici and Schulz (2001) 1990–94	Countries in OECD (2000) sample with consistent data	Labor cost per worker	Value added per worker	Strongly positive
			OECD index of union rights (1 = best to 4 = worst)	Strongly negative
			Child labor index (Rodrik)	Weakly negative
			Child labor (%)	Weakly negative
Morici and Schulz (2001) 1990–94	Same as above	Exports of textiles, apparel to OECD as share of all exports to OECD	Labor cost per worker	Negative
			OECD index of union rights (1 = best to 4 = worst)	Strongly positive
			Child labor index (Rodrik)	
			Child labor (%)	
Morici and Schulz (2001) 1990–94	Same as above	US FDI/capital stock	GNP	Strongly positive
			OECD index of union rights	Weakly negative
			Child labor index (Rodrik)	
			FH democracy indicator	Weakly positive
			Black market forex premium	

Source: Adapted and updated from Brown (2000).
Variables related to labor standards are in boldface type.
FH = Freedom House

improve the operation of an economy to the detriment of a small group of unionized workers, the governments of less developed countries should mobilize other constituencies that would benefit from the proposed economic reforms (Forteza and Rama, 2000) or try to compensate the affected workers rather than repressing freedom of association.

In sum, empirical studies conducted thus far suggest a negative but not robust correlation between labor standards and labor-intensive exports, and reject the notion that standards impede growth or development more broadly. Moreover, because most studies have measured standards by nominal adherence rather than measured enforcement, and because the analyses have been based on crude cross-country regression models, all of the evidence is weak. Indeed, we doubt the key proposition of these studies—namely, that adherence to core labor standards raises company costs enough to affect exports or growth (Freeman, 1996). When the United States passed its antidiscrimination legislation and developed affirmative action policies in the 1970s, some economists feared that such steps would raise costs and lower efficiency. The evidence, however, has been to the contrary.

Similarly, while child labor and forced labor can lead to lower costs and contribute to increased output (and exports) of low-skill, low-wage goods in the short run, such policies have their own economic problems. Child labor inhibits the accumulation of human capital. And forced labor so violates human rights that producers using it risk loss of markets once consumers find out about its existence. A recent World Bank (2001) study on gender equality suggested that while discrimination may boost labor-intensive exports, it negatively affects well-being and impedes development overall. Many countries, such as the Philippines and the Dominican Republic, are also finding that labor unrest increases when workers have no voice in their working arrangements and that labor force instability, in turn, deters foreign investment and can cause time-sensitive foreign buyers, including apparel firms, to turn elsewhere (ILO, 1998).

Trade, Growth, and Inequality

Proponents of unfettered globalization hold that globalization is an important—some say the most important—contributor to economic growth and that it benefits the bulk of the population (Dollar and Kraay, 2001; Frankel and Romer, 1999; Srinivasan and Bhagwati, 1999). Removing trade barriers leads to a more efficient allocation of resources. The result is a higher level of output but not necessarily a higher rate of growth of output, which is the key to economic development. Trade affects growth *rates* only if it increases the growth rate of labor or human or other capital (physical or financial), or if it spurs technological innovations that increase productivity (Rodrik, 1999; Srinivasan and Bhagwati, 1999).

Many empirical studies have shown that the level of trade is positively related to economic growth but they have not shown that the linkage runs from trade to growth

rather than the converse, or that particular trade policies result in faster growth. Some analysts believe trade and growth are causally linked (Bhagwati, 1995; Dollar and Kraay, 2001; Srinivasan, 1994). Others are more skeptical and stress the need for institutions that protect property, support individual and collective activities in the market, and reduce social conflict (Rodriguez and Rodrik, 2001). It is not lack of trade that has made Africa a development disaster but lack of stable democratic governance that protects property and lives (Freeman and Lindauer, 1999).

But even if the proponents of unfettered globalization are correct and trade and particular trade policies improve growth rates, the majority of workers may not gain. In theory, low-paid workers in less developed countries gain from trade, while higher-paid workers lose, thus reducing the inequality. But there is a disturbing body of evidence that trade, and particularly foreign investment, increase rather than decrease inequality. Latin American countries that have reduced their trade barriers have shown increases in income inequality, though trade liberalization was invariably part of a package of economic reforms, making it hard to isolate its distinct impact (Green, Dickerson, and Arbache, 2000 [on Brazil]; Harrison and Hanson, 1999; Revenga, 1995; Robbins, 1994 [on Chile]; Robbins and Gindling, 1999 [on Costa Rica]; Robertson, 2000 [on Mexico]). By contrast, South Korea and some other emerging markets that have grown through trade have seen income inequalities fall. In their analysis, Dollar and Kraay (2001) found that, in general, the poor have gained proportionately from growth and trade, but that two of the most prominent globalizers in recent years, Chile and China, have had large increases in inequality (Dollar and Kraay, 2001; Rodrik, 1999). More broadly, among 23 globalizers identified by Dollar and Kraay, 10 had seen increased inequality, 9 had seen increased equality, and 4 had little or no change.

In sum, the effects of globalization on the distribution of income vary across countries. One implication is that just as freer trade can reduce the potentially negative effects of unions on the economy, unions and the other core labor standards can ameliorate the potentially negative effects of globalization on income distribution. Trade and standards working together can produce better outcomes than either can singly.

Openness and Standards as Complements

The link between trade and labor standards is not new (Charnovitz, 1987). The ILO, according to the preamble of its constitution, was created after World War I because its founders believed that "universal and lasting peace can be established only if it is based upon social justice" and that "the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries." Efforts after World War II to build an international economic system that would promote peace as well as prosperity addressed similar issues.

However, the planned International Trade Organization failed because of strong congressional opposition in the United States and only lukewarm support in the rest of the world. The more limited General Agreement on Tariffs and Trade, which survived because it did not require U.S. Senate ratification, included only a single labor provision, permitting countries to ban goods produced with prison labor. Nevertheless, developed countries have steadily improved their labor standards and social protections. Indeed, Rodrik (1997) argues that an expanding social safety net, thus far mainly in richer countries, has gone hand in hand with increased trade in order to reduce the risks associated with increased openness. And, as a recent OECD (2000) study showed, some poor countries have been better at protecting freedom of association than others at similar income levels. For example, even though they have similar (low) levels of income, Egypt is in the OECD's worst category for freedom of association, and has much higher rates of child labor and female illiteracy than Suriname, which is in the OECD's best category for freedom of association (OECD, 2000, 28). The feared race to the bottom has not inevitably occurred, even as trade has exploded.

We view the historical pattern of trade and labor standards improving together not as an aberration but as supporting the notion that they are indeed complements. Consistent with our view, an OECD study (1996, 109–12) of the interactions between the development of trade and labor standards across countries showed a generally positive relation. The authors looked at trade liberalization in 44 countries from 1980 to 1994 to see whether there had been any pattern in the sequencing of reforms, as well as changes in freedom of association and bargaining rights. They found no clear pattern between trade reform and subsequent changes in labor standards; but they noted that by the mid-1990s, the relatively more open countries had better standards, while the most restrictive trade regimes had been more likely to repress freedom of association. Excluding six countries with insufficient information on labor rights, trade reforms had in no cases been followed by a worsening of labor rights, and in no cases had improved labor rights impeded trade reform. Thus, they concluded that there is a "mutually supportive relationship between successfully sustained trade reforms and improvements in association and bargaining rights" (ibid., 112). In a similar vein, Rodrik (1999; 2000, 1) has argued that lowering trade barriers reduces opportunities for corruption and "creates a new set of stakeholders while disenfranchising the previous ones." Among those new stakeholders are workers in export sectors and the consumers of their products.

Two Successful Trade–Labor Linkages

Proponents of the unfettered globalization view of the world often assume that labor standards will rise more or less automatically with incomes, so that no external intervention is needed (or desirable) to improve standards over time. They hope (believe) that even in authoritarian regimes, economic openness will promote political openness and higher labor standards, so that there is no need for external pressures from

the world trading community. However, we find this argument unacceptable. The issue is not whether economic development can facilitate political freedom and rising labor standards in the long run, but whether in the interim decades or century, external pressures linked to trade can accelerate the process or target particularly severe problems. The question that deserves attention is whether advanced countries can use trade as a means to improve standards in the here and now.

Below, we discuss two cases from the 1990s that which show how trade leverage can improve labor conditions in some settings.[10] These two examples involve the United States and other nations; they were chosen as cases we know well. Similar cases exist for Europe and other actors. The first case involves child labor in Bangladesh, where threats of boycotts led to changes that improved the lives of poor children. The second shows how the promise of market access was used to improve conditions in the garment sector of Cambodia.

The Bangladeshi garment sector. In 1993, U.S. Senator Tom Harkin (Democrat, of Iowa) introduced the Child Labor Deterrence Act to bar the importation of manufactured goods from any foreign industry that uses child labor (exclusive of agriculture and other family work). In that same year, a U.S. television show ran a story showing children in a Bangladeshi factory who were sewing clothing destined for Wal-Mart. Fearing that they would lose access to the U.S. market, which accounts for 43% of their total apparel exports, the Bangladesh Garment Manufacturers and Exporters Association entered into negotiations with U.S. nongovernmental organizations, with input from U.S. Ambassador David Merrill, on how to respond.

Pharis Harvey (1995), the executive director of the International Labor Rights Fund (ILRF) and the cochair of the U.S. Child Labor Coalition, has described how the proposed Harkin bill and nongovernmental organizations' threats of a consumer boycott got the Bangladeshi association to address the child labor problem constructively. From Harvey's perspective, the negotiations waxed and waned, depending on the seriousness with which the Bangladesh Garment Manufacturers and Exporters Association viewed the threat of U.S. sanctions. After the Republican Party won control of the U.S. Congress in 1994, the talks stalled. In May 1995, the Bangladeshi association's members rejected a cooperative agreement that had been negotiated and, to avoid potential trade sanctions, agreed to fire all underage workers by the end of October. Shortly afterward, the Child Labor Coalition, which had threatened a consumer boycott of Bangladeshi clothing if an agreement was not reached, mailed a notice of the boycott to its members and to the U.S. and Bangladeshi press. Negotiations resumed 4 days later. At this stage, the ILO and UNICEF (the United Nations Children's Fund) joined the negotiations, and on July 4, those two organizations signed a memorandum of understanding with the Bangladesh Garment Manufacturers and Exporters Association providing that all children working in the sector would be removed, but not until schools were available for them, and that no new children would be hired. The parties also agreed on joint funding and a monitoring plan to be overseen by the

ILO. Since the memorandum of understanding was signed in 1995, 353 schools have been created, and the incidence of child labor in Bangladeshi garment factories has dropped dramatically.

This case underscores the power of trade threats to get the attention of factory owners who use child labor. Equally important, it shows the value of international cooperation to ensure that those children will have a better future. It is important to appreciate that both the nongovernmental organizations and international organizations concerned with child labor issues are acutely aware that children and their families can be made worse off if sanctions are imposed or the children are simply thrown out into the street. Harvey (1995) has also emphasized that the Child Labor Coalition recognized the riskiness of boycotts, in part because they are difficult to remove when conditions improve and in part because they are the last resort in the case of utterly intransigent exporters or governments. Even with the good intentions of the ILRF and the Child Labor Coalition, moreover, the agreement would have been difficult to reach—and virtually impossible to enforce—without the involvement of the ILO and UNICEF and the resources that they could bring to the table.

The U.S.–Cambodia bilateral textiles agreement. In 1998, the United States and Cambodia signed a 3-year bilateral textiles agreement in which U.S. negotiators offered to expand Cambodia's export quota by 14% if "working conditions in the Cambodia textile and apparel sector substantially compl[ied] with" local law and internationally recognized core standards. In their first review in December 1999, U.S. officials concluded that "substantial compliance" had not been achieved but that progress had been made. The United States offered a lesser 5% quota increase, conditioned on Cambodia reaching agreement with the ILO on an independent monitoring program.

Some ILO officials were initially leery of the proposal, fearing that external monitoring would further weaken the existing local capacity. The ILO agreed to the plan only after gaining a commitment from U.S. officials to provide $500,000 for a parallel program to provide technical assistance and training to the Cambodian labor ministry. The United States also provided $1 million of the $1.4 million cost of the 3-year monitoring program, with the Cambodian government and Garment Manufacturers' Association of Cambodia splitting the balance (Office of the U.S. Trade Representative press release, May 18, 2000). U.S. officials granted the initial 5% quota expansion in May 2000 and added another 4% the following September, in recognition of further improvements in workers' rights. The total 9% quota expansion was extended for 2001, but the remaining 5% potential increase was withheld as an incentive for continued improvements (*Inside U.S. Trade*, January 19, 2001).

The Cambodian government viewed the arrangement as a way to gain trade quotas and to improve standards for its workers. Commerce Minister Cham Prasidh told the *Wall Street Journal* (February 28, 2000, 1) that Cambodia was interested in more than just the quota increase and said, "We didn't want foreign factories taking advantage of our workers either." However, other developing countries and U.S. importers discouraged Cambodia from accepting the bargain because they opposed any precedent linking trade and labor standards, even if it made that country and its workers better off. U.S. importers claimed that Cambodia was benefiting little, if at all, from the agreement because the initial quota level was set below that of other comparable exporting countries (*Inside U.S. Trade*, February 5, 1999, 13).[11] After the initial decision not to grant the full quota increase, critics claimed that the United States was not sincere and that U.S. decisions were driven by unions with protectionist motives. When the partial quota increases were granted in 2000 and 2001, however, the Union of Needletrades, Industrial and Textile Employees (UNITE) supported the decision, while the American Textile Manufacturers Institute, representing the industry, opposed it (*Inside U.S. Trade*, January 19, 2001).

The agreement appears to have improved conditions in the Cambodian garment sector. Although hours remain gruelingly long and wages low, and although enforcement of standards is invariably spotty, wages and benefits have improved, and the Cambodian government has stepped up monitoring of factories in the sector, according to the *Wall Street Journal* (February 28, 2000, 1) and the *Financial Times* (April 7, 2000, 5). Perhaps most important, the incentives in the agreement, the resulting ILO presence, and the knowledge gained by the workers regarding their rights have given workers the confidence to stand up for their own rights by forming unions and demanding changes when they feel conditions are not acceptable, as reported in the previous sources and in *Time* ([Asian edition], July 10, 2000). Since 1997, 75 garment factories have been organized by unions, and in July 2000, garment workers successfully pressured the government to establish Cambodia's first minimum wage ($45 per month, according to the *New York Times* [July 12, 2001]). In January 2002, the Bush administration extended the agreement for another 3 years but declined to say whether it would negotiate similar provisions in agreements with other countries, such as Vietnam (www.ustr.gov).

Using International Organizations to Improve Labor Conditions in Less Developed Countries

The continued debate over standards and trade notwithstanding, global labor standards are being adopted throughout the world. In the 1990s more countries signed ILO conventions, which are more detailed and specific than the declaration on fundamental principles, than ever before. Between 1991 and the first half of 2002, the total number of all conventions ratified by countries grew from 5555 to 7013. A campaign to promote ratification of selected core conventions launched in 1994 to mark the 75th anniversary of the ILO's founding increased the number from 800 to nearly 1000.[12] And ratifications of the core convention condemning the worst forms of child labor were coming in at the fastest rate in ILO history.

Poor countries as well as rich ones are ratifying conventions, though there are some notable outliers among rich countries, such as the United States (Fig. 12–1). But ratification does not mean that countries comply with standards (Chau and Kanbur, 2001). Enforcement lags behind ratification for a number of reasons, ranging from corruption to lack of adequate enforcement resources in most countries and political opposition to independent unions by authoritarian regimes in some. It is not enough for the world community to gain agreement to standards. The ILO and the world trade system need mechanisms and resources to help less developed countries overcome barriers to compliance.

Building these mechanisms and resources requires, first of all, improved information about standards and their enforcement. Workers have to know they have rights before they can take action to assert those rights and to improve conditions. Recognizing this, the ILO, the ICFTU, and national trade union organizations recently launched a global campaign to post a list of the core worker rights in every workplace in the world.

Consumers also need information in order to reward "good" firms and punish "bad" ones by their buying decisions and thereby harness market power to raise labor standards globally. As noted earlier, surveys suggest that consumers care about the conditions under which the goods they buy are produced, but they typically lack the information to act on their preferences. Nongovernmental organizations play a crucial intermediary role in gathering such information and presenting it to consumers compellingly. As a result of the growing antisweatshop movement in recent years, a variety of nongovernmental organizations, public–private partnerships, and for-profit organizations have

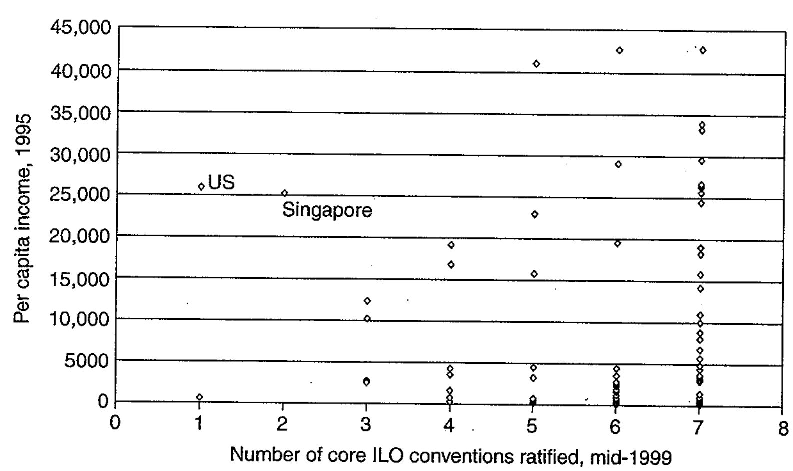

Figure 12–1. Convention Ratification and Income. N = 77. Correlation coefficient = 0.09; excluding US and Singapore = 0.22. Source: OECD (2000)

emerged to provide monitoring and verification services to help consumers find products meeting minimum standards (Elliott and Freeman, 2003b).

Finally, information is essential for governments, the ILO, and other international organizations to bring pressure on recalcitrant governments to improve their compliance with standards. Enforcement of law, standards, and norms relies on publicity, rewards, and penalties, and the use of each of those tools must be based on accurate and compelling information. Both the WTO and the ILO recognize the importance of information. The WTO uses the Trade Policy Review Mechanism, a form of peer review, to catalog and publicize each member's trade barriers in the hope that this information will stimulate pressures for further liberalization from those who bear the costs—both at home and abroad (www.wto.org/english/tratop_e/tpr_e/tpr_e.htm). Traditionally, the ILO has relied largely on publicity, through an extensive supervisory mechanism, and on rewards, in the form of technical assistance, to countries that seek to improve standards. In 1998, the ILO expanded its scrutiny of core labor standards around the world when its members approved the Declaration on Fundamental Principles and Rights at Work.

The ILO: From Paper Tiger to Mighty Mouse?

Despite its constitutional structures for monitoring and review, the ILO for many years was the weak sister of international organizations, with little money or authority. The agency, which was created as part of the League of Nations in 1919 and then incorporated into the United Nations system, was caught for many years between the ongoing struggles of communist countries with capitalist ones, industry with labor, and advanced countries with less developed countries. During the cold war it lost considerable moral authority and suffered from the U.S. withdrawal, from 1977 to 1980, from the agency.

One unanticipated benefit from the trade–labor debate in the 1990s has been increased support for the ILO and progress in strengthening its tools for improving labor standards, including the drafting of international conventions, technical assistance and advice on national laws, and supervision of compliance with international norms (Elliott, 2000, 2001). Proponents of the unfettered globalization view regard a strengthened ILO as less dangerous to free trade than tying standards to trade through the WTO or related agreements. The WTO's Dispute Settlement Understanding is more formalized and binding than the ILO's complaints system, with WTO trade retaliation explicitly serving as the ultimate sanction to enforce the rules. Perhaps at the next world trading conference, the dark-suited functionaries will offer their own "Hey, hey, ho, ho, give more money to the ILO" chants in response to those of the protestors. However, U.S. President George W. Bush proposed cutting funds for the ILO in his first two budgets (ILO, 2002).

For its part, the ILO has raised the profile of its supervision of core labor standards and approved a new convention calling for immediate action against the worst forms of child labor. For the first time in its history, the ILO has moved toward penalizing countries that flagrantly contravene core labor standards. Article 33 of the ILO constitution provides that if satisfactory compliance is not forthcoming, "the Governing Body may recommend to the International Labor Conference such action as it may deem wise and expedient to secure compliance therewith." In 1999, the International Labor Conference, at which ILO members sit in plenary to make administrative and policy decisions, suspended technical assistance to Burma and barred it from most meetings. A year later, the conference recommended that members take action to ensure that their relations with Burma did not in any way support the use of forced labor.

In a major step toward increased transparency, the follow-up mechanism for implementing the "Declaration on Fundamental Principles and Rights at Work," which spelled out the four core labor standards, requires that all governments report on the consistency of their laws and practices with these standards, regardless of whether they have ratified the related conventions (for details, see www.ilo.org/public/english/standards/decl/index.htm). And the ILO director general's "global report" assesses the overall status of each of the core standards (one per year in a 4-year cycle) and highlights specific problems in particular countries. Though criticized for "naming names" when the first report was released in 2000, Director General Juan Somavia insisted that specificity was critical to the credibility of the process. This process may already have borne fruit, as Saudi Arabia, which, along with its Gulf neighbors, was sharply criticized in the global report for barring unions, announced in early 2001 that it would permit the formation of "worker organizations."

Another objective of the follow-up mechanism is to identify priorities for ILO technical assistance, and donor governments have responded. Financial support for ILO technical assistance increased from $76 million in 1999 to $121 million in 2000, with the International Program for Elimination of Child Labor being the major beneficiary. In recent years, the resulting increase in the activities of this program has been evident in various countries through tangible progress in moving children from work to school or rehabilitation programs. Prominent cases include the Bangladeshi garment sector and the Pakistani production of soccer balls and surgical instruments (Elliott and Freeman, 2003b). But to sustain these activities and to expand them into other areas, the ILO will need further funding increases, as well as institutional reforms to make it an activist agency rather than a passive one.

The Somavia administration at the ILO has struggled to energize the organization, but turning around a large bureaucracy is difficult. Even with its renewed activism, ILO supervision of core labor standards compliance relies mainly on self-reporting by governments or on complaints from self-selected constituent monitors. The extent to which the ILO moves from being a paper tiger to a real player will be judged in part on whether its actions on Burma and in naming violators' names become the norm or are aberrations. At the same time, the ILO must balance the need to confront larger and more powerful members that violate labor standards with a pragmatic concern for the limits of ILO leverage and the costs of picking fights it cannot win.

Labor Standards in Trade Agreements

Many adherents to the global standards view of the world insist that the only way to give teeth to standards is to include them in trade agreements and to use trade sanctions to enforce them. In 1984, the U.S. Congress added workers' rights conditions to the U.S. Generalized System of Preferences, which grants preferential trade benefits to developing countries. In the Omnibus Trade and Competitiveness Act of 1988, Congress also added labor rights to the list of U.S. negotiating objectives for the Uruguay Round of multilateral trade negotiations, but to no effect. During the 1992 presidential campaign, candidate Bill Clinton insisted that a side agreement on labor standards (as well as one on environmental issues) was the price of his support for the North American Free Trade Agreement. The resulting North American Agreement on Labor Cooperation relies on "monetary assessments" rather than sanctions and requires only that member countries enforce their own labor laws. It has resulted mainly in studies and consultations between the American and Mexican labor ministries. At this writing, no dispute has been referred to an arbitral panel that could impose penalties for nonenforcement.[13]

At the end of President Clinton's second term, U.S. trade negotiators agreed with Jordan to include labor and environmental issues in the main text of an agreement creating a bilateral free trade area and to make those provisions subject to the same dispute resolution procedures, including the possibility of sanctions, as in all other parts of the agreement. Although the U.S.–Jordan free trade agreement has hortatory language encouraging the parties to strive to comply with core labor standards as identified by the ILO, neither agreement establishes minimum, internationally accepted standards that must be met as part of the deal. Despite the relatively weak language, proponents of labor standards in trade agreements welcomed the Jordanian deal as a precedent, and many Republicans and members of the business community strongly opposed it for the same reason (*Inside U.S. Trade*, October 27, 2000). The agreement, which was motivated primarily by foreign policy concerns, was approved in the wake of the September 11, 2001, attacks on the World Trade Center in New York City and the Pentagon in Washington, D.C.

In the WTO, members from less developed countries have resisted U.S. entreaties even to create a working group on labor issues, much less to consider how labor standards could be incorporated into trade discussions. While unions and some nongovernmental organizations in these countries generally support international efforts to raise labor standards in their countries, they typically share the concerns of their governments about linking enforcement to trade agreements for fear that such authority would be abused for protectionist purposes. The European Union and some individual member states have also criticized the unwillingness of the United States to rule out the use of trade sanctions to enforce labor standards. And the WTO has refused requests to consider trade-related labor standards when conducting trade policy reviews, leading the ICFTU to take up the task in recent years (the reports are available on their website at www.icftu.org).

As the trade agenda moves beyond reciprocal tariff concessions to rule writing, it is not clear how effective its enforcement powers will prove to be in any new areas. The pressures to allow for more flexibility in the implementation of the agreement on intellectual property, particularly with respect to drugs, is only the most prominent example of the problems the WTO is increasingly likely to face as it expands into behind-the-border regulatory areas.

In short, both the ILO and the WTO, by themselves, have problems advancing their agendas, and this fact puts at risk both further globalization and the enforcement of global labor standards. To move the globalization-standards issue to a new and more fruitful plane, these organizations should harness the natural complementarity between globalization and standards. The place to do that, in our view, is in export processing zones.

Making Export Processing Zones a Beacon of Standards

Export processing zones are the most readily identifiable face of globalization. According to the ILO (1998), there were 845 such zones around the world in 1997, more than half in North America (320) and Asia (225) and another 133 in Latin America and the Caribbean. The specific features of export processing zones—whether they are physically isolated, industry specific, or more integrated into the local economy—vary widely from country to country. But they all share the aim of attracting foreign investment and creating jobs by promoting exports, and they use similar incentives, including tax holidays and duty-free imports, dedicated infrastructure, and, in labor-intensive sectors, low labor costs. Given these characteristics, export processing zones are a logical place for the ILO and the WTO to work together to demonstrate that trade and labor standards can raise living standards in poor countries.

A few countries explicitly apply lower labor standards in the zones than in the rest of the economy. The website for Bangladeshi export processing zones, for example, advertises its "production-oriented labour laws," including prohibitions on unions and on strikes within the zones (www.bangladesh-epz.com/p_law.htm). More often, however, governments look the other way or engage in de facto collusion with export processing zone investors to discourage union organizing in the zones, and they make little effort to enforce national labor laws in these areas (ICFTU, 1996; ILO, 1998; Romero, 1995; U.S. Department of Labor, 1989–90). By guaranteeing freedom of association and by helping countries—or pressuring them to—enforce labor codes in these zones, the world trading community and the ILO could restore badly needed credibility to the international trading system.

In addition, some export processing zones are likely to decline in importance when the Multi-Fiber Arrangement is phased out in 2005. Under this agreement, the United States and the European Union restrict imports of textiles and apparel through an

elaborate system of country-specific import quotas. This has the effect of creating a comparative advantage for low-productivity countries simply because they have unfilled quotas, while potentially more productive suppliers are quota constrained. Combined with China's entry into the WTO in 2002, the Multi-Fiber Arrangement phaseout could mean that many smaller countries relying on low-wage, low-skill labor to produce apparel will no longer be competitive.

In the new competitive environment for textile and apparel exports, increased productivity and higher quality will be more important, putting a premium on increased worker training and relatively peaceful industrial relations. Thus, a joint WTO–ILO project to make export processing zones a best-practice model in core labor standards compliance, funded by developed countries and the World Bank, could assist poor countries in adapting to the Multi-Fiber Arrangement phaseout and moving up the development ladder.

The starting point for such a project should be a baseline survey of standards in export processing zones, to be done either by the WTO and the ILO or by the ILO itself. Either way, the result should be a website that lists basic facts about export processing zones in various countries—whether labor laws apply equally in and outside zones, unionization rates in zones and the rest of the country, average hours and wages, accident rates, the percentage of women in the labor force, and so forth. While increased human and financial resources would be required, improving the collection and dissemination of such data is already an ILO objective, and this project could be used to give further momentum to that effort. This would provide the world community—from governments to consumers to human rights activists—with the information on which to base decisions.

The next task for such a project would be for the ILO to develop operational criteria for the term *best practice* in labor standards. If the ILO were accorded sufficient resources to do credible monitoring, it could develop a certification system for export processing zones or (given likely country politicking against such an official system) at least provide the information so that nongovernmental organizations and others could provide the appropriate scoring system, much as the Fraser Foundation, the Heritage Foundation, and Freedom House rate countries on their economic and political freedoms. Certification would provide useful information to investors looking for a stable and productive industrial relations environment and to consumers who prefer products made under decent conditions. (For a discussion of the potential obstacles to and limitations of this proposal, see Elliott and Freeman, 2003a, Chapters 2 and 3.)

Finally, as a last resort, export processing zones (or firms within them) with egregious violations of core standards could be subject to trade restrictions. This approach also could be negotiated (in theory, at least) in the ILO and without WTO participation, as has occurred with various multilateral environmental agreements. But the WTO *should* also be involved. After all, its job is to discipline trade distortions. Violations of core labor standards that are meant to attract foreign investment or to promote exports are a trade distortion as much as subsidies or other forms of aid to traded sectors, and the WTO should not ignore them (Elliott and Freeman, 2003a, Chapter 4).

With or without the WTO, however, trade measures to enforce labor standards are unlikely to be a significant part of any global labor standards initiative. The not wholly unfounded fear of developing countries that such measures would be manipulated to discriminate against their exports makes the issue simply too sensitive. Moreover, the benefits of a transparency project such as that just described should not be underestimated. Some countries might be shamed into changing particularly egregious practices, while others might decide to market themselves as reputationally less risky for large brand-name retailers and as having more stable labor relations.

Conclusion

"The impact of economic growth depends much on how the *fruits* of economic growth are used . . . success depends on the growth process being wide-based and economically broad" (Sen, 1999, 43, 46).

The main theme of this chapter is that globalization and labor standards are intrinsically linked. Globalization moves the world production frontier to higher levels. For this reason, opposition to globalization is ultimately harmful to workers in less developed countries. Standards can help transform such an upward shift in production possibilities into enhancement of the well-being of those in greatest need, rather than benefiting, largely or entirely, those who already have relatively good living conditions. For this reason, opposition to improved labor standards in those countries is also harmful to workers.

As a result of globalization, there is a great opportunity to advance growth and to distribute the fruits of growth widely and broadly. What the global economy needs is to put the globalization and standards agendas together into a unified package for raising living standards around the world. Trade policy reform should be part of a broader set of institutional reforms because development requires not only "getting the prices right," as proponents of unfettered globalization believe, but also getting behavior right, as proponents of labor standards believe. Trade and standards are sufficiently linked that they can do much more good together than if they are pushed separately.

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Notes

1. Some southern criticisms of abolitionists during the era of slavery resemble arguments made today against labor standards being forced on poor countries: "The pilgrim zealots of

New England, with 'humanity' and 'philanthropy' upon their lips, and jealousy and hatred of the southern labor system stamped upon their hearts, make war upon the constitutional rights of fifteen free, sovereign, and independent States, to gratify their malice and glorify their immaculateness (hypocrisy), *at the expense of others*—invariably in the name, and professedly on the behalf, but always to the irreparable injury and disadvantage of, the negro race" (T. W. MacMahon, *Cause and Contrast: An Essay on the American Crisis* [Richmond, VA.: West and Johnston, 1862], 64).

2. http://www.globalmarch.org/worstformsreport/ratification/182.html. Accessed November 10, 2001.

3. Freedom House (2001) rates China, Burma, and Vietnam as "not free" countries and ranks Singapore, Malaysia, and Turkey as only "partly free," which, relative to the "free" category, means that "the level of oppression increases, especially in the areas of censorship, political terror, and the *prevention of free association.*"

4. We can only surmise that large numbers of consumers in other countries also support global labor standards, because we are not aware of similar polls outside the United States and the United Kingdom. But there is evidence of these concerns, particularly in Europe, where the *fair trade* movement, which seeks to ensure a minimum price and decent working conditions for small farmers and artisans in developing countries, began. There are also numerous efforts in Europe to promote codes of corporate conduct incorporating minimum labor standards, including the Ethical Trade Initiative in the United Kingdom and the Clean Clothes Campaign in the Netherlands, and elsewhere.

5. Dollar and Gatti (2000) and Klasen (2000) provided empirical evidence on the links between gender discrimination and growth, income inequality, and development. The case studies and a summary of the report, *Engendering Development*, are available on the World Bank's website, www.worldbank.org

6. The ILO pointed to wildcat strikes and other instances of labor unrest as evidence that a worker demand for more or better representation exists in the export processing zones. Indeed, if lower unionization in export processing zones were a matter of worker preference, the governments and employers would not have to enact policies that make union organization more difficult than in the rest of the economy.

7. More comprehensive surveys of the effects of core labor standards as they relate to trade may be found in OECD (1996, 2000), Maskus (1997), and Brown (2000).

8. The union rights variable becomes only marginally significant with this specification. For further analysis, see Elliott and Freeman (2003a).

9. Countries in the analysis were Argentina, Brazil, the Dominican Republic, Ecuador, Fiji, Guatemala, Honduras, South Korea, Panama, Peru, the Philippines, Suriname, Thailand, Uruguay, and Venezuela.

10. Another similar case involved soccer balls produced with child labor in Pakistan. That case is not summarized here for reasons of space, but information on it can be found in Elliott (2001) and U.S. Department of Labor (1998).

11. It is difficult to test this claim, but data on quota levels elsewhere in Southeast Asia do not appear to support it. Using per capita textile and apparel exports under the Multi-Fiber Arrangement as a crude measure, the figure for Cambodia was 24 square meters (M2) per person, which compares to 8.2 M2 per person for Association of Southeast Asian Nations as a whole, 9 for Bangladesh, 12.4 for the Philippines, 21.3 for Thailand, and 5 for Indonesia (Department of Commerce, Office of Textiles and Apparel, "Major Shippers Report," March 2001; International Monetary Fund [2001]).

12. The increase from 1989 to 1994 is almost entirely due to accessions by former members of the Soviet Union, the former Yugoslav federation, and other members of the Communist bloc.

13. In the years since the North American Free Trade Agreement was negotiated, Canada has signed bilateral trade agreements with Chile and Costa Rica that include provisions on labor standards similar to those in the North American Free Trade Agreement side agreement and enforceable through the assessment of fines only in the former case (Elliott, 2001). [We are not aware of any other trade agreements that address labor standards.]

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