

Linking Trade and Labour Standards in an Era of Free Trade

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As the negotiations for the creation of an era of free trade continue, developed and developing countries maintain opposing views on the linkage of labour standards and free trade. Developed countries have been advocating such a link in response to pressures from domestic organized labour since 1996, when the United States of America (USA) and France proposed the incorporation of a social clause- the linking of labour standards with trade liberalization, in the World Trade Organization (WTO) agreement. Organized labour in the developed countries fear the loss of jobs to lower-wage developing countries. In the Americas, the USA and Canada are the leading advocates of the trade and labour linkage.

Many developing countries have refused to support the link of labour standards in trade agreements of multilateral trade negotiations. Despite the potential benefits of free trade in raising living standards, many countries fear that the wealthy developed countries with their stronger economies can easily use trade sanctions and protective measures to the disadvantage of the smaller countries in their export trade. Such a situation will lead to growing inequalities between the developed rich countries and the developing poor countries, and create insecurity in the labour market. Governments and the social partners - representatives of employers and workers, together can exploit the benefits of free trade to offset disadvantages associated with unrestricted free trade.

While they oppose the labour-trade linkage, Caribbean countries in the Americas have already committed themselves to complying with the International Labour Organization's (ILO) core labour standards embodied in its *Fundamental Principles and Rights at Work 1998*, attested to by their ratification of the relevant ILO Conventions. In order to promote and monitor compliance, a regional mechanism, the *Inter-American Conference of Ministers of Labour*, was given the mandate at the Third Summit of the Americas held in 2001, to provide for appropriate consultations on labour matters pertaining to the FTAA.

A Government's responsibility through its Minister of Labour is to ensure *decent work* and adequate labour protection at the workplace through social dialogue. It is the responsibility of governments, as managers of the national economies, to take the necessary combined actions to advance economic growth, social equity and fairness in the creation of the Free Trade of the

Americas (FTAA). In the spirit of good governance, that of ensuring participation, transparency, credibility and accountability, governments should proactively involve the social partners and civil society to obtain national consensus on measures for balanced economic and social development without sacrificing universally-acceptable fundamental principles and rights at work.

The Heads of Governments at the Third Summit of the Americas in the *Declaration of Quebec City*, agreed as follows:

We will promote compliance with internationally-recognized core labour standards as embodied in the ILO's Declaration on Fundamental Principles and Rights at Work and its Follow-up adopted in 1998. We will consider the ratification of or accession to the fundamental agreements of the ILO, as appropriate.

In line with the position of the Heads of Governments, developing countries in the Americas, to which CARICOM States belong, recognize and uphold basic workers' rights as set out in ILO's core labour standards. It is argued that the monitoring and enforcement of these standards should remain within the domain of the ILO and its supervisory machinery, and that labour standards should not be integrated in trade agreements. The fear is that the linkage will be used to introduce new trade barriers, which can deny market access, and result in the loss of jobs through the collapse of vulnerable industries and enterprises.

In such circumstances, poverty will prevail, thus impacting on and endangering the prosperity of the whole region. In the words of the ILO Constitution: "Universal and permanent peace may be based only on social justice". The hemispheric community must also be mindful of the injunction of the ILO's Declaration of Philadelphia, which affirms that: "poverty anywhere constitutes a danger to prosperity everywhere". Persistent poverty is a threat to peace and stability. Poverty alleviation and its rapid reduction is one of the testing challenges for the Americas in this era of free trade. The *Declaration of Quebec City* affirmed that free trade, without subsidies or unfair practices, along with an increasing stream of productive investments and greater economic integration, would promote regional prosperity, thus raising the standard of living and improving the working conditions of the people of the Americas.

The Caribbean Community (CARICOM)

The Caribbean Community (CARICOM) is comprised of member States, which are among the smallest and most vulnerable states in the world. They are described as "*small states*" from the perspective of the Commonwealth Secretariat and the World Bank Taskforce. These States are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Montserrat, Jamaica, St. Kitts-Nevis, Saint Lucia, St. Vincent and the

Grenadines, Suriname, and Trinidad and Tobago. Ten of these countries fit the definition of “*micro-states*” with a population of fewer than 300,000. They face enormous “development challenges in the global economy” relating to factors beyond their control, according to the *Commonwealth Secretariat/World Bank Task Force Report*. Such factors include:

- remoteness and isolation;
- openness;
- susceptibility to natural disasters and environmental change;
- limited resource, production and export diversification;
- limited capacity; and
- limited access to global capital markets.

The economies of the small States of CARICOM in particular, are vulnerable given the reality of their openness to trade, high export dependence, and adverse terms of trade for primary products. This severely limits their capacity for economic and social development. Their increasing loss of market access and job security as a consequence of international trade policy has exacerbated the situation which is compounded by the constant risk of natural disasters. Such disasters absorb a disproportionate amount of the States’ limited resources to repair needed infrastructure. These are conditions deserving special consideration. Such special consideration includes the provision of resources for national development for these “*small states*” and “*small island developing states*” through a more equitable and just international trading system, which promotes economic and social justice in the global community.

CARICOM States are mindful that the USA has been enjoying a significant advantage in its balance of trade with the Caribbean, since the establishment of the Caribbean Basin Initiative (CBI) in the mid 1980s. Significantly, the Caribbean is the sixth largest export market for the USA. Hemispheric equity demands the implementation of measures to improve the Caribbean trade and investment position with the USA.

The tragic events of 11 September 2001, and their ripple effects on Caribbean economies, continue to severely impact on the Caribbean tourism and travel industry. These have also resulted in the diversion of scarce resources to meet new airport and other national security requirements, thereby putting further strain on their economies.

Challenges for the CARICOM

The Caribbean Community (CARICOM) faces urgent and compelling challenges:

- the challenge to deepen regional economic integration in the creation of the *CARICOM Single Market and Economy*, inaugurated in 2006;
- the challenge to establish new relationships with countries in the Americas under the process leading to Free Trade of the Americas;

- the challenge to maintain and forge new relationships with Europe; and
- the challenge of the global community in the World Trade Organization (WTO).

These challenges are compounded by global competition, trade liberalization, deregulation and privatization which exert tremendous pressure on established employment relations, job security and labour relations both in the private and public sectors.

The small, vulnerable economies of CARICOM States face the challenge to compete with large and strong economies, and to mediate the process of hemispheric integration - the *Free Trade Area of the Americas* (FTAA). The FTAA challenges small, less developed countries to come to grips with the need for increasing competitiveness in the new international environment. These countries are constrained to prepare their economies for increasing competition in response to international trends favouring an increasing globalization of production and liberalization of trade. It is critical that they strengthen their internal capacity so as to improve their prospects for participation in the FTAA.

Many States have expressed concerns over the processes of globalization and the social consequences of trade liberalization referred to as the social dimension of the liberalization of trade. The Director General of the ILO, in his 1999 report to the International Labour Conference, noted that "Globalization has brought prosperity and inequalities, which are testing the limits of collective social responsibility". These developments have implications for economic, social and human development.

Fundamental Human Rights and Development

Universal human rights constitute yardsticks to measure respect for human rights; and the State, with the support of the social partners and civil society, should at all times act as guarantor, protector, and promoter of the human rights of its citizens and persons residing within its borders and territories, including migrant and foreign workers. The ideals and principles of basic human rights are of enduring relevance and will continue to impact on employment relations in terms of opportunities and problems in the context of globalization, free trade, and the ever changing production systems with new technology.

The Governments of CARICOM States and their social partners are seeking to build national consensus on economic and social policy, with the view to develop a system of labour and social relations consistent with international standards, norms and principles. These standards and principles are reflected in policy, legislation and practice by corporate enterprises in these States. The principles are set out in international and regional instruments, in particular, the fundamental labour Conventions of the ILO. These fundamental labour standards are embodied in the *ILO Declaration on Fundamental Principles and Rights at*

Work, adopted by the International Labour Conference in June 1998. The adoption of this ILO Declaration marked a recommitment, a re-affirmation of the obligation of its 178 member States, by virtue of their membership in the ILO, to respect, to promote and realize in good faith the principles concerning:

.a. *the rights of freedom of association and effective recognition of the right to collective bargaining*: ILO Convention No. 87 and ILO Convention No. 98.

.b. *the elimination of all forms of forced or compulsory labour*: ILO Convention No.29 and ILO Convention No.105.

.c. *the effective abolition of child labour*: ILO Convention No. 138 and ILO Convention No.182.

.d. *the elimination of discrimination in respect of employment and occupation*: ILO Convention No.100 and ILO Convention No. 111.

The principles of these core ILO Conventions establish a social minimum at the global level. Under the ILO Declaration, all member States of the ILO have an obligation to respect the fundamental principles involved, whether or not they have ratified the relevant ILO Conventions. These are internationally-recognized labour standards in social development, which will continue to impact on the conduct of labour and social relations in the future. Support for these labour standards was expressed in other international fora in recent years, notably at the UN World Summit for Social Development (Copenhagen, 1995), and the Ministerial Conference of the World Trade Organization (WTO) in Singapore (1996). The WTO Ministerial Conference unequivocally renewed global commitment to internationally-recognized core labour standards. The Conference also identified the ILO as the competent body to deal with, and set such standards, and further rejected the use of labour standards for protectionist purposes.

The ILO Declaration stresses that labour standards should not be used for protectionist trade purposes in any way. The expansion of free trade must not be premised on violations of fundamental human rights of employees. No link should therefore be placed between international labour standards and trade sanctions. The challenge is for the Government and the social partners in each country to ensure that there is a balance between economic growth, and social progress and human development.

The commitment to ILO Conventions by CARICOM States signals the desire of the Governments and the social partners in these States to:

- improve labour conditions;
- regulate in an equitable manner international mobility of labour;
- enact labour legislation in line with ILO standards; and to
- demonstrate an open commitment to international labour standards.

CARICOM States also recognize and accept that international labour

standards serve as global benchmarks to:

- promote social justice;
- show the way to social and economic progress;
- influence corporate employment policies and practices;
- influence national policy and law;
- help prevent the danger of slipping backwards into the adoption of repressive legislation, policies and practices; and
- provide a good framework for the conduct of labour and social relations in an era of free trade.

The Caribbean Community envisions a conducive labour relations climate for economic development and articulates this through its *Protocol III on Industrial Policy – Article 49 (b)*, which calls for measures and proposals that will promote:

the objectives of full employment, improved living and working conditions, adequate social security policies and programmes, tripartite consultations among governments, workers' and employers' organizations, and cross-border mobility of labour.

This Protocol also calls for a greater awareness among community workers and employers that international competitiveness is essential for social and economic development and requires collaboration of employers and workers for increased production and productivity in enterprises. These are incorporated in *the CARICOM Revised Treaty of Chaguaramas Establishing the Caribbean Community and Single Market & Economy – Article 73 on Industrial Relations*

In February 1997, Heads of Governments of CARICOM signed a resolution adopting a *Charter of Civil Society for the Caribbean Community*. The *Charter* is adopted as an important element of CARICOM covering several matters of governance including:

free press; an open democratic process; the effective functioning of the parliamentary system; morality in public affairs; respect for fundamental civil, political, economic, social and cultural rights; the rights of women and children; respect for religious diversity; and greater accountability and transparency in government.

(Charter of Civil Society for the Caribbean Community 1997).

CARICOM also in its *Declaration of Labour and Industrial Relations Principles* (April 1995) outlined the general labour and industrial relations policy to which the Caribbean sub-region should aspire. The CARICOM Declaration is consistent with international labour standards and other international instruments. It is an expression of CARICOM States' commitment to equity, social justice and fundamental rights and principles at the workplace.

CARICOM Member States' Record of Ratification

CARICOM Member States have a good record on the ratification and observance of the fundamental labour standards of the ILO. Their record on the ratification of ILO Conventions, as at 30 April 2006, shows that:

- **thirteen** member States ratified ILO Conventions Nos. 29; 87; 98; 105; and 182.
- **twelve** member States ratified ILO Conventions Nos. 100 and 111;
- **ten** member States ratified ILO Convention No. 138; and

These fundamental labour standards and principles are incorporated in the legislation of most States in CARICOM while in practice, all CARICOM States observe these standards.

The FTAA and CARICOM

Thirteen (13) independent CARICOM States are included in the thirty-four (34) democratic states of the Americas in the comprehensive trade negotiation to operationalize the FTAA. The aim of the FTAA in the series of negotiations by the various groups is to reach a balanced, comprehensive agreement in line with WTO rules on regional agreements. It is premised on enabling prosperity with the view to raising standards of living through increased economic integration and free trade via the reduction of tariffs, and the progressive elimination of other barriers to trade in goods and services and investment.

The FTAA negotiations, which are overseen by a Trade Negotiating Committee (TNC), have the potential for creating one of the largest free trade areas in the world with some 800 million people. Of relevance to CARICOM States is the expressed commitment to actively facilitate the integration of the “smaller economies” in the FTAA process to enable them to increase their level of development. The *Ministerial Declaration* of the Sixth Meeting of Ministers of Trade of the Americas in 2001 reaffirmed their commitment to take into account the differences in the levels of development and the size of the economies in the design of the FTAA. This is to ensure that opportunities are created for the full participation of the smaller economies and that their levels of development are increased to enable them to enjoy the benefits of the FTAA.

Overcoming the Challenges

CARICOM States recognize the need for international cooperation and initiated action to address the situation. The sub-region created a free trade area since 1968 which has evolved in 2006 into the *CARICOM Single Market and Economy* to achieve free trade in goods (fully in force), free movement of capital, and free trade in service as well as the right to establish, own and operate business anywhere in the community by 2006. By Treaty commitment, the CARICOM countries have agreed to remove all restrictions to facilitate a fully operational *CARICOM Single Market and Economy* in a strategy to increase the

resources to each member State for development. Simultaneously, CARICOM has been preparing to participate in the wider hemispheric free trade by negotiating trade cooperation and reciprocal agreements with other developing countries in the Americas to increase markets and stimulate competition in a strategy of open regionalism as follows: -free trade with the Dominican Republic; and -reciprocal trade and economic agreements with Columbia, Cuba, and Venezuela.

CARICOM is also pursuing negotiations for an *enhanced trade arrangement* with Canada, and is similarly preparing to engage the USA. These and other negotiations are facilitated by the Caribbean Regional Negotiating Machinery (CRNM), an agency of Caribbean Community (CARICOM) created in 1997 by CARICOM Heads of Government, to coordinate the participation of the Community in the external negotiations in which it is involved. It serves as the technical secretariat for the negotiating process.

Many CARICOM States have also been looking at the management and performance of their own economies and have taken actions to adjust their policies. Accordingly, fiscal deficits, accumulated debt, and the need to manage public expenditure and balance the national budget, influenced public policy in these States to reform the state sector for greater efficiency. Governments have consequently attempted to stabilize public finances, review fiscal and tax measures, and adopt various policies and strategies to promote economic development and improvement in private sector performance to strengthen their national economies. But a strong national economy can only be sustained in growth if it is built on sound social and human development pillars, which can be supported by the benefits of free trade.

At the national level, the social partnership option adopted by the Government and social partners of Barbados is an excellent model for national consensus on social and economic matters. It has resulted in a series of national agreements or Protocols for social partnerships since 1993. These Protocols provided a solid foundation for economic growth and development for Barbados. This is the direction CARICOM States are attempting to pursue in order to balance social, economic and human development while upholding the fundamental principles and rights of workers.

Conclusion

CARICOM States will have no difficulty in considering support for the trade-labour linkage, as long as it is not in the context of trade sanctions or used as a pretext for new or disguised forms of trade barriers and protectionism, whether at the bi-lateral or multi-lateral levels. The ILO supervisory body should continue to be used to promote, monitor and ensure compliance in line with the mandate of the ILO and the position of the Ministerial meeting of Trade Ministers of the WTO

(Singapore 1996). This can be supported and complemented by the regional mechanism – the *Inter-American Conference of Ministers of Labour* mandated to consult on labour matters pertaining to the FTAA.

The emphasis should be on the promotion of compliance with international labour Conventions, or the *Fundamental Principles and Rights at Work*; not on trade sanctions but on inducements, incentives, and rewards, taking into account the economic vulnerability of *small States* and *small island economies*. A transition period and preferential terms of trade should be part of FTAA negotiations and agreement to enable all countries in the Americas to integrate in such a manner that hardship for the population would be minimized. The FTAA agreement should provide development support to ensure that there is prosperity for all the people in a more equitable manner, thereby reducing poverty. These countries need easy access to financial resources for development to meet the employment challenges arising from free trade. This is in line with the Ministerial Declaration of the Sixth Meeting of Ministers of Trade of the Americas referred to above, in which there was an expressed commitment to take into account the differences in the level of development and size of the economies of the States in the design of the FTAA. Additionally, it was agreed that consideration would be given to increasing levels of development to enable small States to enjoy the benefits of the FTAA. This was the case with the development of the European Union and integration of their weaker economies and certainly consistent with the subsidies provided to North American enterprises and industries.

The developed countries will be investing in their own and in global security by supporting in a more direct way the vulnerable economies of developing countries. The strengthening of vulnerable economies will enable support for human and social development, decent employment, improved income and living standards, and poverty alleviation. There will therefore be less pressure for migration, illicit drugs, and support for, or involvement in extreme activities affecting the security of all States. In the long term, developed countries will spend less to suppress illicit activities should they invest in greater economic and social equity in the Americas. This can be done by incorporating development-support trade rules in the FTAA agreement, which can provide the means and resources to enable balanced and rapid development of the small, weaker economies in the hemisphere.

At the UN Conference on *Financing for Development*, at Monterrey, Mexico, in March 2002, it was reported that Kofi Annan, the UN Secretary-General stated “We live in one world, not two”. The report also stated that the September 11 attacks on the USA underlined the links between poverty and terrorism. “No one” according to Kofi Annan “can feel comfortable or safe while so many are suffering and deprived”. Even President George Bush was reported to have acknowledged at the Monterrey Conference that terrorism drew many of its recruits from the vast pool of the world’s poor, and that military, economic and diplomatic pressures alone could not succeed in putting an end to terrorism.

In line with the commitment to put in place measures to strengthen the economies of the less developed countries in the Americas as part of the FTAA process, it is expected that the wealthy developed countries in the hemisphere will use their tremendous economic power and resources to progressively reduce poverty, want and hunger in the American hemispheric community through a productive stream of investments and trade. The greater challenge is to create a more just world order for economic, social and human development. This new world order may require less military expenditure, thereby freeing up more resources for development.

The FTAA Agreement must provide the resources and strategies for rapid development and economic integration to facilitate the promotion of *decent work*, which is defined by the Director General of the ILO, Juan Somavia as follows:

Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social security protection. It also means sufficient work...It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards. (Report of the DG to the 87th Session of the ILC-Geneva 1999)

Decent work should be made available to workers of all members of the FTAA by the incorporation of the movement of labour in the FTAA agreement in a negotiated and regulated way, in the same way that other factors in economic integration are regulated by rules of trade agreements.

All States in the Americas are challenged to enforce the implementation of the core ILO Conventions and to bring their national, corporate and enterprise policies and practices more in line with these core international labour standards. The Governments, the social partners and civil society are aware of the new environment that requires approaches that will enable global competitiveness, attractiveness to investors, the creation of new employment opportunities, and which at the same time, meet the social minimum in labour standards. This requires a new consensus among developed and developing States in the Americas - that of negotiating and fashioning an equitable FTAA agreement, that takes into account the special situation of small, vulnerable economies.

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