

PROMOTING POORER COUNTRIES' INTERESTS IN THE INTERNATIONAL TRADING SYSTEM: A PROPOSAL

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A Raging Debate

What can a progressive government in a poorer country do to promote the well being of the mass of its people? In particular, what steps can it take given the constraints presented by the present rules of the international economic system? What role should rich countries play in supporting the measures taken by poorer countries?

A progressive government in a poorer country might implement policies that promote growth of a broadly inclusive kind while ensuring equitable access to social resources through progressive tax and expenditure policies. It can also implement policies that promote improvements in wages and working conditions. For example, it can establish minimum wages or occupational safety and health requirements and define rights of collective bargaining. Such measures to improve labour standards were employed in the past by countries that successfully enhanced the prosperity and well being of the mass of their people.

Poorer countries integrated into the world economy fear that if they take such steps to enhance labour standards they will be effectively punished for doing so, as the effect will be to raise labour costs and thereby cause a diversion of trade and investment toward other countries. As a result, workers may be harmed rather than helped by such seemingly progressive policies.

Can the world trading system be designed so as to remove this impediment to promoting labour standards? Can it be designed so as to enable, and even encourage the promotion of labour standards (rather than to discourage these actions, as at present)?

A Worker-Oriented World Trading System

The rules for international trade can be redesigned to diminish the costs to poorer countries of promoting labour standards in two primary ways: poorer countries that make efforts to promote labour standards can be offered trading concessions (especially additional access to export markets in rich countries); and rich countries can be required to provide financial transfers to poorer countries that promote labour standards. Redesigning the rules for international trade in this way can encourage poorer countries simultaneously to promote labour standards, thereby muting the labor cost based competition between them that currently punishes improvements in labour standards with diversion of trade and investment. New rules for international trade can lessen the collective action problem among poorer countries that makes it difficult to raise labour standards and thereby foster an increase in the real freedom of countries to improve the

lives of people. The cost advantages of poorer countries in the production of labour intensive commodities are likely to continue to be large and to encourage significant international trade in these goods and services, even after significant labour standards improvements.

The new rules would make substantial allowances for the real constraints faced by poor countries, recognizing that the appropriate level of labour standards in each country depends on its level of development. A progressive world trading system would require each country to promote labour standards only to the extent that is presently realistic and reasonable, given the country's level of development and social conditions, and would reward efforts rather than outcomes.

The new rules would involve context-sensitive and development oriented "linkage" between international trade and labour standards. Linkage has been widely criticized on the grounds that it is likely to "hurt those countries that it is meant to help" and that it will provide a "fig-leaf" for protectionism by rich countries. Critics of linkage have asserted that it will reduce poor countries' gains from trade by diminishing the incentive to purchase from them the labour intensive goods and services in which they enjoy a comparative advantage. These are legitimate concerns, and we share them. However, a progressive world trading system can address these concerns. It will be infeasible for rich countries to employ provisions promoting labour standards for protectionist ends if these provisions form part of a rule-based and transparently adjudicated system. Indeed, under the proposed system, rich countries will be required to provide additional concessions to poorer countries that demonstrably take efforts to promote labour standards. The WTO system has been widely praised for creating a rule-based system for the governance of international trade. There is no reason that this desirable feature cannot be extended to incorporate labour standards within that system.

Not Too Late: An Agenda for World Trade

A new set of rules for international trade will empower rather than constrain poorer countries. It will permit progressive governments that wish to promote labour standards to do so more easily, without fear of diminished opportunities to trade. It will also encourage governments that are not presently inclined to promote labour standards to do so. In this way, new rules for international trade can provide powerful assistance to workers in poor countries whose interests are not adequately being furthered by their governments, because governments are either unable or unwilling.

New rules for international trade can enhance the real freedom of poorer countries to promote labour standards while taking advantage of trade to foster growth. Progressive developing countries should present these ideas for the renovation of the world trading system in the forthcoming WTO ministerial conference in Hong Kong, and those in both developed and developing countries who are concerned with workers' interests should support them. The commitment of poorer countries to promote labour standards, and that of rich countries to provide additional trading opportunities and financial resources to

poorer countries that promote labour standards should both be incorporated into the single undertaking of all WTO members. Under new progressive rules for international trade countries can have greater effective sovereignty and be enabled and encouraged to implement policies that best serve the interests of the mass of people.