

TRADE AND LABOUR STANDARDS AND THE OIC COUNTRIES

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Labour standards are currently not subject to World Trade Organisation (WTO) rules and disciplines but some industrial nations believe the issue should be studied by the WTO as a first step toward bringing the matter of core labour standards into the Organisation. The current heightened interest in international labour standards is very much related to the globalisation process. The debate, which is between the industrialised and developing countries, stems from the industrialised country view holding that countries which do not practise core labour standards derive competitive advantage against those which do practise it, therefore the issue should be integrated into the WTO rules and disciplines, and the developing country response to it holding the opposite view. The purpose of this paper is to discuss the economic and institutional sides of the “trade and labour standards” issue.

1. INTRODUCTION

The issue of labour standards and their interaction with trade and international economic relations is not new. International labour standards were first developed in the 19th century and the International Labour Organisation (ILO) was established in 1919. The Treaty of Versailles, which created the ILO, recognised that “failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries”.

The 1948 Havana Charter of the International Trade Organisation (ITO), which was never actually established, also addressed the impact of labour standards on international competition. The Draft of the Charter states: “The members recognise that unfair labour conditions, particularly in production for export, create difficulties in international trade and, accordingly, each member shall take whatever action may be feasible and appropriate to eliminate such conditions within its territory”.

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The world economies today are going through a globalisation and trade liberalisation process. The current heightened interest in international labour standards is very much related to this globalisation process. Although global economic integration provides opportunities for sustained economic growth and employment, the benefits of globalisation and trade liberalisation would be enhanced only if this process includes in its agenda a consensus between the industrialised and developing countries on trade and international labour standards.

The arguments on trade and labour standards are multi-dimensional and involve several subjects of debate. The purpose of this paper is to discuss the *economic and institutional* aspects of the whole issue, but not the other related debate topics such as human rights arguments, collective action arguments, arguments from sovereignty, pragmatic arguments, arguments from policy inconsistency, and rock-bottom arguments¹. The second section talks briefly about the definition of core labour standards and gives some historical background. The relationship between trade and labour standards is to be analysed in this section. The third section tries to answer the question “where does the problem arise?” by taking into account the industrialised country and developing country views separately and continues with developments on the current situation. Trade relations between the industrialised and developing countries in general are studied and conclusions are drawn. The fourth section discusses the ways and means to improve core labour standards in developing countries and includes a list of regional initiatives worldwide in the field of labour. The paper ends with the conclusion section.

2. WHAT ARE LABOUR STANDARDS?

On 18 June 1998, the International Labour Organisation (ILO) adopted the Declaration on Fundamental Principles and Rights at Work, applicable to all 174 ILO member countries regardless of whether they have ratified the fundamental conventions. The Declaration covers issues such as *freedom of association, right to collective bargaining, forced labour, child labour and discrimination in employment* and defines these “core labour standards” as basic human rights. More specifically, it encompasses the following principles which actually form the core labour standards:

¹ See Langille 1997 for details on these arguments.

- freedom of association and the effective recognition of the right of collective bargaining,
- elimination of all forms of forced or compulsory labour,
- effective abolition of child labour,
- elimination of discrimination in respect of employment and occupation.

The Declaration applies to governments, not to companies, and has two basic elements:

1. It recognises that all ILO Members (who are also, with very few exceptions, members of the other organisations of the United Nations system) have by their very acceptance of the ILO Constitution an obligation to respect, realise and promote these rights; and
2. It provides for follow-up procedure designed to monitor and encourage countries' efforts to fulfil this obligation. Moreover, it explicitly rules out the use of the Declaration for protectionist purposes (ILO 2000, p. 16).

Currently, there are eight fundamental ILO Conventions. These are:

- Convention 29 concerning Forced Labour,
- Convention 87 concerning Freedom of Association and Protection of the Right to Organise,
- Convention 98 concerning the Right to Organise and Collective Bargaining,
- Convention 100 concerning Equal Remuneration,
- Convention 105 concerning Abolition of Forced Labour,
- Convention 111 concerning Discrimination in Employment and Occupation,
- Convention 138 concerning Minimum Age,
- Convention 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

The fundamental conventions, like all ILO conventions, establish international labour standards that are subject to voluntary ratification by ILO member nations.

While the ILO Declaration and its follow-up procedures that aim to review progress in implementation of these standards are considered

major achievements, they constitute only a first step in understanding and dealing with the social dimensions of globalisation. Also, it is argued that some of the labour standards reflect basic human rights which should be practised in all countries of the world regardless of their level of economic development and socio-cultural traditions.

2.1. The Linkage between Trade and Labour Standards and Economic Welfare

Although there are a few studies conducted on the relationship between trade and labour standards, lack of analytical work leaves us with limited answers to many questions. According to one view, enforcement of non-discrimination standards and prohibition of forced labour might raise economic efficiency by ensuring that the allocation of labour resources moves closer to a free-market situation. The forced labour conditions eliminate the ability of workers to make their own decisions about how, where, when and under what circumstances they will supply their labour. Also, under discrimination, some individuals may not be employed in the jobs for which they are best qualified. The result of both is a market distortion (Leicht 1998, p. 2).

Another view suggests that with regard to labour costs, in a cross-section of countries lax labour standards were associated with lower costs and the comparative advantage in labour intensive goods was associated with indicators of labour standards in the expected manner: the more relaxed the standard, the larger the revealed comparative advantage in labour intensive goods. The same study found, however, that countries with poor labour standards received less foreign investment than would have been predicted on the basis of their other characteristics (Rodrik 1997, p. 45, 46).

In 1996, OECD published a report which gives an analytical and empirical analysis of all relevant aspects of the relationship between trade and labour standards. The Report's findings are mixed. Some very important points in the Report are as follows:

1. Theoretical analysis suggests that, in general, trade improves aggregate economic welfare, irrespective of whether or not core standards are observed by all trading partners.

2. Standard trade models show that patterns of specialisation are likely to be determined by fundamental factors such as relative factor endowments, technology and economies of scale.
3. Empirical research suggests that there is no correlation at the aggregate level between real-wage growth and the degree of observance of freedom-of-association rights.
4. There is no evidence that low-standards countries enjoy a better global export performance than high-standards countries.
5. A detailed analysis of US imports of textile products (for which competition from low-standards countries is thought to be most intense) suggests that imports from high-standards countries account for a large share of the US market. Moreover, on average, the price of US imports of textile products does not appear to be associated with the degree of enforcement of child labour standards in exporting countries.
6. Some cases have been recorded where governments appear to deny core standards to workers or deliberately do not enforce them with the aim of improving sectoral trade competitiveness or attracting investment into export-processing zones (EPZs). The expected economic gains from such a strategy are, however, likely to prove short-lived and could be outweighed in the longer term by the economic costs associated with low core standards.
7. An analysis of selected trade liberalisation episodes does not prove unambiguously whether trade reforms or freer association rights came first. There is no evidence that freedom-of-association rights worsened in any of the countries that liberalised trade. Nor is it apparent that the promotion of these rights impeded a subsequent trade liberalisation. The strongest finding is that there is a positive association over time between successfully sustained trade reforms and improvements in core standards.
8. While core labour standards may not be systematically absent from the location decisions of OECD investors in favour of non-OECD destinations, aggregate Foreign Direct Investment (FDI) data suggest that core labour standards are not important determinants in the majority of cases. In these circumstances, host countries may be able to enforce core labour standards without risking negative repercussions on FDI flows. Observance may work as an incentive to raise productivity through investment in human and physical capital.

The Report also states that exploitation of child labour is likely to undermine long-term economic prospects to the extent that it hampers children's education opportunities and degrades their health and welfare.

These results of the Report imply that concerns expressed by certain developing countries that higher core standards would negatively affect their economic performance or their international competitive position in the world markets have no economic rationale. On the contrary, it is conceivable that the observance of core standards would strengthen the long-term economic performance of all countries.

Since the Report found that low core labour standards do not give countries an export advantage, suggestions that multinational companies seek to cut costs by locating investments in countries with low labour standards became mostly unfounded.

Furthermore, the Report concludes that the more successful the trade reform is in terms of the degree of trade liberalisation achieved, the greater is the respect of association rights in the country (OECD, 1996).

3. WHERE DOES THE PROBLEM ARISE?

Labour standards are currently not subject to World Trade Organisation (WTO) rules and disciplines. But some industrial nations believe the issue should be studied by the WTO as a first step toward bringing the matter of core labour standards into the Organisation. As global competition for markets increased, the issue of trade and labour standards has become a subject of debate around the world. The debate stems from the view that countries which do not practise core labour standards derive competitive advantage against those which do practice it, therefore the issue should be integrated into the WTO rules and disciplines. Since the debate is between the industrialised and developing countries, we may proceed with looking at both views separately:

3.1. Industrial Country View

Industrial countries believe that the right to bargain collectively, freedom of association and workplace abuse (including forced labour and certain types of child labour) are matters for consideration in the

WTO. WTO rules and disciplines would provide a powerful incentive for member nations to improve workplace conditions. According to the industrial countries, i) those labour standards that embody basic human rights can stimulate economic development and are, therefore, in the interest of all workers (and countries) in the world; and ii) observance of these labour standards could neutralise protectionist pressures, thus securing support for free trade (OECD, 1996). Hence, the implementation of labour standards would contribute significantly to the solution of the problem of an uneven distribution of the economic gains from globalisation.

This view suggests that the view of the developing countries, which argues that the proposal to have the WTO consider trade and labour is a protectionist ploy, is misplaced and plain wrong. Potentially more harmful to trade liberalisation and to the credibility of the international trading system is the perceived unwillingness of the WTO even to consider the labour issue. Those who argue that there are no linkages between trade and labour cannot assert that trade is beneficial for employment and workers at the same time that they refuse to discuss the relationship. Advocates of trade liberalisation need to be more confident about the strength of their arguments and be willing to provide for a consideration of the labour dimension. It should be recognised that issues of workers' welfare and worker rights are absolutely part of the trade debate.

Another concept raised relating to this issue is the notion of “social dumping”. Industrialised countries consider lower than internationally recognised work standards as “social dumping”, because low work standards harm enterprises which apply high work standards. Their proposal to fight this “social dumping” is the anti-dumping duties.

The industrial country view became more popular after the publication of the OECD Report, as the Report backs the industrial country view by asserting that the practice of core labour standards may positively affect the overall economic performance of countries and recommends that higher labour standards be promoted worldwide. However, the Report fails to make the distinction as regards to whether the issue should be dealt with within the circle of ILO or WTO.

According to some industrial countries led by the United States and Norway, the issue cannot be isolated from trade. Hence, WTO has the

primary responsibility to deal with it. These countries see the reinforcement of core labour standards worldwide as an objective that should be pursued by all WTO members. They believe that the prevalence of low work conditions and standards are due to the lack of government enforcement and propose to use WTO provisions against countries that do not practice the core standards. What is meant by these provisions is indeed the trade sanctions. The idea of sanctions is one of the most central elements of the ongoing debate and what lies behind it is the concept of “social clause”.

“Social clause” emerges from the fact that labour standards are perceived in moral terms. It is the industrial country way of thinking that competitive advantage can sometimes be morally illegitimate and, hence, the international competition unfair. Therefore, it should be sanctioned.

“The insertion of a social clause for labour standards into the WTO can then be seen as a way of legitimating an exception to the perfectly-sensible GATT rule that prohibits the suspension of a Contracting Party’s trading rights concerning a product simply on the ground that, for reasons of morality asserted by another Contracting Party, the process by which that product is produced is considered immoral and therefore illegitimate” (Bhagwati, p. 754).

Labour unions are forging new alliances with other social groups in industrialised countries and pushing harder for the realisation of the social clause. Although enforcing core labour rights does not guarantee working conditions, if the workers can act collectively and join independent unions, they argue, they can vastly increase their chances of lifting themselves out of poverty. In this way, the labour activists say, wealth and income would increase more rapidly and speculative booms and busts tend to be more limited (Mazur, p. 92). Such openness would cause wages to rise in the developing countries, thereby increasing the bargaining power of the workers, which would then result in higher living standards. On the other hand, it is doubtful whether the wages would really rise in developing countries as there is too much excess labour, especially in high-populated countries such as China and India.

However, another finding of the often-cited OECD Report suggests that while subsidising low-income families to keep their children in

school is more effective than trade sanctions in eradicating exploitative child labour, trade bans are unlikely to cause countries to raise labour standards unless they allow unions to operate freely.

3.2. Developing Country View

Developing countries, and even some industrial countries like England and Australia, believe that the issue of labour standards has no place in the WTO framework. According to these countries, low-wage economies have a comparative advantage over high-wage economies and by trying to bring the issue to the WTO, the industrial nations are, in fact, undermining the comparative advantage of their low-wage trading partners. In other words, industrialised countries are practising protectionist economic policies in a world where they are also struggling for freer trade. This, in essence, is a contradiction and it damages the concept of free trade by limiting foreign competition.

Developing countries advocate that the notion of “social dumping” is unacceptable in the sense that Article VI of the GATT defines dumping as being “*the process which enables the introduction of a country’s products in the market at a rate lower than their normal value, dumping must harm or threaten to considerably harm an established production unit of a contracting party or markedly delay the creation of a national production unit*”. In international trade, cost differences among producers cannot be considered dumping unless a producer sells a certain commodity at different prices in his domestic market and abroad. In both cases, if the commodity reflects production costs, there is no dumping.

The “social clause” is no different than a disguised protectionism by the industrialised countries against the developing countries, aiming to reduce the comparative advantage of the developing countries. There is considerable danger that workers in developing countries would be harmed, rather than helped by international harmonisation of labour standards, especially if they are enforced through trade sanctions. Newly industrialising countries consider the clause a non-tariff barrier to trade that would deny them the opportunity to benefit from their comparative advantage of cheap labour.

Before the publication of the OECD Report, developing countries often defended their view with the idea that there is no significant

relationship between trade performance and the application degree of the labour standards. However, as stated earlier, the OECD Report concluded that low-standard countries do not enjoy a better global export performance than high-standard countries. Also, the Report stated that there is a positive correlation over time between successfully sustained trade reforms and improvements in core standards.

Another objection of the developing countries to the issue is that it is difficult to make a distinction between standards whose weakness may be attributed to poverty and those that are low for other reasons (ICDT, p. 6). The reply of the OECD Report to this objection is that the observance of core standards would strengthen the long-term economic performance of all countries, which in turn may play a role in mitigating poverty.

If the industrialised countries want the social conditions of the workers in developing countries to be improved, they should help developing countries increase their comparative advantage in the first place rather than trying to reduce it by asserting the social clause. Economic growth and development can contribute to the improvement of living standards and the full observance of labour standards.

Low labour standards are a result of low productivity, and not a cause of unfair international competition. There is no evidence that the trading partners are affected significantly by the low wages in developing countries. Diversity of labour standards reflects differences in economic development levels of countries and is entirely compatible with free trade and capital mobility.

Moreover, diversity of labour standards applied in developing countries does not necessarily reflect the attempts of these countries to gain advantage in trade with their industrialised partners, but rather their cultural values, economic conditions, social environments and beliefs.

Unlike the argument of the industrialised nations, the developing country view suggests that the labour standards issue has no place in the WTO agenda and that ILO is the most appropriate place to deal with it. The core labour standards can be raised through economic growth and the fight against poverty.

In the World Trade Organisation's first Ministerial Conference that was held in Singapore on 9-13 December 1996, the industrialised

countries tried to bring the labour standards issue to the WTO agenda, but met with resistance from the developing countries. Developing countries succeeded in including the labour standards issue under the agenda of the ILO rather than that of the WTO. They renewed their commitment to the observance of internationally recognised core labour standards, but managed to include in the Conference text the following points reflecting their interests:

- ILO is the competent body to set and deal with labour standards,
- the use of labour standards for protectionist purposes is rejected,
- the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question, and
- WTO and ILO secretariats will continue their existing collaboration.

Despite the achievement of the developing countries in keeping the issue out of the WTO agenda, the post-meeting statements of the industrialised-country representatives clearly show that the debate will sooner or later be revived in the near future.

3.3. Are Low-wage Economies Really Creating Unfair Competition With Their Competitive Advantages?

As mentioned earlier, the industrial country view asserts that the competitive advantage of low-wage economies can sometimes be morally illegitimate and, hence, the international competition unfair. Behind this view lies the thought that the low work standard in developing countries, on its own, is a cause of unemployment in industrialised countries due to its capacity to build an unfair comparative advantage. One has to look at the trade surplus/deficit of the developing countries against the industrialised nations in order to determine whether this idea is accurate. In fact, this study should be made at the level of each commodity imported from and exported to the industrialised countries. Although the overall trade surplus/deficit situation of developing countries against the industrialised countries is not the only explanatory factor in understanding the sources of unfair competition, it can still be considered a good proxy.

The below table indicates that majority of the OIC countries, which mostly comprise developing countries, are running trade deficits against

**TRADE DEFICIT/SURPLUS OF OIC COUNTRIES AGAINST
INDUSTRIALISED COUNTRIES**

	1995	1996	1997	1998	1999
OPEC MEMBERS					
Algeria	-817	1523	4812	1159	2577
Indonesia	1192	2393	4101	9812	18470
Iran	3372	4156	2776	-504	1348
Iraq	-90	-84	1229	2727	6921
Kuwait	-5186	837	1392	-820	898
Libya	3490	4528	4063	938	3957
Nigeria	5494	7269	7053	2860	2974
Qatar	1036	6	1050	230	1957
Saudi Arabia	7828	12726	11934	-937	5109
United Arab Emirates	-414	201	1346	-4140	-7085
GULF COUNTRIES (Excl. OPEC Members)					
Bahrain	-1018	-1156	-876	-1053	-1179
Oman	-328	-153	-824	-1888	-369
CENTRAL ASIAN COUNTRIES					
Azerbaijan	21	-117	-30	-120	114
Kazakhstan	764	765	1003	690	533
Kyrgyzstan	45	-160	67	25	-1
Tajikistan	111	135	196	137	212
Turkmenistan	73	-309	-178	-112	-30
Uzbekistan	-55	-647	-647	-408	-631
LEAST DEVELOPED COUNTRIES					
Afghanistan	-124	-219	-111	-66	-97
Bangladesh	583	801	1044	1456	1123
Benin	-325	-247	-340	-355	-409
Burkina Faso	-200	-268	-192	-259	-228
Chad	-20	-38	-41	-12	-12
Comoros	-95	-97	-21	-22	-21
Djibouti	-170	-164	-176	-222	-218
Gambia	-63	-156	-101	-115	-105
Guinea	76	217	206	107	42
Guinea-Bissau	-24	-32	-34	-37	-30
Maldives	-43	-9	-43	-16	-209
Mali	-301	-325	-328	-334	-337
Mauritania	49	54	51	17	42
Mozambique	-234	-190	-154	-140	-126
Niger	5	4	-24	-51	-24
Sierra Leone	-126	-158	-137	-130	-124
Somalia	-17	-12	-10	-9	-27
Sudan	-269	-332	-351	-509	-437

Togo	-192	-208	-239	-279	-246
Uganda	100	134	161	-13	4
Yemen	-297	-370	-311	-601	-1031
NORTH AFRICA (Excl. OPEC Members)					
Egypt	-5459	-6426	-6001	-7628	-7695
Morocco	-2221	-2047	-1727	-2440	-2399
Tunisia	-1703	-1725	-2219	-2155	-2390
MIDDLE EAST (Excl. OPEC Members)					
Jordan	-1691	-1997	-1956	-1854	-1831
Lebanon	-4319	-4500	-4894	-4482	-3440
Syria	147	47	433	-149	-179
Turkey	-10292	-15035	-18345	-15155	-9642
OTHER					
Albania	-615	-535	-403	-479	-477
Brunei	854	467	955	254	1116
Cameroon	578	617	549	306	343
Gabon	1342	1720	1739	992	1153
Guyana	134	163	164	148	177
Malaysia	-12945	-9365	-7750	5772	9053
Pakistan	-1183	-672	-401	1076	972
Senegal	-583	-529	-495	-736	-653
Suriname	-1	3	134	-21	138

Notes:

- Data for Palestine is not available.
- Minus (-) indicates deficit.

Source: Derived from Exports/Imports Data in *the Direction of Trade Statistics, Yearbook 2000*, IMF.

industrialised countries. This means that they purchase more from the industrialised countries than they sell to them. One exceptional group is the OPEC members, which export petroleum to industrial countries. Particularly for this reason, with the exception of the UAE, OPEC members have been running trade surpluses against industrial countries. There are also non-OPEC member developing countries, like Bangladesh, Cameroon, Gabon, Kazakhstan, Malaysia and Tajikistan, with trade surpluses against the industrialised countries but it is not the purpose of this paper to analyse individually the trading environments of each and every one of these countries. What is more important is that, *in general*, developing countries among the OIC community have trade deficits against industrialised countries. If the “social clause” is put into

effect, it is obvious that the exports of the developing countries to the industrial countries will be curbed. In that case, two different scenarios may follow:

1. In the short term, while the exports are shrinking, imports will remain the same: This will widen the deficit of the developing countries against the industrialised countries. Industrial countries will gain.
2. In the long term, while the exports are shrinking, imports will shrink as well: Trade will be distorted, no party will gain.

Both of the above scenarios show that the “social clause” is unacceptable. Besides, the often-mentioned comparative advantage of low-wage developing countries is not sufficient to lead to a narrowing in their trade deficits. Therefore, the notion “the low work standards in developing countries, on its own, is a cause of unemployment in industrialised countries due to its capacity to build unfair competition” is an incomplete and unfounded assumption. As stated earlier, it is doubtful whether the wages in developing countries would really rise, as there is too much excess labour especially in high-populated countries such as China and India. If the labour costs in these countries increase, unemployment will rise in these countries and the result will be economic inefficiency.

Moreover, trade sanctions are likely to prove more effective against those countries that rely heavily on exports for growth (Castro 1995, p. 13). The above table, however, shows that imposing trade sanctions on developing countries which mostly have trade deficits against industrialised countries will not be as effective as the industrialised countries expect them to be. Therefore, trade sanctions will only curb the already insufficient exports of the developing countries and deteriorate the conditions of the workers in these countries, which, in turn, will harm the industrialised countries in the long term.

Lastly, universal work standards are meant to be for the good of all countries, regardless of the level of their economic development. However, the social clause does not encompass the labour-related rules which are violated in the industrialised countries. Examples are worker participation in management, union rights and rights of migrants and

immigrants. Therefore, the social clause is biased to the detriment of developing countries (Bhagwati, p. 756).

When the link between trade and labour standards is in question, it is also argued that labour standards are endogenous to individual economies, and each economy will arrive at its own optimal equilibrium point, given its level of development, resource endowments, path of institutional development, etc. Attempts to harmonise standards across countries through international actions are thus likely to lead to sub-optimal outcomes with respect to labour standards (Brown, Deardorff and Stern, 1996).

In line with the developing-country view, the ILO has established a Working Party on the Social Dimensions of the Liberalisation of International Trade. The Working Party has decided to suspend any discussion of the link between trade and labour standards through trade sanctions. Instead, it has agreed a future work programme of (i) research and country studies on the impact of trade liberalisation on core standards; and (ii) reviewing the ILO's means of action to promote core standards.

4. MECHANISMS TO IMPROVE CORE LABOUR STANDARDS

There are various opinions among the countries regarding how core labour standards could be promoted. Notwithstanding that the differences in these opinions are not easy to resolve, one has to admit that the answer to the question “how can core labour standards be promoted?” depends upon the political decisions of developing countries, at least as much as it depends upon their economic standpoint. Leaving the trade sanctions out of the courses of action leaves us with one very important way of ensuring the implementation of core labour standards worldwide: International cooperation i) between developing countries and industrialised countries, ii) among developing countries, and iii) between international organisations and developing countries as well as ILO supervision. Several steps of action can be followed in order to promote labour standards in all developing countries. These steps will be studied in the next sub-section.

4.1. Phases of Promotion

Phase 1: Universal Ratification of Fundamental Labour Standards:

Before proceeding to the implementation phase, the core labour standards should be acknowledged and their attainability taken as a goal by all countries. Technical cooperation, assistance and organisation of training programmes in this respect would play an important role in the acknowledgement of core labour standards. The current lack of consensus should be overcome, in principle, before the implementation of promotion mechanisms. Currently, there exist some practical obstacles to ratification, which prevent some countries from ratifying core ILO Conventions, although their laws and practices are consistent with the principles embodied in these Conventions. Some of these countries argue that revision and updating of these Conventions may help attract more ratifications.

Development cooperation programmes would also contribute a great deal to the achievement of this goal since development programmes are more likely to attract the support of developing countries. Development cooperation programmes are also good tools for capacity building purposes and strengthening the labour codes and enforcement capabilities of countries. These programmes are crucial in the sense that they not only enable the developing countries to develop new growth strategies, but also help solve the labour-side problems without generating serious political frictions. Needless to say, the assistance of international organisations such as OECD, ILO and UNDP would be required for easier and faster transition to the implementation phase.

Phase 2: Implementation and Financial Compensation:

This phase depends very much upon the internal circumstances of developing countries. National legislations, national awareness-raising campaigns, national enforcement measures, reporting procedures and technical cooperation procedures should be in accord with the strategies that would eventually lead to the application of core labour standards. The technical assistance and financial compensation mechanisms of the international organisations and industrialised countries should continue in order to enable the developing countries to better practice these standards. Lee argues that the implementation of labour standards by developing countries has potential benefits to both developing and industrialised countries. Therefore, industrialised countries should share the burden of developing countries that stems from adjusting to full implementation of core labour standards.

“It could be argued that the industrialised countries should share part of this burden, since they also benefit from the reduction of these “international public bads” and, besides, have a greater capacity to pay. Such arrangements would, in addition, provide developing countries with a further incentive to act on labour standards. The type of arrangements that would be required can be illustrated by the case of the elimination of child labour. Aid in the form of financial compensation for children who lose their jobs would help to safeguard against the children ending up even worse off than before. As well as being morally warranted, aid targeted in that way would also be likely to encourage recipient countries to put more effort into the elimination of child labour” (Lee 97, p. 10).

However, the OECD Report states that as far as the international financial assistance, which is conditional on the respect of core labour rights by borrowing countries, is concerned, there is no practical experience of such a mechanism. Thus, it is impossible to evaluate it. Moreover, some difficulties can already be envisaged. First, it would target only those countries which apply for multilateral loans. Second, it is doubtful that restricting one important means of improving national welfare is likely to result in faster improvement of labour standards.

Phase 3: Follow-up Supervision by the ILO:

The unique mission of the ILO renders this institution a perfect forum for the supervision of the implementation of the core labour standards in developing countries. The ILO Declaration and its follow-up procedures provide a meaningful and credible alternative to the social clause. The follow-up procedure involves both criticism and technical assistance for countries which fail to achieve the goals and objectives of the fundamental conventions.

The effective use of the supervisory mechanism requires features like objectivity, transparency, clarity and impartiality. While supervising the implementation of the core labour standards, the mechanism should also monitor the outcome of the relationship between economic development, international trade and investment and the implementation of core labour standards. Rather than mandating a standard set of rules and regulations for developing countries, it should take into account the economic and social realities of each country. The decision by the ILO Working Party on the Social Dimensions of the Liberalisation of International Trade to establish a future work programme of research

and country studies on the impact of trade liberalisation on core standards and review of the ILO's means of action to promote core standards is a positive step taken in the right direction.

4.2. Regional Initiatives in the Field of Labour

Several initiatives in the field of labour prevail in different regions of the world. These initiatives are applied by either certain regional economic groupings such as NAFTA and the EU or individual countries like the United States, or in a more global manner as in the GATT/WTO Rules.

North America Cooperation Agreement in the Field of Labour (ANACT): ANACT is an additional clause to NAFTA, which links labour legislation of each member state and aims to improve the working and living conditions in these states by promoting transparent and efficient application of the existing labour legislation in each country through cooperation and information exchange. Trade sanctions can be imposed only in the cases of child labour, minimum salary and health conditions at work and not in the cases of union rights, the right of collective negotiation and forced labour. Trade sanctions are in the form of coercive trade investments – namely the suspension of NAFTA benefits – and can be applied only as a last resort after bilateral consultations and the imposition of financial penalties on the recalcitrant governments have proved ineffective.

The Guidelines of the OECD Aimed at Multinational Firms: The guidelines encompass a series of principles and recommendations aimed at multinational firms and aim to ensure the harmonisation of the labour-related policies of the firms with the national policies of host countries through international cooperation. Principles are not restrictive and their implementation is voluntary.

The GSP Scheme of the United States: The Scheme adopts criteria such as the adoption by the concerned country of measures to grant to workers' internationally recognised rights. The provisions of the scheme allow the authorities to link investments, trade and the respect of labour standards. These provisions are: Caribbean Basin Economic Recovery Act (CBERA), the Overseas Private Investment Corporation (OPIC) and a section of the Omnibus Trade and Competitiveness Act of 1998.

The GSP Scheme of the European Union: The Scheme establishes a direct link between trade and core labour standards by adopting incentives in favour of the countries that apply the core labour standards and sanctions, in the form of suspension of GSP advantages, to the countries that do not apply the core labour standards.

GATT/WTO's Rules: These rules include import restrictions to items manufactured in prisons and an obligation to the contracting parties to observe the general principles formulated in some chapters of the Havana Charter of 1948.

4.3. The Jordan-U.S. Bilateral Trade Pact

An important development on the issue of trade and labour standards is the trade pact between Jordan and the U.S., which won the approval of the U.S. Congress earlier this year. The pact is important in the sense that it includes provisions on labour standards that some see as a model for the future. According to the agreement, each country must enforce its own labour laws and failure to do so entitles the other nation to suspend the benefits of the trade deal.

Whether or not similar agreements would yield beneficial results from the economic standpoint of each and every developing country remains controversial. Agreements of this kind would be beneficial for world trade only if a consensus is reached among developing countries to agree on such labour provisions embedded in trade agreements. However, most developing countries refuse to participate in trade talks that involve labour issues. Nevertheless, the Jordan-U.S. agreement should be taken seriously as an example whose long-term results should be tracked. Similar provisions may be adopted in bilateral agreements between industrialised and developing countries if the results of the Jordan-U.S. agreement prove beneficial for both parties.

5. CONCLUSION

If the aim of both industrialised and developing countries is to further liberalise world trade, they need to come together on equal grounds in order to exchange experiences and strategies. The goal of promoting improved labour conditions worldwide, without introducing new forms of protectionism into the trading system, must be pursued by all

countries. Within this framework, some countries may need assistance in adhering to international labour standards, and the ILO is the appropriate international organisation that should lead the way to providing technical assistance to its members. The way forward lies in building a constructive dialogue at the international, regional and domestic levels.

The goal of the international community should be to achieve the highest sustainable economic growth and employment level as well as a rising standard of living conditions in developing countries, without causing a deterioration in financial stability and, thus, to contribute to the development of the world economy and the expansion of world trade on a multilateral and non-discriminatory basis.

If the governments can take actions at the national and international levels to minimise the possible negative repercussions of globalisation, without pursuing policies that would inhibit competitive market performance, the whole world will gain from the increasing prosperity which will result from the increase in the trade volume. This effort, however, requires first an easing of the tensions between the industrialised and developing countries.

As stated earlier, if the industrialised countries want the social conditions of the workers in developing countries improved, they should help developing countries increase their comparative advantage in the first place rather than try to reduce it by asserting the social clause. Economic growth and development can contribute to the improvement of living standards and the full observance of labour standards in developing countries. Most OIC countries are running trade deficits against industrialised countries. The export performance of these countries should be enhanced so that it would bring along with itself better economic prospects and a faster convergence to the full observance of core labour standards.

“...trade is essential for enhancing workers’ productivity because it ensures that countries’ resources will be employed in the activities that they are best at. In turn, increased productivity is the key to development, higher working standards and higher wages” (Castro 1995, p. 12).

Meanwhile, the developing countries should consider amendments and/or additions to their national and institutional legislations as they

deem necessary. International aid and compensation programmes by international organisations headed by the ILO must continue. Furthermore, developing countries may adopt the provisions of the present regional labour schemes if they think that the provisions in question are in line with their own domestic laws and regulations.

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