
When Does Doing Good Do Good?

The moral face of these developed-country lobbies agitating for higher labor and environmental standards in the developing countries, whether they are labor unions or corporate groups, is little more than a mask which hides the true face of protectionism.

—Jagdish Bhagwati, Columbia University professor
and principal author of the Third World Intellectuals'
and NGOs' Statement Against Linkage (TWIN-SAL)¹

How can it be considered protectionist to say that people deserve the same protection as companies? That is all that the proponents of labor rights at the WTO are asking for and why we want to see respect for core labor standards included within the WTO.

—Response to TWIN-SAL by the
International Confederation of Free Trade Unions²

The antisweatshop movement brought the labor standards issue to the fore in discussions of globalization. Activists have pressured firms to develop codes of conduct and have helped create a small industry of monitoring organizations. But have these successes in the battle for labor standards translated into improved working conditions? Or have they made it more difficult for poor countries to export to rich ones?

We conclude this book by assessing the accomplishments and failures of the antisweatshop campaigns and by suggesting ways to make the campaigns more effective in doing good in the global economy. We also recommend steps that the key international economic institutions can take to amplify workers' voices and to bring more balance to the globalization process—the bottom line in judging the battle for labor standards.

1. See www.columbia.edu/~jb38/twin_sal.pdf (April 13, 2003).

2. See www.icftu.org/displaydocument.asp?Index=9909161688Language=EN (May 6, 2003).

Assessing the Achievements of the Antisweatshop Campaigns

The aims of the antisweatshop activists are twofold: first, to stimulate consumer demand and create a “market for global labor standards”; second, to induce governments and international institutions to adopt social clauses that equate the protection given to labor with that given to capital and intellectual property. Less developed country (LDC) governments and officials of the international institutions fear that external pressures to raise standards will raise costs enough to lower LDC exports and thereby reduce the number of jobs available to poor workers. Worse, these officials fear that the push for trade sanctions to enforce standards masks a protectionist motivation that would lower LDC exports even further.

The evidence analyzed in this book leads us to reject the assertion that antisweatshop campaigns are disguised protectionism or that they have had adverse effects on workers. The human rights groups, students, and church groups that make up the activist community do not compete with low-paid workers in LDCs. If they succeed in their campaigns, they raise the prices of the goods they consume.

These groups also recognize that poor countries need more manufacturing jobs to improve people’s lives and oppose shifting business from less developed to advanced countries as part of their campaigns. For instance, the United Students Against Sweatshops, which has close ties with the Union of Needletrades, Industrial, and Textile Employees (UNITE), opposes firms shifting production of college logo clothing to US factories (Moore 2000, 10). And the National Labor Committee mounts campaigns against firms not just for low standards but also for abandoning workers in LDCs when conditions in their suppliers come under criticism, as Disney did in Bangladesh and Haiti (www.nlcnet.org).

Whatever the motivation of the activists, globalization enthusiasts point to the firing of children by Bangladeshi garment manufacturers in the early 1990s as evidence of how campaigns can have unintended consequences. But this was not the intent of the activists, and their critics either do not know or ignore the part of the story in which the activists kept the pressure on until the manufacturers agreed to work with the International Labor Organization (ILO) and UNICEF to build schools and rehabilitate the children.³ Indeed, chapter 6 documents other campaigns that have resulted in similar multistakeholder initiatives to remove children from work and to provide educational, rehabilitative, and other services for them and their families. Although a drop in the bucket of

3. Globalization enthusiasts Brown, Deardorff, and Stern (2003, 41–42) mention this case as a generally successful effort to address child labor. But they mention neither the role of trade threats nor the role of the activists in negotiating the agreement.

child labor, thousands of child workers have received these services, ensuring a positive outcome for the children.

More broadly, though activists have thus far failed in their goal of incorporating social clauses into trade agreements, they have begun to succeed in building a market for standards beyond just child labor. Human rights vigilante campaigns have catalyzed consumer sentiment sufficiently so that most major retailers and marketers have developed corporate codes of conduct that address labor standards. Many of the more visible brand-name firms have also put considerable resources into implementing and monitoring these codes.

Activist campaigns have also led firms and interested groups to create a monitoring industry that would never have existed otherwise. Although the Fair Labor Association is weaker than many activists would like, its creation and that of Social Accountability International's SA8000 standard are products of their campaigns, as are the procedural improvements adopted by the Fair Labor Association in April 2002. However personally committed Reebok managers are to human rights, it is doubtful that they would have put so much effort into organizing union elections in China in the absence of activist pressure.

Yet the successes have been limited. Campaigns to harness consumer demand for labor standards are inherently limited because they target conditions in the production of brand-name goods in export markets rather than conditions in the agricultural and informal sectors in LDCs, where workers are worse off. Consumers care most about the working conditions associated with products they personally consume and, in any case, they cannot directly affect conditions in nontrade sectors. Other limitations with antisweatshop campaigns arise from the nature of the supply chains in the garment industry. High-end retailers and marketers are both more vulnerable, because they have usually invested heavily in brand image, and better able to enforce compliance with standards, because they use a smaller number of stable suppliers. Activists have a harder time targeting firms selling unbranded generic varieties.

In addition, discount retailers, such as Wal-Mart, usually have much longer and more flexible supply chains. They also often use intermediary buyers to locate suppliers, making it harder for them to enforce codes of conduct—if they have them. But even the most successful activist campaign will improve standards for only a small proportion of workers because the export sector accounts for a relatively small share of employment in most LDCs.

Given this, the largest accomplishment of the activists in the battle over labor standards has arguably been to put the issue of labor standards on the international agenda, despite opposition by many globalization enthusiasts and LDC governments. The activists have convinced officials of governments and international agencies that the world must address labor standards in some fashion to maintain support for liberal

trade policies. This has not produced a social clause in the World Trade Organization (WTO), but it has led governments to give more attention and resources to the ILO and to fund programs to improve implementation of the core labor standards, especially child labor. On the basis of its history, the ILO would never have penalized Burma for forced labor without the climate of opinion set by human rights activists.

Box 7.1 presents our scorecard for the battle over labor standards. We give the human rights vigilantes and their verifier allies a qualified thumbs-up. They have made progress on the terrain they have contested, and they have avoided the pitfall of doing more harm than good—into which their critics feared they would tumble. Their principal failure is that they have just scratched the surface of the problem of inadequate labor rights and poor working conditions around the world. They have focused more on improving conditions in existing jobs than on creating the millions of new jobs that are needed to address poverty and living standards more broadly. There is a long way to go before labor standards advocates can claim “victory” in the battle to improve standards.

Increasing the Effectiveness of Antisweatshop Campaigns and Spreading the Benefits of Globalization

What might the activists and other concerned groups—citizens, international organizations, businesses, and governments—do to further advance the cause of labor rights around the world? Our analysis suggests seven areas in which the labor standards movement can progress. The first three recommendations are intended for activist campaigners. The other four are primarily for international organizations, though they also suggest new goals for activist campaigns because continuing civil society pressures are necessary to induce international organizations to undertake new initiatives.

The principal theme for our recommendations is that improving the well-being of workers in LDCs requires both the implementation of global labor standards in those countries and increased market opportunities for them to compete in the global economy—our Siamese twins of trade and labor standards. This in turn will require both globalization critics and enthusiasts to work to shift more benefits of globalization to workers in LDCs.

This section examines each of our seven recommendations, while box 7.2 summarizes them briefly. They are (1) crediting firms for improved conditions, (2) increasing cooperation among monitors, (3) broadening the targets of antisweatshop campaigns, (4) doing social audits of development bank projects, (5) turning export processing zones into globalization

Box 7.1 Scorecard for labor standards campaigns

Successes

- Roused consumer concerns over sweatshop conditions in developing countries.
- Induced major multinational corporations to develop codes of conduct.
- Encouraged the development of monitoring organizations and triggered improvements in the professionalism of social auditors and monitoring agencies.
- Improved conditions for modest numbers of workers in sectors exporting brand-name goods.
- Put labor standards on the globalization agenda.
- Helped galvanize political and financial support to strengthen the ILO.
- Induced the United States to put labor standards into bilateral trade agreements.

Failures

- Failed to improve conditions for most LDC workers—those in agriculture, the informal sector, and domestic production.
- Played little direct role in altering World Bank and IMF lending policies.
- Played little role in improving LDC access to advanced country markets, particularly in agriculture.
- Failed to get the WTO to address labor standards even minimally and even in trade-related areas.

at its best, (6) targeting trade-related violations of core labor standards in the WTO, and (7) strengthening the ILO in the Internet age.

1. Crediting Firms for Improved Conditions

To harness consumer demand, the vigilantes and verifiers should continue demanding disclosure about firms' overseas operations and transparency in the monitoring process. But they also need to give credit to firms that have improved conditions and tell consumers that, yes, XYZ company (Nike? Starbucks?) has begun to do the right thing. Consumers need positive alternatives to products tainted by worker repression and abuse.

Some groups, such as the fair trade certifiers and anti-Nike activist Jeff Ballinger, are trying to do this by removing intermediaries and marketing "sweat-free" products themselves (see www.nosweat.com). But these initiatives are likely to remain a tiny part of the market for T-shirts, coffee, and other targeted items. Even though any large firm that produces or subcontracts to suppliers in LDCs will have some labor

Box 7.2 Recommendations for the labor standards movement and international institutions

1. Antisweatshop activists should applaud firms making good-faith efforts to raise standards, as well as expose those turning a blind eye. To expand the market for standards, activists should respond favorably to firms that seek to publicize legitimate improvements to attract additional sales from consumers.
2. Monitoring groups should work more closely together to keep the pressure on firms, to continue to improve their own transparency, and to reduce monitoring fatigue.
3. Antisweatshop activists should broaden the scope of their campaigns to deal with other development problems, including the need for reductions in LDC debt burdens, increasing access to markets for agricultural products, and improving institutions in developing countries. They should work *with* globalization enthusiasts to increase LDC access to advanced country markets.
4. Activists should demand that the World Bank and regional development banks require social audits on projects they fund, using a combination of suitably trained domestic nongovernmental organizations or trade unions, as well as accredited auditors. The banks should publish the results on how well contractors comply with labor standards.
5. The WTO and ILO together should collaborate on a project to document labor standards problems and industrial relations policies in export processing zones and use the information to turn these zones into models for promoting globalization and labor standards together.
6. The WTO should revise its list of exceptions for taking action against imports to include egregious violations of the core labor standards when they are intended to increase exports or inward foreign investment.
7. The ILO should continue to increase the intensity of the spotlight it shines on inadequate compliance with labor standards. It should also take advantage of the Internet to widely disseminate information to workers explaining their rights; to consumers, workers, and nongovernmental organizations on the actual state of conditions around the world; and to these groups, employers, and governments on effective ways to raise standards.

standards problems somewhere in the world, activists should develop lists of firms that are improving conditions and publicize those lists to consumers. This, in turn, will increase the pressure on firms not on the list to take action as well.

2. Increasing Cooperation among Monitors

Competition among the monitoring initiatives has strengthened them and improved disclosure. But as the demand for monitoring has increased, factories with multiple international buyers often must deal with code

requirements and inspectors from several agencies. Monitoring agencies should work out some form of “mutual recognition” so that certification of a factory by one group for a particular buyer could be used by another buyer without having to duplicate the verification process. The convergence in code content and monitoring procedures makes this feasible. Since there will inevitably be disagreements among firms, monitors, and activists about what is actually going on inside some workplaces, it would be useful to create mediation mechanisms to resolve such disagreements, either under the guise of the ILO or the Permanent Court of Arbitration (see Zack 1999, 2003).

Another way to address the problem of monitoring fatigue is to press firms—beyond the relatively small circle that have thus far joined the Fair Labor Association or Social Accountability International—to sign up with one of the multistakeholder groups. This would reduce the number of individual company monitors that factories have to deal with. Expanding membership in the multistakeholder initiatives would also strengthen these groups and increase their credibility with consumers.

3. Broadening the Targets of Antisweatshop Campaigns

Antisweatshop activists should broaden the targets of their campaigns by joining with Oxfam America and the Jubilee movement to pressure advanced countries to reduce the debt burdens of poor countries, to open their markets for LDC exports, and to reduce subsidies to agriculture, which harm farmers in these countries. Even modest success in lowering LDC debt or in moving the international financial institutions from their rigidly orthodox policies has the potential for improving working conditions in LDCs on a broad scale. And if anyone can popularize these issues, it is the antisweatshop activists.

In addition, activists should work *with* globalization enthusiasts in one area where they have a mutual interest: increasing LDC access to advanced country markets, particularly in highly subsidized agriculture. Oxfam International launched a campaign in early 2002 to “make trade fair,” emphasizing these themes. But activists have given this initiative a mixed reception. At the next WTO meeting, antisweatshop activists should join with Oxfam to demand that more of the benefits from trade go to LDCs and thus ratchet up the pressure on advanced country negotiators to offer those countries better terms.

4. Doing Social Audits of Development Bank Projects

Although the World Bank and regional development banks have not played a major role in our story, we believe they should also support the market for standards. These institutions fund projects throughout the less

developed world, often without any assessment of whether project implementation is consistent with core labor standards.⁴ They should require social audits on projects to make transparent what these projects do in the job market, and to pressure firms outside the multinational export sector to raise standards.

To develop guidelines for best practices for such social audits, the development banks should work with the ILO. To ensure transparency and auditors' independence, the banks should choose the auditors and pay them and should commit to publish all resulting reports on their Web site. They could also subsidize the training of auditors, either by the ILO or by independent organizations.

Given the limited supply of credible social auditors, such a policy would have to be phased in, with the audits focusing on projects or countries where the risks of workers' rights violations are highest. Over time, the scope of projects covered could increase, and other multilateral and bilateral donor agencies could begin to require social audits on their projects. Donor agencies have strengthened their audit capabilities because of concerns about corruption. They should do no less in the area of working conditions and labor standards.

Development banks are unlikely to develop social audits of their projects without continuing pressure from activists. We suggest that activists take the lead in demanding that the banks monitor labor conditions on their projects, just as the activists have done in the corporate sector.

5. Turning Export Processing Zones into Globalization at Its Best

Export processing zones (EPZs)—areas of countries given reduced tariffs and other incentives to produce for the global market—are the most readily identifiable face of globalization. EPZs offer tax holidays, duty-free imports, and dedicated infrastructure to attract foreign investment and create jobs.⁵

Traditionally, EPZs have had a weak record on labor standards. Some countries seek to attract foreign investment to EPZs by exempting them

4. For a detailed review of current multilateral development bank policies with respect to labor standards conditions in procurement contracts, see Social Protection Unit (2002). Just as we were going to press, we were told that Asian Development Bank officials had decided to include all four core labor standards in their standard procurement documents and contracts but that they had not yet determined how to enforce these provisions. This recommendation for social audits might be one way of moving forward.

5. According to the International Labor Office (1998a, 3), there were 845 EPZs around the world in 1997, more than half in North America (320) and Asia (225), and another 133 in Latin America and the Caribbean. The features of EPZs—whether they are physically isolated, industry specific, or more integrated into the local economy—vary from country to country.

from labor laws. Bangladesh and Pakistan exclude EPZs from coverage under at least some labor and industrial relations laws; Malaysia, Panama, and some other countries restrict the application of labor laws in EPZs, particularly with regard to freedom of association.⁶ In 1994, Pakistan admitted that its exemption of EPZs from certain labor laws was the result of a “deal with foreign investors who have invested in this zone on the basis of certain exemptions provided to them.”⁷ The Bangladeshi Export Promotion Bureau advertises its “production-oriented labour laws,” including prohibitions on unions and on strikes within the zones.⁸

Going beyond restrictions on workers’ rights to attract foreign investment, LDCs often look the other way or collude with EPZ investors to discourage union organizing in the zones, and they make little effort to enforce national labor laws in these areas.⁹ The worst abuses are concentrated in footwear, apparel, toys, and other products that are highly price competitive, labor intensive, and mobile.

Because EPZs are strongly identified with trade, they are the natural locale for the WTO to work with the ILO to demonstrate that trade and labor standards together can raise living standards in poor countries. The WTO should consider rules to prevent EPZs from giving exemptions on labor laws and implicit promises of low standards to foreign investors. Allowing violations of labor standards and laws in EPZs distorts trade and undermines the legitimacy of international trade rules.

Moreover, when the Multi-Fiber Arrangement (MFA) expires in 2005, many poor countries will no longer have a guaranteed market share thanks to the network of MFA quotas, and they will need to find new ways to compete, particularly with China. A joint WTO-ILO project to make EPZs a model of best practices in complying with core labor standards, funded by advanced countries and the World Bank, could assist poor countries in adapting to the MFA phaseout and moving up the development ladder.

A good starting point for turning EPZs into the poster children for globalization and labor standards would be a joint WTO-ILO baseline survey of standards in EPZs. The results of the survey could be publicized on a Web site that lists basic facts about EPZs in various countries

6. See International Labor Office (1998a); US Department of Labor (1989–90). The International Labor Office report also indicated there were concerns about Zimbabwe’s treatment of EPZs but, according to ILO sources, the law in question has been amended. Bangladesh also reportedly will ease its restrictions on organizing in EPZs.

7. Individual Observation of the Conference Committee on the Application of Standards, 1994, available in the ILO database, ILOLEX, at www.ilo.org/ilolex/english/iloquery.htm. See also Complaint Against the Government of Pakistan, Case no. 1726, Report no. 2940, in the same database.

8. See www.epbbd.com/banEPZA.html (May 6, 2003).

9. US Department of Labor (1989–90); Romero (1995); International Labor Office (1998a); International Confederation of Free Trade Unions (1996).

—whether labor laws apply equally within and outside zones, unionization rates in zones and the rest of the country, average hours and wages, accident rates, the percentage of women in the labor force, and so forth. Improving the collection and dissemination of such data is already an ILO objective. It would provide the world community, from governments to consumers to human rights activists, with the information on which they could base decisions.

Finally, EPZs or firms within them that egregiously violate core standards should face the threat of trade restrictions. This could be negotiated in the ILO without WTO participation, as has occurred with various multilateral environmental agreements. But the WTO should also be involved, because such violations are in fact distortions of trade.

6. Targeting Trade-Related Violations of Core Labor Standards in the WTO

Violations of core labor standards to attract foreign investment or to promote exports are a trade distortion as much as subsidies or other forms of aid to traded sectors. That the WTO chooses to ignore them fits the worst image of the organization as sensitive to violations of trade rules that harm businesses but insensitive to distortions that harm workers. Because trade threats can contribute to the achievement of limited, carefully defined objectives, and safeguards can avoid protectionist abuse of labor standards in trade agreements, there is no reason for the WTO to shy away from targeting *trade-related* violations of core labor standards.

A simple way to do this would be for WTO members to interpret Article XX(e) of the General Agreement on Tariffs and Trade, which allows countries to ban imports of goods produced using prison labor, as also applying to other forms of forced labor.¹⁰ This interpretation would include coerced child labor and therefore go a long way toward meeting the requirements of ILO Convention 182 on the worst forms of child labor. But addressing violations of the other core labor standards—freedom of association and the right to organize, and nondiscrimination—would require formal amendment of WTO rules, along the lines laid out in chapter 4.¹¹

10. A 1985 “wise men’s” report setting the stage for the Uruguay Round of trade negotiations suggested that it was clear under General Agreement on Tariffs and Trade (GATT) rules that countries could not be forced to import products made with slave labor. But that interpretation is not binding, and it is not known whether a dispute settlement panel would allow a country to take action against forced labor products under this exception. The Business Roundtable (1999, 27), an association of CEOs that address issues of public policy, www.brtable.org, has recommended that the WTO clarify this ambiguity and also consider expanding Article XX(e) to cover the worst forms of child labor as defined in ILO Convention 182.

11. The International Confederation of Free Trade Unions has proposed a way to avoid the need for an amendment to GATT rules. This would take the form of having dispute

Our recommendation for amending Article XX(e) would allow WTO members to ban imports of goods whose production is directly linked to violations of any of the four core labor standards. The violations would have to be egregious, not amenable to remedy by other means, and trade related—part of an effort to either promote exports or to attract foreign investment. Sanctions would be limited to the specified imports. To further safeguard against protectionist abuse, countries invoking this provision would have to rely on the ILO for evidence that a problem exists. By focusing on violations of labor standards that distort trade, this proposal fits naturally under the WTO framework.

7. Strengthening the ILO in the Internet Age

Information is also power. It is essential in the market for standards. It is also essential in official enforcement of labor laws and standards. This is the ILO's great strength. The steps that the ILO has taken to improve the information that it collects and disseminates through its supervisory system are described in detail in chapter 5. Here we suggest ways for the ILO to become even more transparent and to better use Internet technology to empower workers, activists, and consumers to raise labor standards in the global economy.

One reason that the ILO remains vulnerable to the vagaries of US and other member government whims is that it has no constituency of its own on the global scene. The ILO does not represent workers or firms or governments. Its operations depend on agreements reached among those groups. With a limited budget, it lacks the big stick that financial institutions carry. When the ILO disagrees with the IMF or World Bank on economic policy, LDC governments are likely to listen to the ones with money, not to the ILO.

Because the major ways that the ILO affects labor standards are through moral suasion, information, and technical assistance, it needs to establish independent standing and presence with the public in both advanced and less developed countries. The most efficient way to gain that presence is through the Internet. The low cost of the Internet means that for the first time in its history, the ILO can directly reach the people it is supposed to help. The strength the ILO brings to the Internet is what in other settings is its weakness: the *modus operandi* of a staid international organization. This is no rabble-rousing organization that looks for

settlement panels interpret Article XXI(c)—which allows member countries to take actions to fulfill “obligations under the UN Charter for the maintenance of international peace and security”—as permitting trade actions authorized by the ILO as well. But this article is explicitly aimed at national security exceptions, and many regard it as already overly broad. It is also not clear that gaining approval for such an interpretation would be easier than amending the rules, given the breadth of Article XXI.

trouble. So when it speaks clearly and factually on an issue, its statement carries weight.

The ILO has made substantial improvements to its Web site in recent years, for example adding In Focus sections that pull together information on important topics such as child labor, and promoting the declaration on fundamental rights, and health and safety at work. But the Web site is still geared more toward professionals than ordinary citizens.¹² To reach workers and others not familiar with it, the ILO should create new, streamlined Web sites geared toward particular users: information on rights, international standards, and national laws for workers in one place; ratings of codes of conduct and monitoring systems for consumers in another (though the ILO has thus far been unwilling to do this); information on best practices in industrial relations for employers in still another; and information on legal codes and inspection systems for governments in still another.

The most user-friendly product that the ILO currently offers on compliance with core labor standards is the director general's global report under the Declaration on Fundamental Principles and Rights at Work. But this report could be improved as well. Now that the first four-year cycle of reports on each of the core standards in turn has been completed, the ILO should revise the report to sum up the progress—or regression—in all the core standards during the previous year. The Global Report might retain the rotating focus on one core area, but it should also monitor what countries with problems in other areas are doing to resolve them and in each case whether lack of progress is due to government policy or a lack of capacity. This would make the report more useful to outside observers and assist the Governing Body in identifying future priorities for technical assistance.

But the ILO also needs to demonstrate its worth to its core constituents to maintain and even increase its level of available financial resources. This means being more transparent about its own operations as well. It needs to provide more and better (or at least better organized) information on technical assistance. It also needs to do systematic independent evaluations of its programs, along the lines of the IMF's Office of Independent Evaluation and the World Bank's Operations Evaluation Department.

Unless it establishes an independent and broadly publicized presence on the Internet that allows it to reach the larger public, the ILO will need to depend on outside forces—protesters threatening global trade agreements, trade organizations and LDCs seeking to keep labor and

12. Information on the ILO Web site (www.ilo.org) is organized functionally but often under headings that are opaque to outsiders. "Standards and Fundamental Principles and Rights at Work" is clear, but would anyone think to look for the Cambodia garment industry monitoring project under "Social Dialogue"? Or to find information on gender discrimination issues under "Employment" rather than under "Fundamental Rights" or "Social Dialogue"? And even the In Focus pages can be difficult to find, because they are scattered throughout the site map and not highlighted in one easy-to-find place.

trade issues separate, US administrations with a particular debt to unions or protesters—to maintain its current prominence in the battle over labor standards. An effective use of the Internet could give the ILO a powerful mechanism to carry its message forward.

Final Thoughts

The evidence and analysis in this book have shown that enforcing global labor standards can improve the conditions of workers in LDCs. Ensuring this outcome requires concerted efforts by activists, forward-thinking multinational corporations, the ILO, and the world trading community, including the WTO, along the lines laid out in this chapter. Together, these actors can improve working conditions, increase the benefits of trade for workers, and promote growth in LDCs. Globalization and labor standards are not mortal enemies but complementary ways—Siamese twins, in our analogy—to make modern economic growth work better for all.