

Labour Standards in Trade and Investment

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Much attention has been given to the issue of including international labour standards in the negotiating agenda of the World Trade Organization. This has been an important goal of the world trade union movement, but it is certainly not the only economic forum in which these proposals are put forward. The association between trade and labour standards does have a long history, despite beliefs in some quarters that these are new issues. The Havana Charter of 1948, which was to set up the International Trade Organization but was never ratified, included a commitment by signatory countries to maintain "fair labour standards". During the GATT Uruguay Round negotiations, which started in 1986 and led to the creation of the World Trade Organization (WTO) in 1994, the International Confederation of Free Trade Unions (ICFTU) proposed the inclusion in the WTO of a workers' rights clause based on the core labour standards (CLS), but debate was deferred to later meetings of the new trade body. The issue came up during the WTO ministerial meeting in Singapore in 1996, which affirmed the commitment of the WTO to the CLS but stated that "the ILO is the competent body to deal with these standards". The Seattle ministerial of 1999 discussed taking additional measures on the matter before the meeting collapsed, while the 2001 WTO ministerial at Doha reaffirmed the commitment to CLS but declined to take any further steps in implementation.

Despite the lack of recent progress regarding CLS in the global trade forum, or perhaps because of it, various regional or national trade arrangements now refer to international labour standards. For example, the General System of Preferences (GSP) in US trade legislation refers to internationally recognized workers' rights while the more recent European Union GSP, adopted in 1994, specifically refers to the CLS. The North American Agreement on Labour Co-operation, adopted in 1993 and better known as the labour side agreement of NAFTA, endorses the CLS and some other standards. In 1998 the MERCOSUR countries of South America adopted a "Protocolo Sociolaboral" which endorses the CLS and some other labour standards and provides for a tripartite supervisory mechanism. Explicit reference to the CLS is also beginning to appear in some recent new bilateral trade agreements, such as the US-Jordan free trade agreement, which entered into effect in January 2002.

Observance of labour standards has also made headway in international instruments that guide investment decisions of multinational enterprises and other firms. Both the OECD and ILO have adopted guidelines, dating back to the 1970s, that deal with the labour practices of multinational enterprises through voluntary codes. Under pressure from NGOs, several multinational firms have, since the early 1990s, adopted codes of conduct concerning their labour practices, although many questions remain concerning the monitoring and effective application of these codes. Since the mid-1990s nineteen multinationals, most of them European-based, have negotiated and concluded framework agreements with various Global Union Federations (GUFs: international trade union federations associated with the ICFTU that represent workers in specific sectors) which, in each case, include a commitment to observe the CLS. Some official development agencies have begun examining how to integrate respect of CLS into their project financing criteria and one, Germany's GTZ, has actually done so. Two World Bank agencies that deal with private sector investors, the

IFC and MIGA, require as a standard loan condition that projects funded by the agencies abide by two of the CLS, namely the prohibition of child labour and forced labour.

The World Bank's support for the CLS as an overall policy commitment has already been mentioned. The Bank's endorsement has been followed by the IMF and the regional development banks (AfDB, AsDB, EBRD, IDB). While trade unions have welcomed the commitments in favour of the CLS by the World Bank and the other international financial institutions, they have frequently complained about loan conditions or country-level policy advice proffered by these same institutions that appear to work in the opposite direction. These often include recommendations that governments act to reduce wage levels or increase labour market flexibility through measures that can lead to job losses and downward pressure on wages and working conditions. This has led to questions being raised by national trade union bodies, and by the ICFTU and GUFs internationally, as to how seriously the institutions are applying their poverty-reduction mandate when, for example, they recommend reducing labour costs even in countries where many wage earners' incomes are below the poverty line.

ⁱ The ILO Declaration of Fundamental Principles and Rights at Work, adopted by the International Labour Conference in 1998, covers four areas of fundamental rights as defined in eight ILO Conventions, generally known as the core labour standards:

- Elimination of all forms of forced or compulsory labour (C. 29 and C. 105)
- Abolition and effective elimination of child labour (C. 138 and C. 182)
- Elimination of discrimination in respect of employment and occupation (C. 100 and C. 111)
- Freedom of association and effective recognition of the right to collective bargaining (C. 87 and C. 98)