

**THE BROOKINGS INSTITUTION**  
**THE INTERNATIONAL LABOR ORGANIZATION**  
**THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**

**MAKING GLOBALIZATION WORK:  
EXPANDING THE BENEFITS OF GLOBALIZATION TO  
WORKING FAMILIES AND THE POOR**

**PANEL III : WHAT ROLE FOR LABOR STANDARDS IN DEVELOPMENT  
AND GLOBALIZATION?**

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**CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**  
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SANDRA POLASKI: --With this panel we turn to the discussion of policy ideas to make globalization produce better results for workers and the poor. Yesterday's panel laid the basis for this discussion by reviewing the empirical data on trends in poverty and income distribution over the last ten or fifteen years. What we can conclude from the presentations by our panel of experts on poverty and inequality is that globalization has not caused these problems—poverty and inequality were serious world problems before the current round of globalization began in earnest in the mid-1980's. But at the same time, the research shows that globalization has not made any strong contribution to solving these profound challenges.

Branko Milanovic's concluding statistic was sobering: More economic growth occurred at the global level from 1960-1980, before the current round of globalization, than occurred from 1980-2000 when globalization was in full swing. Martin Ravallion's research shows that the major gains that have been made in reducing poverty over the past twenty years occurred in China, and to much lesser extent, India. China maintained strong constraints on capital flows and public ownership of most production and services during the period of great poverty reduction. Both China and India maintained high tariffs, and China joined the WTO only last year. So the progress that has been registered against poverty cannot be credited primarily to globalization.

Our last panel discussed some of the structural shortcomings of the international economic system that produce unfair results and that need to be addressed if the benefits of globalization are to be more broadly shared. None of this is to suggest that we roll back global economic integration. Rather, it highlights the heavy burden that rests on all of those who advocate continuing integration, and I include myself, to come up with concrete, feasible, achievable changes to current international policies, rules and regimes in order to achieve more poverty reduction, more equitable distribution of the gains from trade, and better results for more of the world's population. These policies must be constructed with a view to their differential impact, and must be particularly targeted to benefit workers and the poor. We need better international agreements, treaties and rules that are shaped with a view to their distributive consequences. Arguably, we need better institutions to implement better rules and regimes.

The purpose of this panel is to discuss concrete ideas for addressing these challenges. Our panel is entitled: "What role for labor standards in development and globalization". Our panelists will address a set of questions, which I will share in a moment, that are designed to elicit practical, workable ideas from them on the role of labor standards in achieving better poverty alleviation and income distribution. Let me introduce the panelists first and then I will come back to the questions. On my right is Kimberly Elliott, who is a Research Fellow at the Institute for International Economics. She has written numerous books and articles on labor standards and trade, including the forthcoming "Can International Labor Standards Improve Under Globalization?" Kim serves on the National Academy of Science's Committee on Monitoring International Labor Standards. Next on my right is Robert Lawrence, who is a professor of trade and

investment at the John F. Kennedy School of Government at Harvard University. He is also a Senior Fellow at the Institute for International Economics. He served as a member of President Clinton's Council of Economic Advisers from 1999 to 2001 and has been at Brookings during several periods in his career. He has written over 100 papers and articles on topics in the field of international economics. On my left is Anne Trebilcock. Anne is Deputy Director of the Policy Integration Department of the International Labor Organization office in Geneva. She has been with the ILO since 1983, working on international labor standards in the areas of labor law reform, social dialogue and public international law. From 1999 to 2002 she was co-director of the ILO's program on fundamental rights for workers, and in that capacity contributed to the annual reports that the ILO has been issuing for the last couple of years, providing much greater detail for all of us on what is happening around the world in terms of respect for worker rights.

So we are lucky to have these three panelists whose research and thinking [microphone is switched on]-- sorry, I hope you heard at least some of that. (Laughs.) Is there anyone who didn't hear the panelists' names at least, because if so I will repeat them! (Laughs.) Good, I see that even those in the back say they heard me.

I would frame the discussion for the panel in the following way: Earlier panels mentioned that we have had tremendous increases in flows of products through trade, tremendous increases in flows of capital through capital market liberalization, but we do not have the freeing of labor flows, the flow of workers and individuals through immigration that we had in the previous round of global economic integration at the end of the 19th and beginning of the 20th centuries. So, in a sense, labor—that is, workers—are stuck in their countries while capital and the products that they produce are more free, which clearly produces a disproportionality in terms of the impact of globalization on the different actors in society. I don't think anybody in this room expects that there is going to be a tremendous liberalization of immigration in any of the developed countries in the foreseeable future. Perhaps some changes around the edges, but not massive immigration flows on a legal basis. And so therefore we turn to the question of what can be done to improve the conditions for workers within their own countries, with capital flowing in and out, with products flowing in and out? What can we do to improve labor standards, to improve working conditions, to improve income distribution for workers, particularly in the developing countries?

The questions we have asked the panel to address are, first, is there a role for labor standards in improving the gains from trade—and the distribution of the gains from trade and economic integration—in developing countries? Second, what are the most promising channels by which labor standards can be used to improve working conditions, worker rights and distribution of gains from trade? If we use a linkage between trade and labor, what precautions are necessary to avoid protectionist abuse of that linkage? Third, how can labor standards be improved in developing countries within their economic constraints, and yet without sacrificing growth? Finally, if we don't use a trade and labor standards linkage, what other methods could be used to improve poverty alleviation, income distribution and employment outcomes, and what is the probability of the adoption of those other programs?

So with these questions I'd like to open our panel. Same rules: each panelist will give a ten-minute presentation. I'll give panelists a nine-minute sign. That should leave us ample time for discussion. I just want to point out that the agenda has some built in flexibility and so we'll have the full hour and a half for our panel, even though we began a few minutes late. Lunch will be served outside this room beginning at about 1:00, and so we have plenty of time for your questions.

Kim.

KIMBERLY ELLIOTT: Thank you, Sandra. I think Sandra framed the question very well, which is that there is currently a marked imbalance in the global system with both freedom of mobility for capital and for goods, and, because capital and goods are mobile, they also get to call on international rules to protect them. By contrast, the rules for labor are much weaker, so that workers both have no exit option or limited exit options and have to rely on the weak, corrupt local and national governments that investors and traders seek to constrain. So there clearly is an asymmetry there that I think needs to be addressed, and labor standards are one way of doing that. I think the previous panel also set us up very well in that labor standards are one means of addressing some of the fairness issues in the international system.

But I think that the case for doing more to support international labor standards is not just fairness, it is also about making markets work better and about making democracies work better. I know everyone in this room knows what they are, but I always think it is useful to explicitly remind people what the four core labor standards are. They are freedom of association and the right to organize and collectively bargain, freedom from forced labor, the elimination of child labor, and non-discrimination.

Those things are about opening up opportunities for workers, about meeting basic market principles of voluntarism and choice in the workplace. So they are consistent with both better markets and better societies. In fact, there is relatively little controversy about three of the four. Nobody thinks forced labor is a good thing; nobody thinks it's good for development. Nobody thinks that discrimination on a broad range of grounds is acceptable. There is also now a large literature on the role of gender discrimination in impeding development, including a big World Bank study on the topic. On child labor, the concern is not whether something should be done, but how and, in particular, how to address poverty, which is the major cause of child labor. But, again, I think there is broad agreement on the legitimacy of these three standards.

Where the controversy comes in is really in two areas, and that's where I will focus this morning. One is on freedom of association, especially in developing countries, and the second is the issue of linking labor standards to trade and the use of trade measures to enforce labor standards.

The typical objection that you hear to unions in developing countries is that they are corrupt, elitist and rent seeking. Well, where that is true, I think what you will find is that the country is typically either not democratic or only weakly democratic and is probably has a closed economy as well. And in those environments, I suspect that the policymakers, the politicians and the firms are probably corrupt, elitist and rent seeking as well. And I think the solution is exactly the same. It is not to eliminate unions or repress them; it is to expose them to competition and to ensure that they are transparent and accountable to their members.

–In an environment promoting globalization and democracy, freedom of association is more likely to be channeled in positive direction. It is clearly related to freedom of speech, freedom of assembly, and to democratic principles. And if unions and freedom of association are being repressed, I suspect you will find that other civil liberties are being repressed as well. Globalization and democratization also help to discipline what Richard Freeman and James Medoff called the “monopoly face” of unions and encourage the “voice face.” By giving workers a voice, policymakers can help to alleviate the backlash against globalization that we see in a lot of countries and it can make reforms more sustainable.

On more practical or pragmatic grounds, it is a simple reality for developing countries producing consumer goods, especially apparel and footwear, that globalization means that their labor standards are going to get greater scrutiny from NGOs, and through NGOs from consumers. Consumers consistently, in survey after survey, say that they will avoid buying products if they know they are produced under poor conditions.

Now, the evidence on whether they will pay more for good conditions is a little weaker, and that is a problem. But the basic risk here is of losing market share if you are exposed as having poor labor standards. In addition to that, with the phase out of textile and apparel quotas in 2005, it is going to be difficult for many of the smaller, low productivity countries to compete purely on the basis of price. So it may be that labor standards can be a marketing tool for some countries that otherwise would find themselves squeezed out of these markets by China and some of the other larger and more productive developing country exporters. Demonstrated compliance also could be a lure for large brand name multinationals who are concerned about protecting their brand reputation. They might want to seek out developing countries that can certify that they are broadly in compliance in with the core standards, perhaps through the ILO, perhaps through some of the private sector multi-stakeholder initiatives for monitoring and verification of labor standards.

And, once the apparel quotas phase out in 2005, there is going to be a much more competitive environment in the textile and apparel sectors, and some smaller developing countries may find it in their interest to promote stronger international enforcement of labor standards in order to prevent a race to the bottom -- not from the top, but from the bottom -- among the developing countries themselves.

Finally, the principal problem in most of developing countries is not the content of the law. In fact, a lot of them wrote their laws with assistance from the ILO. The problem is lack of capacity to enforce the laws. And there again, I think that governments and employers and multinational buyers might think a little more openly about the role of unions as cost effective monitors. There is a great deal of pressure on governments to better enforce their labor standards and from consumers on firms to better respect labor standards. And that is generating a lot of pressure to do more monitoring and verification, which can be costly. Having a worker organization that is in the factory every day and that knows what the problems are is a much more cost effective way of improving the enforcement side of the labor standards.

I am running out of time so let me quickly lay out the most controversial part of my talk: is there a role for the WTO and for trade sanctions to enforce labor standards? I agree with the statements from Singapore and from Doha and from Quito last month that the ILO is the competent body to deal with labor standards and that it should have the central role in promoting and enforcing labor standards. But if there are trade-related labor standards violations that are intended to promote exports or to attract foreign investment, the WTO should address those particular problems. It does seem to me that this falls within the scope of what the WTO is supposed to do in terms of disciplining trade distortions. And, I believe that it is possible to guard against the slippery slope to protectionism. I don't think protectionism is an inevitable outcome of having a limited linkage between trade and labor standards.

First of all, if you look at what's happened under the NAFTA labor side agreement, if you look at U.S. implementation of worker conditionality under the Generalized System of Preferences program, there is no evidence of these things being used for protectionist purposes. And, in fact, we had in this room just a little over a week ago a session on the FTAA where Thea Lee, of the AFL-CIO said essentially, "look, if we want to be protectionist, we know how to do that. We have the escape clause. We have anti-dumping rules. We don't need to do this under the rubric of labor standards. There are lots of mechanisms if we really want to be protectionist."

So I find little evidence of protectionist intent, but even less evidence that a U.S. administration would use these tools in protectionist ways given all of the safeguards and the differing interests that come to bear on any administrations deliberations. Even the supposedly labor friendly Clinton administration was not more aggressive in using GSP conditionality or anything else to suggest that it would be likely that these rules would be abused.

But even if you don't want to trust the Americans when it comes to contingent protection, there are safeguards that could be built into the process. One is simply to ensure that any use of trade-labor links undergoes multilateral review. The dispute settlement system, whatever its problems, has worked at least to a degree to give developing countries an avenue to protect their interests under the international trade rules. So point one would be to have the WTO subject the use of any linkage to

multilateral review and, again, to limit any WTO link to trade-related violations and not use it to enforcing all labor standards.

A second safeguard would be to use Article 20 to link trade-related violations of core labor standards. Article 20 allows certain exceptions from the general rules under specified conditions. Article 20(e) already allows countries to ban products made with prison labor. f That provision could be expanded to encompass all of the four core labor standards, though defining what would be an actionable violation is the big issue here. But the advantage of the Article XX approach is that it allows you to take measures against only those products that are directly affected. I would call this a trade measure, not a sanction. And this would alleviate the concern that some people have raised that a trade sanction, could be used to target higher value-added export sectors that provide better jobs. For example, someone might take evidence of problems, say, in the low-wage apparel sector, and use it to target exports with better jobs, say in the electronics sector. Under Article 20, that would not be possible. .

Returning to the idea that there needs to be a multilateral review, a second safeguard would be to require any country taking action under an expanded Article 20 provision to show an ILO supervisory report, or some evidence from another outside body confirming that there is in fact a problem. In sum, there seems to be scope for at least thinking about a role for the WTO. I would not argue that these trade sanctions are going to be a panacea, but I think they should be available for egregious and otherwise unremedied violations that are related to trade or investment. Thank you.

(Applause.)

ROBERT LAWRENCE: Thank you very much. Many of my comments are basically elaborations of what Kim has said. Although we agree on many things, we are certainly not unanimous, as I will indicate when I get further into this presentation.

Firstly, I agree that labor standards can play an important role in development. If you think about the kind of components, the institutional components that are required for a development strategy, surely they include things like property rights, regulation, competition policy, and mechanisms to manage conflict. And I think in each of these areas, in all these areas, basically labor standards can play some role. By and large, I would refer – I'm referring here, as Kim did, to core labor standards. If effectively used, these can indeed raise incomes and improve working conditions.

Basically, one way in which standards operate is to save on transactions costs. They set norms. One example, although not among the core labor standards, would be a minimum wage. A minimum wage, even one set at a market clearing level, would not affect the aggregate level of employment, but certainly would ensure equity and indeed avoid morale problems that might arise in a market in which the wages were -- even the least well paid workers had to be bargained over.

Similarly, as Kim already elaborated, principles of nondiscrimination facilitate actually the optimal use of labor, and indeed encourage competition in the labor market. And, likewise, I would associate myself with her statement which had to do with the rights to organize and to bargain collectively. Again, as countries actually have developed, they have found it increasingly useful to have workers organized. That, again, allows for collective bargaining to take place for the setting of wages and is a mechanism for dealing with the inevitable conflicts that arise in wage determination.

Now, all of these standards can -- the devil, as they say, is in the details, because certainly they can also be used in counterproductive ways that could actually be a hindrance to economic development. In particular, if unions set up a system with privileged insiders, the outsiders in that kind of a system can well be hurt. The country in which I was born, South Africa, has a very powerful union movement, and it also has a 40 percent unemployment rate. Now, I wouldn't want to put the full burden of explaining its unemployment rate with union workers, but certainly there is a labor market there that doesn't operate very well, and I think it has to do -- that doesn't mean to say I'm against the principle of having unions participate. It has to do with some specific decisions which have been made.

I think, likewise, when it comes to labor standards, setting the wrong minimum wage can be counterproductive to development. Similarly, having restraints on the ability of firms to adapt to changing circumstances, through restrictions on firing and so on, can be counterproductive and discourage them from hiring. So I think this is a complicated issue, and it's precisely because it is a complex one that while I'm in agreement with the notion of core labor standards, I think it's one whose details have to be worked out on a case by case basis, given the setting of individual countries.

I do think, though, international standards can also play a role in dealing with some of these issues. Firstly, there is the potential for the Good Housekeeping Seal of Approval, an important role in setting of standards generically. Firms who have -- because of asymmetric information, firms often have -- will benefit if someone else can certify to the quality of their product. Likewise, since consumers do care about the conditions under which products they purchase were produced, a neutral certifier can help raise demand for those products. In addition, I think countries, as they determine which policies they ought to follow, require technical assistance and that's where an international institution comes in, and can learn from others' mistakes.

I think we also have to recognize, though, that the motives -- and let me turn now to the issue of what other kinds of international agreements should be used to support labor standards. I think here we have to accept that the motives behind the call for labor standards, particularly in trade, are very complex. As I see it, there are at least three different motivations. One is altruism, a genuine belief that these standards are required in order to improve the lot of workers in developing countries and elsewhere. A second is clearly a protectionist motivation, the desire to protect workers at home. A third motivation is one that is not often appreciated but I think I think is very powerful, particularly in the case of the United States.



If you go back and you look at the history of U.S. support for the International Labor Organization, John Winant, who was a delegate -- a delegate and then ultimately I guess president of the ILO, coming from the United States, his motivation was very, very interesting. What Winant said was that -- or what Winant found when he was governor of New Hampshire in the 1920s was that he had a tough time getting a federal minimum wage. And that's basically because the states were given jurisdiction over minimum wages, and while he could persuade New York and some other East Coast states to join him in setting a high minimum wage, he had a lot of trouble with the Southern states. And he then -- since in the U.S. Constitution international agreements have parity with federal law, by ratifying an ILO convention Winant figured that this would be a mechanism actually for getting a federal minimum wage.

And in fact it seems to me that this third dimension is far too often ignored. It's not a coincidence, in my view, that the U.S., with one side of its mouth, is an enthusiastic supporter of bringing labor standards into international agreements, but with another side of its mouth has refused to actually ratify the conventions in our own country. And it seems to me that a lot of the drive from the United States is an externalization of an internal conflict in the U.S. over the right kind of labor regime.

This points out -- this example points out to me the great dangers of actually using international agreements in order to effect domestic transformations. It's always tempting to use a trade agreement. Liberal economists are frequently enthused with the idea of using a trade agreement in order to bring about the social changes that they would like to see. I think ultimately these changes should be domestically driven. They do have to command consensus domestically, and I am concerned about imposing them on countries without the domestic support which I think is necessary for them to work effectively.

With that in mind, I am also concerned -- and, indeed, I think Kim gave us quite an interesting example of the slippery slope. She began by saying that she was only interested in trade related kinds of infractions, but she also mentioned that what she sought was an enforcement of core labor standards in the WTO rules, if I heard her correctly; only trade related core violations. I think that's a complicated road to hew, and I think -- well, I'd like to hear her clarify those.

But be that as it may, I am concerned about the use of these devices, particularly because it seems to me that there are basically two -- I gave three motivations for why labor standards are promoted in developed countries. It seems to me that there are two motivations primarily why labor standards are often not supported as being part of trade agreements in developing countries. The one is the group of developing countries who actually believe in labor standards but know that they have a real tough time in enforcing compliance. And it's not because they wouldn't choose to do so if they had the capacity. And it seems to me for those countries the right solution is to try to enhance their capacity, as opposed to trying to punish them in order to do that.

There are another group of countries for whom labor standards of certain kinds are actually seen as a dramatic political challenge. And the fact is you can talk about simply allowing some human rights in China, but I think what you're really saying when you do that is telling the current regime they ought not to be there, and they see it that way. You can talk about -- in some other countries about simple principles of nondiscrimination, which seem to us, and indeed are, fundamental human rights, but those regimes also will see these as a prescription for their political demise.

And so what you're faced with is the question of whether in a multilateral trade negotiation you want to exclude those countries, in essence, who are like that. Now, I don't want to include them in all arrangements and I don't want to do away with pressures on countries to improve their human rights in general and labor standards in particular, but I am particularly concerned that a demand on countries who are not yet prepared to implement those changes could -- well, basically what I think what it would do is stall trade negotiations, and that's why, ironically perhaps, I'm somewhat more friendly to the bilateral trade negotiations which can, it seems to me, be deeper than was Zanny in the last session.

I don't think all bilateral deals are good, by the way, and I would say again that the devil is in the details of those agreements. But where a country is quite willing to agree to higher labor standards, where it seeks to use an international lock in mechanism in order to enforce them, I quite frankly don't have a problem. So it does seem to me then that instead of a cookie cutter approach we have to leave a lot of room for diversity, precisely because I think when it comes to this set of standards, they can be counterproductive.

And also -- and this is where I'll end -- what's really critical is the policies that accompany them. If you look at the question of child labor -- it's a good example but we could go into others later on -- it's one thing to say, well, you ought not to employ young children, and, God knows, I think that's true. The question is where do they go if you don't employ them? And so obviously an effective strategy to deal with the problem of child labor doesn't simply involve a ban on their employment, but involves provision for them either to receive an education; it requires compensation to the parents to make good on the shortfalls in income for the household. And so it's essential then that complementary strategies be adopted.

It's like globalization in general. You can't simply follow a naïve rules-based opening of your economy without the supporting changes in domestic policy. And I think in exactly the same way; labor standards really, to be operational, need to be accompanied by a host of other supporting policies. Since I've run out of time, I'd be happy to go into some of those in the Q&A. So thank you.

(Applause.)

KIMBERLY ELLIOTT: While Anne is getting set up, I would just interject. If anybody had any doubts that IIE enforces a company line, this ought to do away with that perception.

ANNE TREBILCOCK: While she's setting the project up, I'm going to warn you that this room is going to sound pretty much like an echo chamber very soon. I think both of the co-panelists have already made a lot of points that the ILO would certainly agree with in terms of the usefulness of labor standards and how they contribute to development. I think if you look at the language of development, with the emphasis on empowerment, on participation, better governance (including of the labor market), stability, you see the ways that labor standards can underpin those things that are necessary for development.

But it's also true that in order for labor standards to fulfill their functions, which include enabling people to claim the benefits of wealth creation, to protect workers, to provide for greater security and stability, you need a supportive framework that includes macroeconomic, political and also administrative arrangements to make them realize their potential.

Now, as was pointed out, the range of labor standards really is quite vast, and it goes from policies around employment, social protection, to more specific issues of occupational safety and health and, of course, the core labor standards that we'll take a particular look at today. I think it's important to emphasize that labor standards are not imposed. They are the product of discussions between member states, between employer and worker representatives to the international labor conference. They are the product of that mechanism, and an international labor convention is voluntarily assumed; there's no obligation to ratify.

Once a convention has been adopted, most conventions contain what we call flexibility clauses. There are many ways in which a convention can be applied, so there is a wide range of different solutions, country-specific solutions, to meet an international standard. Conventions can also be updated, and they have been. The ILO's have been undergoing quite a renewal of its stable of international labor standards.

And I think the other thing to bear in mind is that international labor conventions are subject to a system of review that fosters transparency. It fosters accountability once those obligations have been voluntarily assumed by a country, whether it is developed or developing. Also important in the context of development is that labor standards fit squarely within the broader vision of human rights. And there is, of course, a major thought stream in the development community about rights-based approaches to development.

Mention was made of the four core labor standards. They come out of a process that began, some people say in the OECD, but also I think more specifically in the Singapore Declaration, which was picked up by the ILO to adopt what is called the Declaration on Fundamental Principles and Rights at Work. This was adopted in 1988,

and it does focus on the four categories that Kimberly Elliott mentioned. I think it's important to see these as enabling rights for employers and workers. Freedom of association, in particular, is something that employers enjoy just as much as workers, and you see that right this week in terms of what's going on in Venezuela.

But more importantly, they are also enabling principles for countries and about how countries can position themselves in the world community. The previous slide focused on the obligations on all ILO member states under the constitution of the ILO, because the constitution is the basis for the 1998 Declaration. But this Declaration also imposes an obligation on the ILO itself, and that is to assist member states in realizing these fundamental principles and rights at work, and to encourage other international organizations with which we have arrangements to support those efforts by member states.

The Declaration itself also contains a follow-up mechanism, which is a way of producing information, both reports from individual countries that have not yet ratified the core conventions, but also global reports that take a more thematic look at issues such as forced labor. And you have an example here. There's a copy of the declaration at the end of this global report, Stopping Forced Labour. The Declaration itself contains safeguards. It stresses that it should not, nor should labor standards, be used for protectionist purposes. Indeed, it states specifically that neither the Declaration nor its follow up shall be invoked to call into question the comparative advantage of any country.

The preamble to the Declaration recalls the more political and economic context that produced it, and it recalls that social justice is essential to universal and lasting peace, something that is unfortunately all the more relevant today than it was a year and a half ago. It points out that economic growth is essential but not sufficient to ensure equity, social progress and poverty eradication. And it stresses the need for there to be universal respect for fundamental principles and rights at work as a basis for economic and social policies that are mutually reinforcing. As Kimberly Elliott pointed out, they are basically enabling principles.

But what has been the impact of this Declaration so far? One important thing is that we do have a universal definition of what fundamental principles and rights at work are. We know that it is these four categories, and we don't have a different definition across the multilateral system. We also see that there has been broad endorsement of the principles in the Declaration, including its links to employment, as we see in the Johannesburg Declaration adopted this past September. The Declaration has also produced a surge in ratifications of the core conventions: we have about an 85 percent ratification rate, and in some cases, forced labor and discrimination, it's over 90 percent of the member states. The Declaration has been a vehicle to stimulate an expansion in both the scope and also the depth of cooperation between the ILO and its member countries, with an important involvement of workers and employers organizations, and between the ILO and other organizations.

Now, what happens if a Convention has been ratified? I'm going to take one particular example that's been in the press a lot, Myanmar and forced labor. As I mentioned, upon ratification there is an ILO supervisory machinery that comes into play – and I apologize to those of you in the audience who are already very familiar with this, and also for going over it quite quickly. What's important about the ILO system is that it opens up the possibility for employers and worker organizations to stimulate a dialogue with governments. Increasingly, you see that where a government signals that it has the political will to improve a situation that the supervisory procedure has pointed out, there will be assistance forthcoming to help them deal with it.

But forced labor in Myanmar was a case where the political will was not present. Despite ratification of the convention on forced labor in 1950, there was no serious application of its provisions, and over the years the supervisory procedures pointed that out. To make a long story short, this led to the creation of a commission of inquiry under the ILO constitution. That commission of inquiry issued a very detailed report of findings of forced labor in very extreme conditions and made certain recommendations.

At that point the government still denied that these practices constituted forced labor. There was then an ILO conference resolution on Myanmar, calling upon it to implement the convention and inviting others to examine their own relationships with the government of Myanmar. Eventually, shortly thereafter, the government did start to amend the legislation that was causing some of the difficulties, but forced labor was still persisting in practice. This was ascertained by a high-level onsite visit. Eventually Myanmar agreed to what has been in place since earlier this year, which is a presence in the ILO in terms of a liaison officer in Rangoon.

Now, the situation is not yet resolved, and I will say that the pressure continues on the government to do what is necessary to actually enforce the orders it has issued to end forced labor, and indeed to have mechanisms of verification that in fact the problem has been resolved. So we're not yet at the end of the story here, but I think you see that over a period of time with sustained pressure you do get some results.

Now, a lot of the forced labor in Myanmar is related to public works and the forcible taking of the civilian population to help the Army in building roads and that sort of thing. One of the ways that the ILO works in a way alongside standards in a complementary fashion is to support labor intensive public works construction, but in a way that does not rely on forced labor, in a way that respects all the fundamental principles and rights at work. While no one can predict the future, if the government were to show the political will that they're really serious about doing things in another way, the world community would be forthcoming with some support on how to accomplish these development goals without using forced labor.

I think you've already had a good round from the other panelists about how freedom of association can support development. I would just add the importance of having institutions that prevent and resolve disputes in a labor relationship. To pick up on the theme of the morning, which seems to be “asymmetries”, where you have a well

functioning labor relations system which is based on freedom of association, you have social dialogue that corrects for information asymmetries. This can help to mediate change in a society, and can produce more equitable results within countries. That's one of the reasons the ILO is supporting social dialogue in connection with the poverty reduction strategy papers that are becoming the main vehicle of poverty reduction in the least developed countries.

Discrimination has been touched on a little bit.

SANDRA POLASKI: Close.

ANNE TREBILCOCK: There is an important dimension that involves ethnic strife. Gender has been mentioned. That's a key variable, particularly because discrimination disempowers women, and women have been seen as an important vector of development. But equally important is the ethnic dimension, and the fact that when you have discrimination in a society you have a threat to stability and to security. Child labor as well, there are crossovers between the existence of child labor and forced labor. There are crossovers from the presence or absence of freedom of associations and to the presence of unhealthy safety and working conditions, and there are crossovers to phenomenon like HIV/AIDS where you have a shortage of teachers impeding educational provision, and production of orphans who have to work (or who engage in prohibited child labour). Child labor is clearly both the result of and a perpetrator of poverty.

In terms of the ILO's own cooperation program, it was the issue of child labor that really got the ILO to move beyond its supervisory procedure to a system where there is a broad range of technical assistance, what we call technical cooperation projects. These include focused efforts on trying to eliminate child labor in particular sectors under time-bound programs and the like. We now have a more limited but certainly existing program of technical assistance on the other three principles as well, and there is an important new special action program on forced labor that focuses on trafficking and on debt bondage. And trafficking, I think, is a good example of how you see the downside of globalization and the threats to security, the undermining of the rule of law in a way that is both shocking in terms of human terms, but also very big business for organized crime.

Our cooperation has also been increased with development banks. There's an agreement with the Asian Development Bank doing work on gender, child labor, occupational safety and health and productivity. And, finally, I would mention that in our own programs we have what are called decent work country programs that incorporate standards as part of the means of action.

What's still needed? Well, I think one need is to have improved understanding of the dynamics of particular labor standards and development beyond the core standards. We require the development of stronger institutions of participation to facilitate change and to promote growth with equity. Another need relates to fundamental principles and rights at work to strengthen them, but to also use them more and to have them better

flanked by macroeconomic, political and economic frameworks. Finally, as pointed out by several speakers this morning, we clearly need some enhanced policy coherence at the national and international levels.

Thank you.

(Applause.)

SANDRA POLASKI: Thank you, Anne, and thank you to all of the panelists. Is the microphone on now? It's not on. Now? Okay, thanks. I would like to take just 30 seconds, as the moderator's prerogative, to add a footnote to a point that Robert Lawrence made, which I think is a very important component of the discussion and is not always put on the table in this conversation. That is his discussion of the three motives for linking labor standards with international rules, such as trade or other international rules. He listed the third motive as being one of trying to obtain domestic policy changes through international pressure. And I think he's absolutely right, that is frequently a motive in these policy debates. My footnote is just to add two examples of where that motive was exercised not by developed country governments, but rather by developing country governments, in a way that I think was actually very positive and produced successful results.

One example occurred in the case of Chile. As you know, Chile and the U.S. have been in negotiations for a free trade agreement for a couple of years now, and one of the items on the table has always been the insistence by the United States that labor standards be included in any such agreement, including enforceable labor standards. The Chilean president, Ricardo Lagos, was elected on a platform which in part promised some long overdue changes in Chilean domestic labor law. Those changes in fact had been stalled in the Chilean legislature by vested interests. The Chilean legislature, you may know, has certain "super majority" rules, so you can't say it is a purely democratic institution.

The Chilean president used the fact of the trade negotiations to push through the Chilean labor law reform that he had promised the public. He said, in effect, "We will not get a free trade agreement with the United States until we have modernized our labor law to an adequate degree". And he was thus successful in persuading a majority of legislators to pass the labor law reform. And that, I think, is seen as a very positive development by the majority of the Chilean population, who supported his election on the basis of a platform that included such reform. It was certainly seen as positive by the Chilean government.

Second quick example: Guatemala. Guatemala has had a very, very backward labor law. As part of the peace agreement ending the long civil war, the government agreed that they had to modernize the labor law to give more rights to workers. The existing labor law was very unbalanced in favor of employers and against workers. It literally was considered to be one of the factors in the war, and therefore it was one of the commitments in the peace agreement. Nonetheless, the peace agreement ran for several

years without those labor law changes that had been promised in the peace agreement, because they were blocked in the legislature by vested interests.

In 2000, the U.S. government began a review to decide whether to extend additional trade preferences to Central American countries under the Caribbean Basin Trade Partnership Act. And in the course of the government's review -- I was in the government at the time -- we reviewed the fact that there had not been progress on labor law reform in Guatemala. We said, basically, we cannot extend additional preferential trade benefits to you, benefits that by U.S. law are linked to respect for basic worker rights and international labor standards. We simply cannot extend these additional trade preferences to you until something is done to effectuate this commitment that you made in the peace agreements. And, indeed, the government of Guatemala was able to enact significant advances in their labor law—not total labor law reform, but significant improvements. And a very senior official of the Guatemalan government told me, we're glad you kept the pressure on us.

So this isn't just a motive that can arise in developed countries. It's a motive that can arise in any country, and indeed in some countries it's very important to be able to bring to bear the pressure of the international community to achieve a better, more equitable set of laws domestically. Having taken that moment of prerogative, I'll now open the floor to comments, questions, and observations from the audience for our panelists.

John?

No, behind you. John Audley.

Q: Thanks. John Audley, Carnegie Endowment. Anne, you didn't describe your relationship with the WTO. Would you, if you have one? Second, a quick question. In Chile and Singapore discussions, a new approach, the use of fines as opposed to sanctions, has been tabled by the United States. I wonder if the panelists would care to comment on it? And then to add to Sandra's footnote, our scholars here at the Endowment talk about China's motivation for accession to the WTO being to promote internal reform, and I'd like to hear Dr. Lawrence's comment with regard to that kind of external pressure voluntarily accepted by the Chinese government. Thanks.

SANDRA POLASKI: Terry Collingsworth.

Q: Thanks. I'm Terry Collingsworth with the International Labor Rights Fund. I'm curious, since there's a consensus among you for using international labor standards positively as a development tool, that not one of you mentioned the role of international business in encouraging the perpetuation of the current system; that by definition globalization means that there is international business transactions occurring, that someone is buying these products often knowing that they were made under substandard conditions. And I'm curious as to whether you have any thoughts about how to reach



that question. Are there regulatory schemes that would assist in this process by focusing on the behavior of the companies that are involved in these transactions?

And then the second part of the question is: what is the organized opposition to this consensus of implementing international labor standards? What role does business play in that, and can you make their case? Why is it that a company would say, no, no, we're against the notion of extending the benefit of these labor standards to workers in the developing world? Is that their position? Is it simply wanting to keep prices low, or is there a more philosophical case to be made?

SANDRA POLASKI: Jerry Levinson.

Q: Well, I was struck by Professor Lawrence's concern about international pressure to bring about domestic changes, but we see that all the time in the international community. I mean, after all, the World Bank and the IMF are intervening all the time. I mean, the extension of conditionality, structural adjustment now and specifically in labor -- they now intervene in labor markets for what they euphemistically call labor market flexibility, which are measures designed to make it easier for firms to fire workers without significant severance payments. That's an intervention on the part of capital; that's not a neutral intervention.

The World Bank World Poverty Report, page 74, actually says that they can't unqualifiedly endorse freedom of association and collective bargaining because in their view it depends upon the economic outcome. So in the year 2002 we can't even get the World Bank to endorse the concept of freedom of association and collective bargaining as a core worker right and as a human right. So I'm just struck by -- since we're talking about asymmetric intervention, what we really have is a massive intervention by the international community on the part of protection of corporate property rights, and almost a complete abdication with respect to abuse of worker rights.

KIMBERLY ELLIOTT: Can I pile on here on Robert, because I wanted to go back to John's question in the earlier session and ask Robert where he would draw the line in the Doha agenda between what is acceptable and unacceptable external pressure for internal reform? Where in that agenda, from a development perspective, would you draw the line?

SANDRA POLASKI: Let's pause there. That's a long list of questions already, and let me remind you we have plenty of time. So we'll allow the panelists to comment on those questions and then we'll take another round of questions. I think we'll start with John Audley's questions first, to Anne.

ANNE TREBILCOCK: Thank you, Sandra. I did refer to the reference in the Declaration to international organizations with which the ILO has agreements under our constitution. This does not include the WTO. That being said, the Singapore Declaration of course specifies that the ILO and the WTO are to continue their cooperation. That is a cooperation which I would describe as cordial but light.

To give you some examples, our Governing Body has a Working Party on the Social Dimensions of Globalization. There have been invitations to the WTO representatives, including the former director general, to come and speak to the Working Party, and that has happened. There are meetings of a more informal nature between the current director general of the WTO and the director general of the ILO. But beyond that, there are not more elaborate institutional arrangements at this point.

We do have cooperative agreements with a number of international institutions, from the U.N. system to the OECD to regional groupings such as development banks in the Asian, African, Americas regions -- and as well with regional integration entities such as the Andean Pact arrangement. I would just like to mention something in regard to China. There is a memorandum of understanding signed between the ILO and the government of China, which calls for a long program of cooperation on a whole range of issues, and it includes the four fundamental principles and rights at work. So we may see some development there.

SANDRA POLASKI: Would any of the panelists like to comment on the question about fines versus sanctions as a remedy in trade agreements?

ROBERT LAWRENCE: Yes, I would. A number of questions have been addressed to me about the use -- how does this go on -- button? Now I've got it. A number of questions were addressed to me about the use of external pressure. I'm not against a variety of external pressures to encourage countries to improve their general human rights performance. I do think, for instance, that firstly the power of persuasion is a very important one, putting the light on countries, I think; in addition, providing incentives to countries, particularly since for many countries the issue has to do with capacity. It seems to me that simply using sanctions can be counterproductive under circumstances in which it isn't the question of a will; it's a question of inability to implement. Now, when it comes to the use of fines in general, I'm rather concerned about this development. For one thing, I have a view of the WTO as being a system based on reciprocity in trade. And I think when you bring fines into the picture you change the nature of the system very fundamentally.

Some people talk today as if the WTO allows trade sanctions. I don't think that's accurate. That isn't what happens in the WTO. What happens in the WTO is a country makes a concession, agrees to lower its tariffs, say, then doesn't -- in return other countries lower their tariffs. It turns out the first country didn't actually fulfill its obligation, therefore the other country is allowed to rebalance concessions. That's not a fine or a penalty. And I think if you move to fines, you change the nature of the system fundamentally.

Let me also add that the United States has a rather dismal record of fulfilling its international financial obligations when it chooses not to do so. You can go back to the Jay Treaty, where the United States Congress -- as you know, any fine would have to be appropriated by the Congress. We think always of these things being imposed on others;

we should also realize they can be used against us. We haven't -- how long did it take us to pay our United Nations dues? Have we ever? Yeah. So you can see what happens when the United States is fined.

I actually think one of the -- the stroke of genius in the trading system is that the enforcement mechanism is self-contained. And I think to move to a system of fines actually would -- is not desirable. And I don't see why somehow trade is regarded as the holy of holies, in the sense that responses with trade are protectionist, but imposing a fine, which after all imposes a cost, is something we should -- you know, we should just willingly accept as an improvement. So I guess I'm skeptical of that.

I'm not against external pressure, but I think a system such as in GSP, which is designed to give preferences for those who meet certain conditions, is more likely to get the right kind of responses. Just let me finally add, on the question of China, the crucial element is that the Chinese themselves -- the Chinese themselves endorsed their joining of the WTO under the conditions which they negotiated with us. That's different, it seems -- and we could hold out for other kinds of conditions, and indeed if the Chinese see it as in their interest to sign an agreement which is going to implement human rights, labor standards and so on, I'd be all in favor of that.

The hard question, the really tough question was, was it a better bet to entice the Chinese into the WTO, despite their current human rights practices, in the hope that the dynamics of internal reform will eventually lead to improvement? It seems to me that was the choice that was made. And I believe that had we sought today from the Chinese leadership a meaningful commitment to human rights as we define it, I believe they would not be -- would not have been so enticed.

KIMBERLY ELLIOTT: Maybe just one thing on the fines issue. My concern with the fines is a little different. I share some of the practical concerns about how they would be used and put in place, and what the effects would be. But my real concern is with where the bilateral FTA negotiations are going with these agreements on labor and environment. The way they are using fines is a very elegant, very clever means of meeting the Trade Promotion Authority negotiating objectives, but essentially they take labor and environment off the table and do not really do anything serious to improve labor and environment conditions. So my concern is not so much with the fines per se, but that they are part of an overall package that just avoid these issues.

SANDRA POLASKI: Would any of the panelists care to comment on the question by Terry Collingsworth about the role of business, the stance that business has taken toward labor standards, and the role of regulatory schemes?

KIMBERLY ELLIOTT: I don't know that I've heard of any of them flatly say they're opposed to core labor standards per se. Most of it focuses on this issue of how do they get enforced and whether or not it's through trade agreements. And there are also some things going on the voluntary side. I think that's where the role is right now for

multinational corporations; it is mainly with these private, multi-stakeholder, monitoring and verification efforts.

One of the questions, I guess, is whether it's possible to make anything meaningful out of the OECD guidelines, which now do have this reporting function involving national contact points. There is potential for that to be a mechanism for raising more transparency on what investors and multinationals are doing around the world in the labor, environmental and other areas. I don't see on the horizon any time soon any sort of formal regulatory mechanism on the investment issues .

ANNE TREBILCOCK: Thank you. I would just like to make a couple of comments about that issue. One is that I think it's very difficult to lump all employers together, and I think that's important to bear in mind. Look in particular at the employers who have come forward to participate in the Global Compact, which is an initiative of the U.N., together with business; it specifically includes respect for the fundamental principles and rights at work, the purpose being to bring to the fore good practices of companies which pledge not only to adhere to those principles but also other human rights standards and environmental standards. I would also mention the ILO Tripartite Declaration on Multinationals, which provides a framework of conduct, if you will. It's a voluntary instrument but it has a follow up procedure within the ILO that is, again, a source of information and some policy guidance.

And finally, where there are situations in countries where there are allegations of violations of freedom of association by a particular company within a particular national framework, those can be brought to the Committee on Freedom of Association of the ILO, which is a tripartite-type committee that issues decisions in relation to findings of whether there has been or has not been a violation of freedom of association within that context. So there are some avenues available in the case of employers which are not like those in the Global Compact who having adhered to those basic principles.

Thank you.

SANDRA POLASKI: Comments by other panelists on the private sector, the role of business regulations? If not, we haven't had a response yet to Jerry Levinson's question, though we've touched a bit on the question of international pressure on domestic policy. But we haven't had a response yet to Jerry Levinson's question about what he called the asymmetry of intervention, that the international institutions intervene on the side of capital but not on the side of workers. Does anyone want to talk about that asymmetry of intervention?

ROBERT LAWRENCE: I think one of the problems -- the real problems that actually free traders confront is that frequently the IMF is confronted with a financial crisis, and therefore has an opportunity to bargain with countries, and tends to make a lot of demands about structural changes which it thinks are in the long-run interest of the country rather than focusing on dealing with the financial crisis as ought to be narrowly defined. The result is that we have the implementation of liberalization at possibly the

worst times, which is when the countries are undergoing the wringing out from a financial crisis. In addition, what the country is trying to do generally, although often unsuccessfully, is to keep its exchange rate rather strong. And yet we know that the best kind of macroeconomic policy to accompany a trade liberalization would actually be to have a weaker exchange rate.

So I think it's partly because of having to deal with crises, and erroneously, in my view, trying to extend the scope of what they ask for too broadly to too many structural considerations, as opposed to the priorities of dealing with the financial crisis; that frequently what they're seen as doing is being simply on the side of capital. I don't think it's really fair to say that what the World Bank is trying to do in its broader structural programs -- although that was a good quote you gave with the statement on unions in general. Certainly I don't think it's fair to write off all of the measures that the World Bank has achieved and is trying to accomplish by saying that they're simply on the side of capital. I don't think that's a fair characterization.

SANDRA POLASKI: Let's go to another round of questions. We still have ample time.

ANNE TREBILCOCK: Can I just add one thing on the question of the international financial institutions? There is acceptance at the highest levels, certainly in the IMF and in the World Bank, with the possible exception of freedom of association and collective bargaining, of the importance of respect for core labor standards. It is also true that sometimes this message does not seem to get down to the troops on the ground. And where that happens, there's a dialogue that ensues. We have regular contacts with the World Bank around the Poverty Reduction Strategy Papers, and the ILO has been very forceful in explaining that if you want to have country-owned poverty reduction strategies, you simply cannot have this without the participation by and of the employers and workers in that country. And I think that that's just a fact.

SANDRA POLASKI: Questions? Yes.

Q: Paul Tennessee, the World Confederation of Labor. I think one of the elements that you miss out when you deal with making a case for core labor standards is the lack of inclusion of the history of the labor movement in those countries. For example, in Latin America and the Caribbean you can't speak about the history for human rights or the achievements for human rights without including the struggles of the trade union movement. So it's not an external pressure for core labor standards. This has been a long struggle of peoples in those countries.

The second point is that I think that I don't quite agree with the last speaker fully with what she said about the IMF and the World Bank. I think my understanding is as you speak with these staff and the leaders of these global institutions, they are still in the days of slavery in a sense that in their mindset unless core labor standards can be -- it can be shown empirically that it is profitable, they don't support it. In other words, slavery,

there were people who supported the end of slavery because it became uneconomical, not because slavery was bad. And I think we shouldn't have any illusions about this because the World Bank and the IMF have structural adjustment programs which force people to do a lot of things, but they don't do that with core labor standards, especially with the right to organize.

The other point I think we have is a serious problem that I think has not been touched here -- and I think increasingly it would become the center of a lot of problems in global governance -- is that we have a contradiction where all these institutions are supposedly intergovernmental. The ILO is intergovernmental. All these governments signed these conventions. The WTO is, the World Bank is and the IMF is. But none of the others respect what they signed at the ILO. If you look at Johannesburg, the declaration -- final declaration in 2002, every agreement was subjected to WTO rules. Go through it and you will read it. But when it comes to the ILO it's a totally different story. You have the buts and the ifs and a whole set of different language.

So I think we have a serious problem and we have to deal with the governance issue. What are we going to do about these governments that sign these declarations in one place and ignore them in another? What does it tell us about what is going on at that level of global governance?

SANDRA POLASKI: Elizabeth?

Q: Hi, I'm Elizabeth Drake from the AFL-CIO, and one thing that I found sort of troubling in Professor Lawrence's presentation was this supposed dichotomy between enhancing capacity and punishing or using sanctions, and the idea that simply using sanctions is counterproductive. And I don't think anyone anywhere is advocating simply using sanctions. I think every discussion of sanctions is in a larger context of enhancing the capacity of those countries that do have the political will to actually improve labor standards. I know the American Labor Movement has been very strong in supporting increased aid and technical assistance for those countries that are willing to improve their labor standards.

But the true dynamic in the global economy is those countries that are not willing to improve their labor standards, and those countries create more and more pressure on their neighbors to also reduce their labor standards, or not improve their labor standards. And I think China is the key example here, and I think the issues that Kim raised of South-South competition and what's going to happen when the multi-fiber arrangement expires are key issues. And in the last panel everyone pointed to the unfairness of textile quotas and tariffs, and it was implied that the solution is to simply get rid of all of those tariffs and quotas, and there's a question of who's going to benefit from that? How will those benefits be distributed both within countries within workers -- between workers and capital, but also between countries -- between developing countries?

China -- most studies that I've seen show that China will benefit disproportionately from getting rid of these textile and apparel tariffs and quotas at the

expense of other developing countries that at this point are able to benefit from unilateral trade preference programs like AGOA and the CBTPA. So I'd like people's thoughts on that. Isn't that going to create more negative incentives for countries to lower labor standards? Isn't that going to speed up the race to the bottom? And it's not simply a neutral act to get rid of existing tariffs and quotas. It's not necessarily just pro-poverty and pro-poor and pro-workers around the world. There are distributional impacts.

And the final point that I wanted to raise was this question about one motivation is protectionism and another motivation is to improve U.S. standards. And definitely improving U.S. standards is a motivation of the U.S. labor movement, obviously, and we would welcome any country levying sanctions against the U.S. because we're in violation of ILO core labor standards, which we are. That would increase our bargaining power here within the United States to improve standards. And so I think that puts the lie to some of the protectionist arguments that we're willing to invite trade sanctions on the U.S. if it means that we will be able to improve labor standards for workers here in the U.S. So any comments that you have on that would be welcome. Thank you.

SANDRA POLASKI: Greg Schoepfle.

Q: Greg Schoepfle, U.S. Labor Department. I have a two-part question. The panel has focused fairly well on the ILO core -- ILO defined core labor standards, with the exception of Bob Lawrence's allusions to wages as examples of labor standards. But in the new Trade Promotion Authority, Congress has redefined the list of core labor standards, taking out nondiscrimination and substituting acceptable conditions of work. How does that complicate the question if we go from more of a rights-based standard to something which may be based upon levels of development?

Second part is really to Anne's point. How do we make a long story shorter and more transparent? I think the issue of alternatives to the ILO came up from the perception of the lack of the ILO being able to work for solutions to violations of -- or apparent violations of labor standards around the world. Is there a way of making the ILO more effective and transparent in terms of addressing issues? And is there another example other than Burma to point to, in other words, in terms of actually taking action? So is there a way to sort of address the feeling of the need to link with trade to get sort of what some people have called enforcement mechanism with teeth, as opposed to a solution that would be done through the ILO? Thank you.

SANDRA POLASKI: I think we can probably take two more questions and then we'll have a round of answers. Yes, in the back. Claude Barfield.

Q: I'd just like to follow up with a question that just came, and then an earlier comment by, I think, the guy from the International Labor Confederation. And that is the point was made that the ILO, like the WTO, the IMF, the World Bank, et cetera, is an intergovernmental organization. And that's actually not quite true. The ILO is a corporatist organization in that it has representation of both labor and management. I

think that was no problem, and is no problem so far -- as long as the ILO is -- and let's face it, that's what it is, a kind of hortatory organization.

But if you come to the question -- or raise the question which was just raised here, that the ILO at some point might be given a role in leavening sanctions, it seems to me you have got major questions of democratic legitimacy there because the ILO, unlike the WTO, is not just represented by governments. I would only say in passing, we went through a phase such as this in the United States with the first New Deal where we had a regulatory system in which the government got into bed with government and labor, and we didn't have very happy results. And I think the same thing might very well happen on the international level.

SANDRA POLASKI: One more question. Mike Allen.

Q: Thank you. Michael Allen, Global Alliance. I was interested in the comments Kim Elliott made about promoting perhaps a different form of trade unionism in developing economies, partly because we've recently completed a series of surveys, one-on-one confidential interviews with just over 10,600 workers, largely in Southeast Asian developing economies. And the agenda that these workers themselves articulated in terms of their priorities and their priority needs and interests in the workplace were really around what I suppose we would call here a quality of work life agenda.

Yes, they were interested in decent working conditions and protection from arbitrary management abuses and so on, but they were primarily interested in human resource development issues, acquiring skills, health education and so on. And it seems to me that there is at least a kind of embryonic agenda here for a new form of trade unionism, what some people have called associational unionism, rather than the kind of wage bargaining-obsessed adversarial trade unionism that we've all come to know and love in the Anglo Saxon economies.

But the second point was really -- and I suppose this is my question -- in terms of the voluntary initiatives in the multi-stakeholder initiatives that have been referred to, the likes of the Fair Labor Association and SA8000 and so on, yes, there are global brands that are committed to these initiatives, but they are a tiny percentage of global companies that have global supply chains. Really, we're only talking about clothing, footwear and toys, if you like, Nike, Gap and Disney. These are the only companies that are in any way committed to codes of conduct and extensive systems of monitoring and verification, and even those regimes are problematic. How do we really generalize from those sectors and, to a certain extent, enforce the initiatives that are taking place at a country level?

If one looks at Vietnam, for example, Cambodia, and to a certain extent Sri Lanka, these are national governments that are committed to, if you like, a branding or a marketing exercise of themselves as labor friendly organizations. Again, that's problematic when one goes down to the company level, particularly when you've got at the enterprise level Chinese-owned firms with largely Korean managers operating in



Vietnam, Vietnamese enterprise zones and so on. So how do we generalize the good practice from these voluntary initiatives?

SANDRA POLASKI: Thanks. I think I'll try to group together some of these questions because they are overlapping, and then allow the panelists to take them on as they will.

First, there were a couple of questions about global governance issues. Paul Tennessee raised the point that all of the commitments and agreements at Johannesburg, at the Sustainable Development Summit, were made subject to WTO constraints or disciplines, except any of the commitments on worker rights and the ILO -- that asymmetry again. And the comment was made about the ILO as a corporatist organization where governments, employers and workers together decide the rule. The question was asked whether, if there were a move for the ILO to become involved in some greater, more authoritative decisions or enforcements, such as sanctions or fines, if that would not raise questions of democratic legitimacy.

Would anyone want to comment on these governance questions?

ROBERT LAWRENCE: Yes. I think it is important to appreciate that the WTO, for good or for bad -- and I'm not so enthusiastic about this -- is a comprehensive single undertaking. You don't have the ability as a country -- although developing countries have some exceptions and often have more time to adjust; you take it all on if you sign. By contrast, it seems to me one of the great strengths of the ILO is in fact the fact that it has a set of core standards but then has a whole other host of conventions to which countries can subscribe. So it is of a very different character.

And while the core standards have been elevated to a higher rank, nonetheless it does seem to me that it would be -- while you can refer to the WTO's rules and, in a sense, most of those countries at Johannesburg who are members certainly have accepted through their national governments obligations to comply, by contrast when it comes to the ILO those countries, through their national governments, many of them have not accepted to comply with those norms. So it seems to me that's where we stand.

Now, on the one side it does seem to me that when we look at this from the standpoint of developing countries with very different kinds of capacity, that the ability to gradually ascend and assume increasing obligations is a great virtue. And I think one of the problems of the World Trade Organization is that the rules that have glibly been written by developed countries have been done so in ignorance of the kind of costs that simply implementing those rules actually impose on the least developed countries. So it seems to me when we talk about the enforcement of labor standards, we have to get down on the ground and realize that we're talking about countries who have grave difficulties in their administrative capacities and that they have to make some very, very tough choices.

That's why it seems to me that at the end of the day, it's not a question of trade or aid; they have to be complementary. And the more extensive international agreements are, the greater the corresponding obligations to provide countries with a capacity to actually implement these agreements. And I would have said exactly the same things about intellectual property as I would about trade agreements. They too, while appropriate for some countries at some stages of development, are not necessarily appropriate for all.

SANDRA POLASKI: Anyone else on the question of governance?

KIMBERLY ELLIOTT: A couple of comments. One, I think, on the comment really, not question, about the history of labor movements and the role in the past in promoting democracy and human rights and worker rights I think is a very good point to keep in mind. Also on Robert's point about government capacity, I think the aim of international labor standards has to be to empower workers to protect their own interests. And if you can do that, then you have much lower demands on government capacity to pass regulations and to enforce them. The more you have unions in the workplace, then the more I think it becomes a self-enforcing kind of a system.

On the consistency of rules among various international institutions, I think Anne mentioned the increasing collaboration or cooperation between the ILO and the Asian Development Bank. One interesting thing that I picked up in some of those documents was the idea -- which I don't think the Asian Development Bank has necessarily endorsed, that the development banks should require social audits on their own projects. They would not necessarily condition a loan or a project on the core labor standards, but a social audit would have several benefits. One, it would simply bring transparency to the working conditions in these projects.

Secondly, it would create a demand for auditing agencies-- whether they are for profit or non-profit, it would help to build up this market for standards and create a demand for these auditing and verification agencies that could then be used by multinational corporations, other donor agencies, whoever it may be. Right now there are very few such agencies and for the multinationals to consider requiring social audits would be one way to start to build up that capacity.

And my last comment is on Claude's question about the ILO's tripartite structure and giving it more teeth. I think that he's exaggerating the problem because, in fact, at least in the Burma case and the way I read the ILO constitution, Article 33 calls on the International Labor Conference to recommend to its members what action to take. But just as under the WTO, it is ultimately the government that decides what action to take. In the ILO as well it would be the governments that would decide what, if any, action to take, though the tripartite members, the employers and the workers, would also be involved in the decision on what to recommend. But it would remain the responsibility of the government to choose what to do and whether to act. So I think that the legitimacy problem is not as serious as Claude fears.

SANDRA POLASKI: We're rapidly getting toward lunch time, but let's have a quick round of responses on the question of competitive pressures between developing countries, whether this is pushing down labor standards even where governments might wish to maintain them within their own country, and whether the end of the ATC is indeed a good or a bad development for developing countries. Any comments on these questions?

ROBERT LAWRENCE: I actually think that there's an exaggerated sense -- implied in the question is an exaggerated sense of the power of labor standards. Most estimates suggest that membership in a union, certainly in the United States, raises wages by about 15 percent. So if you are worried about competition from a country that has a dollar a day wages and you were to wave a wand in that country and to implement the best system of labor standards you could, I would venture to suggest that the wages of those workers will go up to \$1.30. And that would maybe be a generous number.

So it doesn't -- it seems to me that to the degree that there are -- so that's why I've never actually believed that those who say that the desire for labor standards are motivated by protectionism really have a very credible argument, because it seems to me that if you're worried about a low wage competition, labor standards aren't going to do it for you. Basically, they may moderate some of the wages, and in certain circumstances where rights are violated, you could well imagine advancing wages, but as a broad characterization, it doesn't seem to me that that's where the pressure is.

Secondly, I think it's important to note that there are some reasons, quite compelling in my view, to believe that labor standards may actually enhance productivity when used wisely. And that would mitigate the pressures for a race to the bottom, therefore, because they actually may pay for themselves and not give rise to the competitive losses. Not in all circumstances. They could be unwise, but they might do that.

I do think the point about China's competitive pressures on other developing countries is germane. There will be increasing pressures from China, and I don't think actually if we could wave a wand they would evaporate were China to adhere to labor standards. I think that inevitably as more and more countries -- (audio break) -- there is going to be increasing competition. Now, the good -- one aspect of this is that we have seen incomes and wage growth in China grow considerably, not because of labor standards but because of increased productivity. China is a noteworthy example of a country that has made immense headway in alleviating poverty. So I don't mean to advocate the Chinese model in its entirety, but it does seem to me that at the end of the day what really will alleviate the pressures is economic development.

SANDRA POLASKI: Thank you. I'll give a moment to Kim and then to Anne for a final comment if you wish.

KIMBERLY ELLIOTT: I was just going to relate this to Mike Allen's point that there's only a small number of companies that are involved in monitoring and verification efforts right now. If labor standards have the positive effects that those of us who believe in them sense they will, then exporting companies are just the wedge, and presumably they'd get better results, as Robert was saying, in terms of productivity-enhancing effects and in terms of reducing conflict. In that case, presumably other firms in the rest of the economy would begin to follow and the government might also see advantages and begins to promote and enforce standards more effectively itself.

That may be idealistic, but one at least hopes that there would be spillover of that type. And I think I said in my comments that I think what Elizabeth was asking about was not a race to the bottom from the top, but from the bottom among developing countries. And as I said in my comments, that gives progressive countries a reason to begin to use labor standards as a marketing tool and to use standards as a way to differentiate themselves.

SANDRA POLASKI: Anne?

ANNE TREBILCOCK: Thanks, Sandra. Just quite briefly I would like to contest this old myth that the ILO has no teeth and that; it is not transparent. I think the refutation of that exists on our website where you simply have to look at the last reports of the Committee on Freedom of Association, the last reports of the Conference Committee on Application of Standards, the last published documents of reports from governments under the follow-up to the Declaration of 1998. You see that there is progress -- sometimes it takes time, but there is progress and you can see that these are human rights instruments. You compare that to other human rights regimes and the ILO comes out looking extremely good.

I think as well that it's important to look back a few years and see how this whole debate has evolved. It is very clear that it is no longer perceived as a north-south issue. There is an important south-south dimension, an important realization that labor standards can, under the right circumstances -- I would agree with Robert Lawrence about that -- be a powerful force for development. There is a global consensus on the core labor standards, and that is the base of moving forward.

At the same time, it's clear that we have some incoherent actions by the same member states, as mentioned by several speakers. The phase out of the Multi-Fiber agreement, as an example, is not something that has been imposed. It was agreed to by the same set of governments that agreed to have other actions under Monterey, Johannesburg, and the ILO Declaration. The real message here is the need for much greater coherence in the international system, but that will need to reflect greater coherence in national systems. Thank you.

SANDRA POLASKI: Let me just sum up the panel by saying that if Robert Lawrence's estimates are right and that implementation of freedom of association could improve workers' wages by about 15 percent, and that implementation of all the core

labor standards perhaps by 30 percent, then that outcome is well worth fighting for, well worth struggling to find policy instruments to effectuate those results. And certainly for those workers, that marginal improvement in their livelihoods, their working conditions and their household incomes would be very vast.

And so I want to thank all of the panelists for making their contributions about how we can move forward along those dimensions. (Applause.)

Lunch is served outside in the hallway now at 1:00. You have plenty of time for lunch. We'll resume at 2:30 here for the final panel of the conference.

(END)