
Globalization and Labor Standards in Action

We didn't want foreign factories taking advantage of our workers either. And we wanted that quota increase—how else would we grow our economy?

—Cambodian Commerce Minister Cham Prasidh on the US-Cambodia agreement linking labor standards to apparel market access
(*Wall Street Journal*, February 28, 2000, 1)

Opposition by global enthusiasts and the absence of a social clause in trade agreements notwithstanding, trade pressures have contributed to improved labor standards in some less developed countries (LDCs). Having been threatened with consumer backlashes and trade restrictions due to child labor practices, Bangladeshi garment firms, Pakistani manufacturers of soccer balls, and cocoa growers in West Africa have worked with activists, governments, and international agencies to reduce child labor while providing better alternatives for the children. And Cambodia—promised increased access to the US market for apparel—has improved its enforcement of labor laws and international core labor standards. This chapter documents these successful cases of globalization and labor standards in action.

The chapter also examines the interplay between globalization and labor standards in China, the outcome of which we do not yet know. China's increased global engagement and entry into the World Trade Organization (WTO) have created both opportunities and risks in the market for standards. If pressures from global engagement induce China to improve standards more rapidly than otherwise, our case for the positive interplay of standards and globalization will be enhanced. But if China's

joining the global economy buttresses repressive labor policies and pressures other countries to reduce standards, our case will be weakened.

The Bangladeshi Garment Sector

In the early 1990s, activists directed attention to the prevalence of child labor in Bangladeshi apparel production. In 1992, the NBC television news program *Dateline* ran a story showing children in a Bangladeshi factory sewing clothing destined for Wal-Mart (*New York Times*, December 24, 1992, D1).

At about the same time, the AFL-CIO petitioned the US government to suspend Bangladesh's eligibility for trade benefits under the Generalized System of Preferences (GSP) program, in part because of child labor. The interagency Trade Policy Staff Committee recommended against withdrawing GSP because Bangladesh was "taking steps" to rectify violations of internationally recognized workers' rights, but it stressed that child labor was indeed "the principal worker rights problem facing Bangladesh today." The committee also expressed concern about inadequate implementation of compulsory education legislation to give more children an alternative to work.¹

What forced action on the child labor issue was the decision of Senator Tom Harkin (D-IA) to introduce in 1993 the "Child Labor Deterrence Act" to bar manufactured imports from any foreign industry that used child labor. The first response from Bangladesh was that the senator did not understand the situation: the children had to work to survive. Bangladeshi newspapers accused him of promoting child prostitution, for if children did not work in garment factories, they would be forced into the street (us.ilo.org/teachin/harkin.html, February 2003). And the initial response of Bangladeshi manufacturers, fearing they would lose access to a market that accounted for 43 percent of total apparel exports, was reportedly to fire an estimated 50,000 child workers. UNICEF and others investigating the case reported that many children were forced into worse situations, including prostitution and stone crushing (UNICEF 1997, 60). The fears of globalization enthusiasts that trade threats would end up doing more harm than good seemed justified.²

1. The Trade Policy Staff Committee "Worker Rights Review Summary" for Bangladesh (Case 008-CP-91) is available in the Office of the US Trade Representative, Washington.

2. We have been unable to track down an often-cited Oxfam report allegedly confirming the UNICEF findings. UNICEF's *State of the World's Children 1997* referred to "follow-up visits by UNICEF," local nongovernmental organizations, and the International Labor Organization finding children in prostitution and other hazardous activities, but offers no specifics and no citations for these reports. Some activists and nongovernmental organizations question the reports of mass firings and large numbers of girls being forced into prostitution. E.g., the International Labor Rights Fund reported in 1995 that

But the initial firing of the children was just the beginning of the response to the child labor issue. American nongovernmental organizations (NGOs), supported by the US ambassador to Bangladesh, pressured the Bangladesh Garment Manufacturers and Exporters Association to find a more constructive solution. The negotiations between the activists and the association took two years to conclude, waxing and waning depending on the seriousness with which the exporters viewed the threat of US sanctions (Harvey 1995). The Republican victory in the 1994 congressional elections stalled the talks, because the Bangladeshi manufacturers and exporters expected the Republicans to bury the Harkin bill.

In May 1995, members rejected the agreement negotiated by the trade association and decided to fire all underage workers within a few months to avoid any potential loss of exports. Shortly thereafter, however, the US Child Labor Coalition reluctantly notified its members and the American and Bangladeshi press that it would call for boycott of Bangladeshi clothing. This threat led to a resumption of negotiations four days later.

At this stage, the International Labor Organization (ILO) joined UNICEF in the negotiations. On July 4, 1995, the ILO and UNICEF signed a memorandum of understanding with Bangladeshi manufacturers and exporters that provided that all children working in the sector would be removed when schools were available for them, and that the firms would hire no new children. The parties also agreed on joint funding and a monitoring plan to be overseen by the ILO. The Bangladeshi employers committed about \$1 million over three years, and the ILO and UNICEF contributed \$425,000 in the initial year to ensure that the children would indeed benefit after losing their jobs. In the first year of the agreement, UNICEF reported that the program enrolled 4,000 children in school.

The program succeeded in nearly eliminating child labor in the Bangladeshi apparel sector and seems to have succeeded as well in creating better opportunities for the affected children. The proportion of factories using child labor dropped from 43 percent in 1995 to less than 4 percent by 2000. The number of children working in garment factories fell by 27,000, and about 8,000 children received educational or other rehabilitative services. In 2000, the ILO, the government of Bangladesh, and Bangladeshi garment manufacturers agreed to broaden the program to other core standards and health and safety issues under the technical cooperation program promoting the ILO Declaration on Fundamental Principles and Rights at Work.³

“informed sources agree that the children have simply been relocated to less visible factories, particularly small subcontractors” (*Worker Rights News*, Fall 1994–Winter 1995, 1).

3. See ILO (2001); IPEC (1999); US Department of Labor (1998, 89); and Vahapassi (2000, 3, 11).

Pakistani Soccer Balls

In 1996, an American activist group, the International Labor Rights Fund, launched the Foul Ball campaign to mobilize consumer and player pressure on Nike, Adidas, and other major marketers of soccer balls because the firms sourced from producers in Pakistan using child labor. The firms' trade association, the International Federation of Football Associations (FIFA)—worried about fan response to the image of youngsters in advanced countries kicking balls made by poorly treated child workers in LDCs—adopted a code of labor practices for all manufacturers of balls carrying the FIFA label. The FIFA code barred child labor and called for the manufacturers to protect freedom of association and adhere to other labor standards.

Although the International Labor Rights Fund claimed it was done to blunt implementation of the stronger FIFA code, the Sialkot (Pakistan) Chamber of Commerce and Industry (representing soccer ball manufacturers) signed an agreement with the ILO and UNICEF to reduce child labor and provide health and training services to the children removed from work.⁴ The Pakistani Chamber of Commerce and the US Department of Labor funded the program, and the ILO was given responsibility for monitoring the agreement. Save the Children, a British NGO, and the Bunyad Literacy Community Council, a Pakistani NGO, agreed to provide health services, vocational training, and microcredit and savings schemes for affected workers (ILO 2001, 112).

The effort to reduce the use of child labor in the sector succeeded. In October 1999, the ILO's International Program on the Elimination of Child Labor reported that more than 90 percent of the production of soccer balls by participating manufacturers had moved to stitching centers subject to monitoring and that the monitors had found no children working in those stitching centers. In addition, the ILO reported that about 6,000 children had been enrolled in the village education and action centers created by the program (IPEC 1999).

There have been problems in implementation, however. A key part of the agreement created stitching centers where employers or officials could monitor who did the work. Previously, the stitching of soccer balls was often done at home by mothers and children working together. The stitching centers created problems for some women who had rarely worked outside the home or who had no one to take care of their children. The program addressed these issues by encouraging the manufacturers to

4. Not long after this agreement, two other projects were launched in Pakistan by the International Program on the Elimination of Child Labor. The first, also in the Sialkot region, targeted the use of child labor by subcontractors in the production of surgical instruments, and the second focused on small-scale carpet weaving in two districts of Punjab (Vahapassi 2000, 4–5).

create stitching centers in villages close to where the women workers lived, but it is possible that some adults were displaced. In addition, the International Labor Rights Fund argued that some production moved across the border to India and that the ILO report on outcomes in Pakistan was overly optimistic. An early assessment by the fund argued that some firms had moved production to nonparticipating facilities or subcontracted out production, potentially done by children (International Labor Rights Fund 1999). Still, there were no mass firings, and at least 6,000 children were educated who otherwise would not have been.

West African Cocoa

In the late 1990s and early 2000s, international agencies and the news media reported that cocoa farms in West Africa were using forced child labor. UNICEF reported in 1998 that recruiters were trafficking in children from neighboring countries and forcing them into labor on cocoa farms in Côte d'Ivoire. In July 2001, the US newspaper chain Knight-Ridder ran a series of investigative articles profiling young boys who were tricked or sold as slaves to Ivorian cocoa farmers. In that same year, Ivorian authorities stopped a ship trying to smuggle child workers into the country, producing headlines in newspapers around the world. Shortly thereafter, the ILO's global report on child labor identified West African trafficking in children as one of the most blatant violations of core labor standards.

These reports created a problem for chocolate makers in advanced countries, which feared lost sales from consumers associating child labor with their candies. Within days of the discussion of the child labor report at the International Labor Conference in June 2001, participants in the cocoa market moved to head off a consumer backlash. Côte d'Ivoire's prime minister declared that farmers must be paid more to eliminate child exploitation, and then announced a government campaign to reduce child labor. The US Chocolate Manufacturers Association said that it would fund a study of the problem by the US Agency for International Development. In Congress, Representative Elliot Engel (D-NY) attached an amendment to the fiscal 2002 agriculture appropriations bill to provide funds for the Food and Drug Administration to create a "no child slavery" label for chocolate products.

A few months later, the global confectionery industry developed a protocol listing the specific steps that it would take to address the problem. Representative Engel, Senator Harkin, and a number of NGOs, including the Child Labor Coalition and Free the Slaves, endorsed the protocol. The ILO agreed to serve as an official adviser to the initiative. Keeping pressure on the industry, the International Labor Rights Fund petitioned the US Customs Service to investigate cocoa imports under

the US law that prohibits the importation of products made with forced child labor. The fund argued that “an investigation by US Customs will provide a strong incentive to the Côte d’Ivoire government and to the cocoa exporters to solve the problem of forced child labor.”⁵

In July 2002, the industry announced the creation of the International Cocoa Initiative to act as a clearinghouse for information on forced child labor and on practices to resolve it; to support pilot projects in the field; and to “help determine the most appropriate, practical and independent means of monitoring and public reporting in compliance with these labour standards.”⁶ Shortly thereafter, the US Department of Labor and US Agency for International Development released survey results that found roughly 300,000 children working in hazardous conditions on cocoa farms in West Africa, most of them children under the age of 14 years, and all but 12,000 of them on family farms. Among the unrelated children working on cocoa farms in Côte d’Ivoire and Nigeria, the surveys reported that about 2,500 children had been trafficked from neighboring countries.⁷

In October 2002, the ILO began a three-year, \$6 million effort to develop programs to remove children from forced labor and to provide them with education or other training, replace at least some of the income lost to the family, and build capacity among workers and inspectors to prevent forced child labor in the sector from recurring in the future (*ILO Focus*, Winter 2003, 15). The programs resembled those in Pakistan and Bangladesh. The US Department of Labor provided the largest share of the funding for this initiative. The rapid movement from investigation and discussion of the problem to action shows how trade links can improve labor standards quickly in a particularly egregious case.

All three of these child labor cases show the market for standards at work in essentially the manner described in chapter 2, with one extra element: financial support from international organizations or US government agencies to make sure that the changes in standards benefit the children. In these cases, the combined work of all the groups—activists, firms, LDC governments, the US government, and the ILO—produced improved standards and conditions.

The US-Cambodia Textile and Apparel Agreement

The use of trade pressure to raise labor standards in Cambodia took a different path. In the absence of an activist campaign targeting conditions

5. International Labor Rights Fund, June 27, 2002, www.laborrights.org/press/cocoa/053102.htm (May 2003).

6. See www.international-confectionery.com/issues.asp (May 2003).

7. The summary is available on the department’s Web site, www.dol.gov/ilab/media/reports/iclp/cocoafindings.pdf (May 2003).

in Cambodia, the US government took the initiative and offered a positive trade incentive in exchange for Cambodian compliance with the core labor standards. In 1998, the United States and Cambodia signed a bilateral trade agreement that included a US commitment to expand Cambodia's quota for textile and apparel exports to the US market by 14 percent if "working conditions in the Cambodia textile and apparel sector substantially comply with" local law and internationally recognized core standards.

In December 1999, US officials reviewed labor standards in Cambodia and concluded that although Cambodia had not achieved "substantial compliance," it had made progress. US trade officials offered a 5 percent quota increase if Cambodia would allow the ILO to monitor factories in the sector. Initially, the ILO was leery of undertaking the monitoring, but it agreed to the plan when US officials promised to provide \$500,000 for a parallel program to provide technical assistance and training to the Cambodian labor ministry. The United States also provided \$1 million of the \$1.4 million cost of the three-year monitoring program with the Cambodian government and Garment Manufacturers' Association, splitting the balance (press release, Office of the US Trade Representative, May 18, 2000).

In May 2000, US officials granted the initial 5 percent quota expansion, and they added another 4 percent the following September in recognition of further improvements in workers' rights. The total 9 percent quota expansion was extended for 2001, but the United States withheld the remaining 5 percent potential increase as an incentive for continued improvement (*Inside U.S. Trade*, January 19, 2001). One estimate of the value of the 14 percent increase was \$50 million a year, far in excess of the costs to the Cambodians of improving standards. Cambodian Commerce Minister Cham Prasidhthat said, moreover, that his country was interested in more than just the quota increase because "we didn't want foreign factories taking advantage of our workers either" (*Wall Street Journal*, February 28, 2000, 1).

But even though the United States and Cambodia were happy with the agreement, other LDCs and US importers opposed it and tried to discourage Cambodia from accepting the bargain because it set a precedent linking trade and labor standards. US importers claimed that Cambodia was benefiting little if at all from the agreement, because the initial quota level was set below that of other comparable exporting countries.⁸ When the

8. *Inside U.S. Trade*, February 5, 1999, 13. It is difficult to test this claim, but data on quota levels elsewhere in Southeast Asia do not appear to support it. Using per capita textile and apparel exports under the Multi-Fiber Arrangement as a crude measure, the figure for Cambodia was 24 square meters per person, which compares with 8.2 for the Association of Southeast Asian Nations as a whole, 9 for Bangladesh, 12.4 for the Philippines, 21.3 for Thailand, and 5 for Indonesia (US Department of Commerce, Office of Textiles and Apparel, "Major Shippers Report," March 2001; International Monetary Fund, *International Financial Statistics*, for population figures).

United States did not grant the full quota increase, critics claimed that the US government was not sincere and that unions with protectionist motives were driving its decisions. But the Union of Needletrades, Industrial, and Textile Employees (UNITE) supported the partial quota increases granted in 2000 and 2001, and only the American Textile Manufacturers Institute, representing the industry, opposed it (*Inside U.S. Trade*, January 19, 2001).

The agreement appears to have improved conditions in the Cambodian garment sector. Wages and benefits rose, and the Cambodian government stepped up its monitoring of working conditions.⁹ Perhaps most important, the incentives in the agreement, the presence of ILO inspectors, and the knowledge gained by the workers led some to form unions and demand changes in working conditions.¹⁰ The AFL-CIO opened a Solidarity Center office there to provide training on how to set up and run a union. Since 1997, unions have organized 75 garment factories. And in July 2000, garment workers successfully pressured the government to establish Cambodia's first minimum wage (\$45 a month) (*New York Times*, July 12, 2001).

The experiment also produced new standards for independent, transparent factory monitoring. By the end of 2002, the ILO had released its first four reports on conditions in the factories, including a follow-up report that summarized problems in individual factories and what managers had done to resolve them.¹¹ ILO monitors had inspected 129 of Cambodia's roughly 200 registered garment facilities, with an employment of more than 125,000 workers, most of them female (out of a total garment industry employment of roughly 200,000).

The monitors reported no evidence of child labor or forced labor. They found no evidence of sexual harassment in the first 30 factories inspected, but some evidence that harassment existed in the next 65. The most frequent violations of Cambodian labor law were incorrect wage payments and involuntary and excessive overtime work, but there were also problems with freedom of association in some facilities.

Even though ILO inspectors do not have enforcement powers, their identification of problems and recommendations for remediation nevertheless induced manufacturers to make some changes. On follow-up visits, the ILO determined that manufacturers had implemented 40 percent of the improvements the monitors had suggested. By the time of the follow-up visit, the most responsive facility had implemented 94 percent of the monitors' suggestions, and the least responsive only 6 percent.¹²

9. *Wall Street Journal*, February 28, 2000, 1; *Financial Times*, April 7, 2000, 5.

10. *Time* (Asian edition), July 10, 2000.

11. All the reports are available on the Social Dialogue section of the ILO Web site, www.ilo.org/public/english/dialogue/ifpdial/publ/cambodia.htm (May 2003).

12. These figures are calculated from the ILO's "Third Synthesis Report on the Working Conditions Situation in Cambodia's Garment Sector."

In early 2002, George W. Bush's administration negotiated a three-year extension of the bilateral agreement and retained a quota-growth incentive for Cambodia to continue to improve labor standards compliance. But the agreement did not bring the country's most rapidly growing exports under the quota, making it unclear how much of an incentive the in-quota growth bonus will have.¹³ The ILO project director also reported "monitoring fatigue" in Cambodia because some factories had to submit to monitoring of multiple codes required by individual buyers. Factory owners or managers can share monitoring results with buyers if they wish, but the ILO cannot do so. And in the absence of a mutual recognition agreement among the various multistakeholder initiatives, such sharing of information may not be enough for some buyers.

Still, the Garment Manufacturers Association appears committed to the program of improving standards and monitoring results. It hopes this will give Cambodia a reputation for good standards and stable industrial relations that will appeal to brand-name buyers.¹⁴ The test will be whether such a reputation enables Cambodia to carve out a niche for its exports after the Multi-Fiber Arrangement (MFA)¹⁵—which uses bilateral quotas to regulate international trade in textiles and apparel—expires in 2005.

Can Globalization Improve Labor Standards in China?

What happens in China is important for labor standards around the world. Because a large proportion of the global workforce is Chinese, changes in China's standards affect more people than changes in dozens of smaller countries. In the 1990s, the world rate of poverty fell substantially, despite rises of poverty in Africa, the countries of the former Soviet Union, Eastern Europe, and Latin America. The principal reason: poverty fell in China and India, with their huge populations. China's entry into the global economy and accession to the WTO also means that Chinese labor market developments will have large repercussions for workers elsewhere in the world. Policymakers and leaders in many LDCs worry that China

13. According to one source, Cambodia's uncontrolled exports in the fall of 2001 were two and a half times larger than its exports under the quota (*Inside U.S. Trade*, January 11, 2002, 15).

14. The source for this is a presentation by Lejo Sebbel, the Cambodian project director, to a workshop of the National Academies Committee on Monitoring Labor Standards.

15. Under the MFA, the United States and European Union restrict imports of textiles and apparel through country-specific import quotas. This has the effect of creating a competitive advantage for low-productivity countries that have unfilled quotas, whereas more productive suppliers cannot increase sales due to the constraints of the quota system.

will dominate world textile and apparel production when the Multi-Fiber Arrangement expires. Many are concerned that they will be unable to maintain wages and standards in their country if Chinese wages and standards fail to rise rapidly.

The Problem in China

China has a huge problem with labor standards, both in the contracting state-owned sector and in the growing private or semiprivate sector (see Hankin 2002). In the 1990s, the country dismantled large parts of the state-owned sector, laying off 25 million to 30 million workers and creating substantial unemployment and economic misery. In the prereform planned economy, state-owned enterprises provided not just jobs but also many of the benefits and protections that governments provide in capitalist economies: health care, housing, pensions, even schooling for the children of workers. The employees in these enterprises had lifetime job security.

As these enterprises have contracted, privatized, or closed down, they have not paid retirees or laid-off workers the amounts that they had contracted to pay and in many cases have fallen behind in paying wages to their workers. According to statistics from the All-China Federation of Trade Unions (ACFTU), nearly 14 million staff and workers were owed back pay in 1999, 7 percent of the urban workforce. An additional 3.6 million workers who had retired or resigned also were owed money. The number of staff and workers owed wages increased nearly sixfold from 1993 to 1999, while the number of retirees owed money increased nearly tenfold.¹⁶

Lost jobs and failure to be paid what they are legally due has led many Chinese workers to protest, marching in the streets, blocking railway lines, and surrounding government offices. The largest workers' protests reported by Hong Kong and the Western media usually have been about arrears, with workers angered at companies or the government renegeing on promises to provide benefits. The protests are concentrated in such provinces as Liaoning, where there is little business growth to absorb the laid-off workers and where the government and firms lack the funds to pay retirees what their former state-owned enterprise had contracted to give them. As an indication of the rising tide of discontent, the number of labor disputes accepted by official arbitration committees grew from 8,150 in 1992 to 327,152 in 2000. The number of unofficial protests also increased greatly, although the only data we have are media reports.¹⁷

China's new and growing private sector has experienced a different set

16. Research Office of the All-China Federation of Trade Unions, *Chinese Trade Union Statistics Yearbook*, Beijing, various years.

17. All-China Federation of Trade Unions, *Yearbook of Labour Statistics*, various years. Also see Freeman (2002).

of problems. Chinese labor laws are comparable to those in advanced countries, save for the country's treatment of freedom of association.¹⁸ If enforced, the laws would guarantee decent working conditions for most workers. But private-sector employers, including foreign investors, regularly flout labor laws. Many employers do not pay for required overtime work. Many ignore rules on occupational safety to the extent that China has one of the world's worst records in workplace fatalities and injuries. In the 1990s, China reported 133 fatalities per 100,000 workers in mining, compared with 50 in eight LDCs with comparable data and 24 in the United States (Freeman 2002, exhibit 4). Almost every week, the Chinese press reports on mine disasters. In Guangdong Province, firms flout China's labor laws by forcing hours in excess of the legal maximum, withholding wages due to workers, and abusing workers in diverse ways (Chan 2001).

One leading human rights vigilante group, the National Labor Committee, examined conditions in Chinese toy factories and reported mandatory daily shifts of more than 15 hours, 7-day workweeks, toxic paints and chemicals, 104-degree factory temperatures, and 16 workers sharing a single dorm room in the factory's living quarters.¹⁹ The most poorly treated workers are almost always migrants from rural communities, who do not know their rights under Chinese law and who have no chance to bargain with management for better conditions. No one disputes the existence of horrific conditions in many private firms. The Chinese government recognizes the problem, as do most globalization enthusiasts.

With the exception of union rights, the problem in China is not one of deficient labor laws but of deficient enforcement. There are three main reasons for China's inability to enforce its laws. First, China's government-controlled trade union monopoly (the All China Federation of Trade Unions) is a major obstacle. The ACFTU is an old-fashioned "transmission belt" union movement, which follows the dictates of party leaders and local officials. At various times in its history, the ACFTU has sought greater independence from the state; but since the Tiananmen Square massacre in 1989, the government has kept it under strict control. ACFTU cadres and officials are generally sympathetic to workers' concerns, but they side with management and the state whenever workers have a serious problem.

In the fall of 2001, China enacted legislation to enhance the ACFTU's authority to organize private enterprises and to help enforce labor laws. But the law still puts the party's interests ahead of those of the workers that the organization nominally represents, requiring the ACFTU to "take economic development as the central task, uphold the socialist road, the people's democratic dictatorship, [and] leadership by the Communist Party of China" (quoted in Hankin 2002, n. 1).

18. See www.china-tradenet.com/english/a14.htm (December 2002).

19. See www.nlcnet.org/china/1201/toysofmisery.pdf (December 2002).

The second reason China cannot enforce much of its labor code is the widespread corruption in the government and ruling Communist Party. The businesses that violate labor rights range from foreign-owned firms to Chinese private enterprises. Many have links to local or national party or government leaders and most pay taxes to the local government. Transparency International gave China poor scores on both its Corruption Perceptions Index and its Bribe Payers Index. That China does so poorly on both rankings underscores the pervasiveness of its corruption, among both officials and firms, including China-based firms operating abroad.²⁰ In China's own assessments, corruption always comes up as one of its two or three major problems. Workers' protests are often motivated by the belief that the privatization of state-owned properties has been done for the benefit of corrupt managers and officials, who transfer the valuable parts of businesses to themselves and leave the state with a shell enterprise.

The third and most sensitive reason China cannot enforce its labor code is that the government is unwilling to allow workers to form independent trade unions for fear that such organizations would eventually challenge the state's authority. In 2002, the government was so worried about alternative sources of authority that it clamped down on a local initiative that would have improved labor standards and enhanced social stability. A former migrant worker tried to organize a "nonprofit, nonpolitical migrant workers' association" in a heavily migrant neighborhood to give workers a mechanism for resolving disputes with their employers. Local officials supported the idea as a means of lowering crime by disgruntled migrants with no connection to the local community.

After the migrant workers' association had successfully intervened on behalf of workers in a few disputes, workers eagerly joined. But as the association gathered steam and local officials encouraged the creation of similar groups in other neighborhoods and nearby towns, higher-up officials stepped in. Fearing that the associations might become a source of independent power outside their control, they moved to shut them down (*Washington Post*, October 15, 2002, A1). Because the most effective way to deal with low labor standards is to give workers the ability to defend their own interests, China has put itself in a box on this issue.

Roads to Improvement

Will China's growing global engagement encourage improvement in workers' rights, or will it legitimize an outmoded, internationally illegitimate system? What can activists in both advanced countries and China

20. See www.transparency.org/cpi/index.html#cpi (February 2003). In 2001, China ranked 59th in a list of 102 countries. China was rated as having less corruption than Russia, Bangladesh, Nigeria, and India, among larger LDCs. Chinese companies are widely seen as using bribes in developing countries as well. China was the second worst country in terms of using bribes, based on the Transparency International ranking of 21 countries.

do to pressure the country to improve labor standards and free workers to form their own organizations?

There is substantial debate over these questions among those concerned with the well-being of Chinese labor. In the late 1990s, the AFL-CIO opposed China's entry into the WTO, in part because of concerns about workers' rights. According to one spokesperson, "Our view is that once China comes into the WTO, we have no leverage to raise the worker rights problems anymore."²¹ Similarly, the AFL-CIO and many other unions were appalled in 2002 when worker delegates to the ILO elected the ACFTU as a worker representative on the ILO's Governing Body.

In this vote, the ACFTU was supported by many LDCs, some of which had been courted by China and some of which wanted the Israeli Histadut removed from the governing body because of the Israeli-Palestinian dispute. The global federation of unions in the food sector denounced the ACFTU's accession to the ILO Governing Body as a "sellout" of China's workers.²² In the aftermath of these events, some union and human rights activists continue to argue for limiting engagement with China because of its lack of freedom of association (Diamond 2003).

On the other side of this debate are other union and human rights activists, who favor increased engagement with China to strengthen Chinese efforts to improve labor standards. Our analysis suggests how increased trade with China and its greater engagement with the global community could be used to improve labor standards and hasten the time when the country's leadership will recognize that independent unions are more likely to enhance than reduce social stability and economic progress. Just as elsewhere in the market for standards, traded goods can become a lightning rod directing attention to low standards and efforts to improve them. Rather than reduce leverage to help Chinese workers, our analysis suggests that a larger role for China in the global economy will increase it.

Already, there is a two-pronged effort to move China along the road to higher standards. As the country's trade increases, human rights vigilantes are devoting even more attention to its working conditions. It is critical to identify and publicize violations of workers' rights and the Chinese government's suppression of dissidents, and to continue to support workers' efforts to organize independent organizations. The National Labor Committee and diverse human rights activist groups—those that produce the *China Labour Bulletin*, Human Rights Watch in China, and others in Hong Kong and the West—must continue to galvanize public opinion and bring transparency to the practices of firms operating there.²³

21. See <http://seattlepi.nwsource.com/business/chi09.shtml> (December 2002).

22. See www.hartford-hwp.com/archives/55/293.html (December 2002).

23. See, among others, <http://iso.hrichina.org/iso/> and www.china-labour.org.hk/iso/index.adp.

At the same time, there is also increased engagement with Chinese authorities by other groups and institutions with the purpose of strengthening the position of those in China who seek to improve standards and reform the outmoded ACFTU. Some observers believe that the labor law passed in the fall of 2001 opens up space for workers to form “bottom-up unions that are nominally affiliated to the ACFTU” (Hankin 2002, n. 20). As is discussed below, some NGOs and firms are already experimenting to test this proposition.

The ILO has the potential to play a major role in the engagement process. It suspended cooperation with China after the Tiananmen Square massacre, but it resumed technical assistance in 1996, engaging the ACFTU and employers organizations, as well as government officials. In 2001, the ILO signed a memorandum of understanding with Chinese authorities to promote a decent work agenda, including improvements in the core labor standards.²⁴ Although ILO technical assistance in the late 1990s focused primarily on employment creation, the projects contemplated under the memorandum include one “promoting workplace democracy and improved industrial relations,” which has been approved by representatives of the government, employers, and the ACFTU and for which funding was being sought in 2002. Other priorities under the memorandum include creating and strengthening social safety nets and continued attention to employment creation. At the same time, ILO officials and experts continue to criticize China’s policies on freedom of association and on the “reeducation” of political dissidents through forced labor.²⁵

Multinational corporations also are taking steps to improve standards in their Chinese operations, though as National Labor Committee reports show, they have a long way to go. One route some corporations are trying is creating employee committees on health and safety, which give workers a say in conditions and provide an informal mechanism for addressing grievances. The Levi Strauss Foundation is also working with the Asia Foundation in China on projects focused on migrant women workers in the Guangdong area, including providing education and health services and legal aid.

Reebok went further in the fall of 2001. It worked with the Hong Kong Christian Industrial Committee and Jonathan Unger and Anita Chan of the Contemporary China Center at the Australian National University to organize and monitor a secret ballot election of union representatives at two footwear factories in Fujian and Guangdong. The factories are Taiwanese owned but were pressured by Reebok to hold open elections; local government officials went along because the Taiwanese investors

24. See www.ilo.org/public/english/chinaforum/download/chinamou.pdf (March 2002).

25. See the presentation by Anthony Freeman, director of the ILO’s Washington Branch Office, before the Congressional Executive Commission on China, March 18, 2002; www.cecc.gov/pages/roundtables/031802/briefingnotes.pdf (March 2002).

are important employers in the region (*Financial Times*, December 12, 2002, 14).

According to Doug Cahn, Reebok's director of human rights programs, organizing the elections took months of negotiation with the Taiwanese managers, local officials, and representatives of the ACFTU. Cahn noted that Reebok has a code of conduct that includes respect for freedom of association and collective bargaining and added,

[W]e can throw up our hands in China and say: "The ACFTU is government-controlled and therefore we can do nothing." Or we can engage in experiments like this in democratizing the union in hope that workers will take advantage of the opportunities this provides them. (*Financial Times*, December 12, 2002, 14)

Though an encouraging example, this union is still officially affiliated with the ACFTU, and it remains too early to tell whether management, local officials, and the ACFTU will respect the independence of the new union leadership in representing worker interests.

Activists both inside and outside China are also working in a variety of ways to support workers and raise labor standards without directly challenging the one-party state. Activists have set up help lines for workers, sometimes with the support of local government officials, and are educating workers about their rights (Senser 2002, 40). The Institute of Contemporary Observation in Shenzhen, with support from Oxfam Hong Kong, has a labor hotline on which workers can get free legal advice on work-related problems (see www.ico-china.org).

Another Chinese group has a Web site that offers information on Chinese labor law and advice to workers.²⁶ Han Dongfang is a former political prisoner who is now exiled in Hong Kong because of his union organizing activities during the Tiananmen Square protests. He hosts a Radio Free Asia show and writes an Internet e-newsletter to inform workers of their rights and how to use the law to defend themselves.²⁷ He also notes that workers filing lawsuits for labor law violations against American and other foreign-owned companies may have the best chance because they can invoke the theme of unfair exploitation by foreigners in their behalf (*American Educator*, Winter 2002, 43). The US Congressional Executive Commission on China also has recommended increased US government financial and technical support for training labor lawyers and others to help Chinese workers use the law to protect their interests.

25. The source for this is a presentation by Yiu Por Chen at the Networked Labor Conference, London School of Economics and Political Science, London, December 6, 2000.

26. The *China Labour Bulletin* is available at www.china-labour.org.hk (February 2002). See also the Asia Monitor Resource Center at www.amrc.org.hk/home.htm (February 2002).

Finally, Chinese decision makers are as threatened by the potentially destabilizing effects of growing worker protests as by the nascent attempts by workers to form independent organizations to represent their interests. With both continuing pressure from activists and engagement by the ILO and multinational corporations, Chinese officials may be moved in the direction of giving the ACFTU greater independence in defending workers and, in some cases, of accepting bottom-up, local worker associations such as those formed indigenously by migrant workers in eastern China or encouraged by Reebok in southern China.

A Bottom-Line Assessment

This chapter's analysis of the developments in Bangladesh, Pakistan, Côte d'Ivoire, and Cambodia has demonstrated that trade pressure and incentives from consumers and governments can lead to improved labor standards in LDCs. It has also shown that cooperation from governments and international agencies, notably the ILO, has been important in ensuring that activist pressure produces the desired outcomes. The ILO's role in these cases suggests that it could do more to assist firms and consumers in sorting through the various codes and monitoring procedures, perhaps setting out some minimum standard for acceptable codes of conduct.

The interplay of trade and labor standards in China has yet to produce a clear direction of change in standards. The more China deals with countries through trade and investment flows, the greater is the potential for activists, corporations, and unions to move China along the road toward higher standards and eventual freedom of association. We anticipate that a mix of pressure from both domestic and foreign activists and from democratic governments concerned with human rights, along with technical assistance to the Chinese government on ways to improve standards, will eventually yield more evidence for our thesis that trade and standards together offer the best chance to improve the lives of workers in LDCs.