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Labor Standards and Trade

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Abstract

This paper explores the wide disparity of views on issues of international labor standards and the available options for addressing the issues involved. The discussion and analysis include: the definition and scope of labor standards; theoretical aspects of the economic effects of labor standards and the available empirical evidence; global, regional, national/unilateral, and other arrangements for the monitoring and enforcement of labor standards; and implications for policy in dealing with labor standards. It is argued that, because of the diversity of labor standard in countries with differing national characteristics, policies, and institutions, the case for devising WTO rules and disciplines to improve core labor standards in low-income countries cannot be convincingly made. Further, there are no compelling theoretical and empirical grounds to support the international enforcement and harmonization of labor standards.

On a global level, the International Labor Organization (ILO) is best suited to provide a multilateral forum that would serve to strengthen its role and authority in pursuing improved labor standards internationally. The policies of the United States and other industrialized countries should be directed to maintaining open markets and encouraging the economic growth of their developing country trading partners. This is the surest way to achieve higher labor standards since there is pervasive historical evidence that standards are improved with higher levels of per capita incomes. National governments in developing countries should accordingly institute pro-active policies designed to improve working conditions and workers' rights as their economies expand and more resources can be channeled toward social betterment.

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I. Introduction

The interaction of labor standards and international trade is by no means a new issue. Nonetheless it has assumed new importance due to the increasingly vocal arguments by labor interests and social activists in the United States and other industrialized countries that "unfair" labor practices and conditions that may exist in their developing country trading partners need to be offset by appropriate trade policy measures in order to "level the playing field."

The concern of labor and social activists is that the increased imports from countries in which labor standards are ostensibly not enforced at a sufficiently high level will be detrimental to wages and working conditions in the industrialized importing countries. As will be noted in the following discussion, there is a wide disparity of views on issues of international labor standards. The purpose of my paper is to explore these different views and the available options for addressing the issues involved. The paper is structured as follows. Section II deals with the definition and scope of labor standards. Theoretical aspects of the economic effects of labor standards are considered in Section III, while Section IV summarizes the available empirical

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* As a long-time colleague of John Jackson at the University of Michigan, I am especially appreciative of the close contacts that we have had over the past three decades on issues of research on trade policies and institutions. It is an understatement to say that I have benefited greatly from the scope of his knowledge of the salient issues. I am uncertain as to whether or not he will agree with my views that the WTO is not the appropriate forum to deal with issues of labor standards and trade. If he does disagree, I know that he will mount a compelling case to convince me that I am wrong or misguided.

evidence. Global, regional, national/unilateral, and other arrangements for the monitoring and enforcement of labor standards are discussed in Section V. Conclusions and implications for policy are presented in Section VI.

II. Definition and Scope of Labor Standards

Labor standards are multi-faceted and may vary from country to country depending on the stage of development, per capita income, and political, social, and cultural conditions and institutions. It may be difficult therefore to distinguish unambiguously those labor standards that everyone would consider to be universal rights from other labor standards that will depend on given national circumstances. Nonetheless, efforts have been made to identify and achieve consensus on a group of so-called core labor standards that ideally should apply universally. For example, according to OECD (1996, p. 26), core labor standards include: (1) prohibition of forced labor; (2) freedom of association; (3) the right to organize and bargain collectively; (4) elimination of child labor exploitation; and (5) nondiscrimination in employment.

Agreement on the universality of these core labor standards derives ostensibly from the widespread acceptance and ratification of United Nations Covenants and Conventions as well as acceptance (though not necessarily ratification) of the pertinent Conventions of the International Labour Organization (ILO) that deal with human rights and labor standards. Besides the aforementioned core standards, there are other labor standards that are less universally accepted, and that relate to "acceptable conditions of work," which include: a minimum wage; limitations on hours of work; and occupational safety and health in the workplace.[1]

Some of the difficulties that may arise in interpreting and implementing core standards and distinguishing between core and other standards can be illustrated in the attempt by Fields (1995,

[1] See Brown, Deardorff, and Stern (1996, Appendix Table 1) for the definitions and principles of the core

p. 13) to articulate what he considers to be: "...a set of *basic labour rights for workers throughout the world:*

> i) No person has the right to enslave another or to cause another to enter into indentured servitude, and every person has the right to freedom from such conditions.
>
> ii) No person has the right to expose another to unsafe or unhealthy working conditions without the fullest possible information.
>
> iii) Children have the right not to work long hours whenever their families' financial circumstances allow.
>
> iv) Every person has the right to freedom of association in the workplace and the right to organise and bargain collectively with employers."

It would be no easy matter to make operational Fields's proposed basic worker rights. Thus, for example, it is unclear how to interpret what is meant by "the fullest possible information" about working conditions or "families' financial circumstances" in the case of child labor. Further, countries may differ in the extent to which labor unions and collective bargaining are guaranteed as an absolute right.[2]

By pointing out the problems of interpretation and implementation, I by no means intend to deny the desirability of improving working conditions through higher labor standards. The issue, rather, is how this can best be accomplished. More will be said on this below in discussing existing institutions and mechanisms for the monitoring and enforcement of labor standards. It may be useful first though to discuss the central theoretical issues and the available empirical evidence involved in analyzing the economic effects of labor standards.

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and other labor standards that are articulated in U.S. trade law, based on Lyle (1991, pp. 20-31).

[2] See also Aggarwal (1995, pp. 4-5), who has proposed that a distinction be drawn between standards related to *labor processes* and standards related to *labor outcomes*.

III. Economic Effects of Labor Standards: Theoretical Considerations

There are two main issues to consider: (1) the diversity of labor standards and the case for free trade; and (2) the effects of standards and the international harmonization of standards on economic welfare and the terms of trade of individual nations.

Diversity of Standards and the Case for Free Trade

As noted in the preceding discussion, labor standards may vary across nations depending on their level of development, per capita incomes, and a host of political, social, and cultural conditions and institutions. The issue is whether such diversity of standards alters the case for free trade. This has been investigated in depth by Srinivasan (1995, 1998), who shows that the diversity of labor standards between nations will reflect differences in factor endowments and levels of income, and that such diversity is consistent with the case for free trade. If minimum international labor standards are to be attained, it will therefore be necessary to have arrangements for international income transfers and domestic tax/subsidies. This will be the case as well when consumers in countries with high standards have a moral preference to raise standards in their trading-partner countries with lower standards.

International Harmonization of Standards

Brown, Deardorff, and Stern (BDS, 1996) analyze the effects of standards on economic welfare and the terms of trade and do not concern themselves directly with issues of the diversity of standards and the case for free trade. A general conclusion emerging from the BDS analysis is that economic welfare is best served when countries act to correct their domestic (labor) market failures. But, since these market failures will likely differ between countries, there is no obvious case on welfare grounds for pursuing universal standards and the international harmonization of standards that this may imply. This conclusion is consistent with that of Srinivasan, namely that

diversity of working conditions between nations is the norm and is by no means in itself "unfair" so long as the extant labor standards are consistent with efficient resource use.[3] In general then, the case for international harmonization of labor standards appears rather weak, and it is quite possible that harmonization could have unintended adverse consequences for the very people who are in the greatest need for assistance. It is difficult therefore to generate much theoretical support for pursuit of core labor standards that would have universal application.

Labor Standards as Private/Public Goods

We have already indicated that there may be a strong moral basis motivating the pursuit of higher labor standards.[4] Thus, in his analysis noted above, Srinivasan made allowance for moral considerations so that consumers could express their concern by a willingness to pay relatively higher prices for goods and services that reflected higher labor standards. In this connection, Freeman (1994) has argued forcefully that a market solution based on consumer labeling may be an especially effective way to raise labor standards internationally. He makes the point that labeling has the advantage that consumers pay more privately for what they consider morally acceptable, and at the same time foreign suppliers are compensated for their increased costs. Labeling also undercuts protectionist influences.[5] Labeling thus appears to be an attractive option. However, as Brown (1999) has shown, it may be very difficult to devise effective and efficient labeling schemes.

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[3] An exception arises here in cases of slave labor and what may be considered to be egregious treatment of child labor.

[4] Granting this, it is nevertheless important to stress that concern about labor standards ought to be motivated by concern for the welfare of the workers involved, and not for the workers with whom they compete in the advanced industrialized countries. It is this latter view that motivates many of the advocates of labor standards. What these advocates may not realize or acknowledge is that taking actions against alleged violators of labor standards will normally make the "exploited" workers worse off, not better off. That will be true whether the sanctions are applied by government policy or by individual consumers responding to labeling. Therefore, if we wish to make workers and their families better off, we must find a way to *raise* their incomes, not take their incomes away.

Political Economy Aspects of International Labor Standards

In discussing the sources of support for governmental action on labor standards, it is important to identify the constituent interest groups involved. Thus, in the United States for example, it would appear that organized labor, import-competing firms, and human-rights and public-interest groups are the main proponents of stricter labor standards applied to low-income countries. These interest groups may often recommend policies, including sanctions and import restrictions, which are presumably designed to change the behavior of trading-partner governments. By the same token, interest groups are influential in many low-income countries, especially among unionized workers in manufacturing sectors, employees of state enterprises, and owners/managers of import-competing firms. These groups may seek to protect and enhance their own ends and to resist foreign intrusion in setting standards. Krueger (1997, p. 283) characterizes the protectionist motivation as the "prevailing *political economy* view of international labor standards."[6] The issue then is how governments choose to respond to the various interest groups. This will be addressed in Section V below.

IV. Economic Effects of Labor Standards: Empirical Evidence

Labor Standards, Trade, and Foreign Direct Investment (FDI)

In our earlier discussion, we distinguished "core" and "other" labor standards. The question then is the extent to which international differences in the various standards affect trade performance. Some noteworthy studies have been done by Rodrik (1996), Aggarwal (1995), and

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[5] However, as just noted, labeling does not in itself raise the incomes of foreign workers and their families.
[6] While Krueger's characterization may apply to unions and import-competing firms, it may not apply to the activities of human-rights and public-interest groups which are not motivated by protectionist considerations.

OECD (1996). These studies found little compelling empirical evidence suggesting that low labor standards have an impact on trade.

As for FDI, it is often alleged that multinational enterprises may be attracted to locate in countries with lower labor standards to take advantage of lower costs. However, the available empirical evidence in the aforementioned studies actually indicates the opposite to be the case.

Thus, the empirical evidence strongly suggests that low labor standards are not reflected in the existing trade performance of the major developing countries and that FDI is more attracted to countries with high rather than low standards.

Labor Standards and the Role of Interest Groups

As mentioned above, there is a view that is widespread that support for international labor standards reflects protectionist interests in the United States and other industrialized countries. This proposition has been tested empirically by Krueger (1997), who analyzed the determinants of support in the U.S. House of Representatives for the Child Labor Deterrence Act of 1995. This legislation was intended to prohibit imports of goods produced abroad by child labor under specified circumstances, including by children under 15 years old and subject to a review of child labor practices by the U.S. Secretary of Labor. The Act was co-sponsored by Senator Tom Harkin (D-IA) and Congressman Barney Frank (D-MA), with 35 co-sponsors in the House and 7 in the Senate.[7] In his analysis, Krueger was surprised to find (p. 289) that: "...Congressmen from districts with a high concentration of high school dropouts are *less* likely to cosponsor the Child Labor Deterrence Act. ...This…is contrary to what I would expect from a simple political economy model...." Krueger also found that higher rates of unionization were associated with

[7] While the 1995 legislation was not passed at the time, it should be noted that the U.S. 105th Congress subsequently enacted the Bonded Child Labor Elimination Act, and it was signed by President Clinton on October 10, 1997.

support for the Act as were representatives who were Democrats and also had voted against NAFTA and the Uruguay Round negotiations. In interpreting his results, Krueger argued that unionized workers who tend to be more highly skilled and thus may not benefit directly from a ban on imported goods made with child labor may in this case be acting to pursue policies that strengthen worker rights more generally rather than pursuing their own narrow self interest. He goes on more broadly to state (pp. 293-94): "Indeed, in many instances I am surprised that the AFL-CIO used its limited political capital to press for international labor standards that are of little benefit to its members, when instead it could pursue policies that are of much greater direct benefit to its membership."

While Krueger's results are suggestive, they are by no means definitive. In particular, as Srinivasan (1996, 1998) has noted, a Congressman may have chosen not to sponsor the legislation and yet may be supportive of it. Further, less educated and less skilled individuals tend to vote less and to work in nontradable service industries. The interests of these workers may thus have been given less weight in a Congressman's deciding whether or not to be a cosponsor. Finally, as noted above, Krueger's results suggest support for the legislation from Congressmen from districts with a higher rate of unionization and voting records opposing NAFTA and the GATT negotiations.

The preceding discussion suggests that, while there may be scope for different views about labor standards, in this writer's judgment the weight of the theoretical and empirical analysis argues strongly against taking an activist position to mandate and enforce international labor standards.[8] Nonetheless, because issues of labor standards will continue to have a high profile in

[8] There is evidently a marked difference in world view between most advocates of labor standards and trade and (most other) economists. Labor standards advocates seem to see the world in terms of a struggle between capital and labor for the rewards from production, without much regard to the size of the output that they will have to share. They see the outcome as depending on power, not on economics. Trade

the current policy environment, it is essential to consider the alternative arrangements that exist for their monitoring and enforcement. This will be done in the following section. We will conclude with some recommendations that may serve the interests and needs of the United States and other high-income countries as well as the low-income countries.

V. Monitoring and Enforcement of Labor Standards

Labor standards are presently dealt with in a variety of settings: global; regional; national/ unilateral; and other, including private, arrangements. We shall discuss briefly each of these in turn.

Global Arrangements

The main international organization that is concerned with labor standards is the ILO, which was established as part of the Treaty of Versailles of 1919 following the end of World War I. The methods and principles set out in the ILO constitution deal with all conceivable aspects of labor standards. As stated in ILO (l988, p. 4), ILO action designed to promote and safeguard worker rights takes three main forms: (1) definition of rights, especially through adoption of ILO Conventions and Recommendations; (2) measures to secure the realization of rights, especially by means of international monitoring and supervision but not by imposition of trade sanctions; and (3) assistance in implementing measures, particularly through technical cooperation and advisory services.

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economists see the world in terms of how resources are allocated to production with a view to maximizing the total output. They see the distribution of that output between capital and labor as depending on scarcity and productivity, not on power. Therefore labor standards advocates favor the use of intervention to tilt the balance of power in favor of labor, believing then that labor will get a larger share of a fixed pie. Trade economists see those same policies as shrinking the pie while altering the slices not by changing power but by changing the markets within which scarcity determines the rewards to capital and labor.

It is interesting in this connection, as Charnovitz (1986, pp. 566-67) has noted, that issues of alleged unfair competition involving labor standards were addressed in Article 7 of Chapter II of the 1948 (still-born) (Havana) Charter of the International Trade Organization (ITO). Since the GATT was conceived with a more narrow mandate as compared to the ITO, it did not address labor standards, except in Article XX(e) that provides for prohibition of goods made with prison labor. Charnovitz (p. 574) notes further that as early as 1953 the United States proposed (unsuccessfully) adding a labor standards article to the GATT. This would have empowered GATT members to take measures against other countries under the provisions of GATT Article XXIII (Nullification and Impairment). The United States continued, again unsuccessfully, to push for negotiation of a GATT article on labor standards in both the Tokyo and Uruguay Rounds of Multilateral Trade Negotiations in the 1970s and 1980s. But the international community was put on notice in April 1994 at the Marrakesh signing of the Uruguay Round accords that the United States intended to pursue issues of labor standards in future multilateral negotiations.

There have since been efforts at drafting a so-called social clause dealing with core labor standards and including trade sanctions for noncompliance that might eventually be incorporated into the WTO. As noted in Aggarwal (1995, p. 38), in June 1994, the ILO began a research program dealing with the integration of social welfare and trade policy. A central objective was to develop a stronger enforcement mechanism. The ILO Secretariat proposed that the ILO and WTO work jointly on the oversight of international core labor standards, with the ILO concentrating on international monitoring and the WTO responsible for enforcement by means of trade-related sanctions. But because of disagreements among the country representatives of the ILO Working Party on the Social Dimensions of the Liberalization of International Trade, it was decided in early 1995 to suspend further discussion of the use of trade sanctions for alleged

noncompliance with core labor standards. Instead, as noted in OECD (1996, p. 7), the ILO has undertaken a program of research on the effects of trade liberalization on core standards and a review of ILO means of action for the promotion of standards.

The United States, with some support from France and southern European Union members, Canada, and Japan, nonetheless continued to pursue the issue of trade and labor standards in the context of the WTO, and there was a concerted effort to add the issue to the agenda for the WTO Ministerial Meeting held in Singapore in December 1996.

In considering whether or not the WTO is an appropriate forum for dealing with trade and alleged violations of core labor standards, it is pertinent to note the conclusion reached in the OECD *Report on Trade, Employment and Labour Standards* (1996, pp. 16-17):

> "Existing WTO provisions have not been designed for promoting core standards. Some of the suggestions under discussion would imply a reinterpretation of WTO practices and procedures while others would require to a greater or lesser extent renegotiation and amendment of WTO articles. Extending the WTO's Trade Policy Review Mechanism procedure to include labour standards would fall into the former category while other proposals would fall into the latter. In all cases, a consensus among WTO Members on the appropriateness and effectiveness of using WTO procedures to promote core labor standards and on the institutional changes required would have to be reached. Such a consensus does not exist at present. However, while some countries continue to call for discussion of the issue in the WTO and others are opposed, this remains an issue for international consideration. The debate on this issue and on the associated conceptual and practical difficulties will continue."

The debate on whether labor standards should be placed under the WTO's purview was apparently resolved in the negative at the December 1996 WTO Ministerial Meeting. Thus, as reported by Williams in *The Financial Times* (December 16, 1996, p. 4):

> "Predictably hardest to resolve was the issue of labour standards, where the U.S. threatened to veto the entire declaration if no mention was made. Ministers eventually agreed to uphold internationally recognised core labour standards,.... But trade sanctions to enforce them were rejected and there is no provision for

> follow-up work in the WTO, which is asked simply to maintain its (minimal) collaboration with the International Labour Organisation."

In spite of the decision to delegate to the ILO the major responsibility for dealing with issues of labor standards, efforts to link trade and labor standards have continued to be highly visible and controversial in public discourse in the United States especially. A replay of the December 1996 Singapore Ministerial discussions will likely occur at the 1999 Seattle Ministerial Meeting. Since the views of the various countries have not changed significantly in the intervening years, the chances are that the ILO will continue its responsibilities for monitoring international labor standards.

Regional Arrangements

European Union (EU)

Issues of worker rights have been a focus of attention in the EU because of concerns over low-wage competition from some EU member countries, persistent unemployment, and wage stagnation. With the issuance in 1985 of the white paper signaling the intention to remove remaining barriers to trade and creation of a Single Market, a Community Charter of Fundamental Social Rights for Workers was drafted in 1988. This Charter, which is quite comprehensive and encompasses the "core" and "other" labor standards noted in our earlier discussion, has been adopted by all EU members.

In his evaluation of the EU Social Charter, Sapir (1995, pp. 742-743; 1996) concluded that harmonization of social policies was not a pre-condition of successful European trade liberalization and integration. He noted further that: "In the mid-1990s, differences in labour standards between member states remain substantial and 'social harmonisation' remains a distant reality. ...whatever harmonisation has been achieved in Europe, it could not have occurred

without redistributive mechanisms between countries. In the absence of such mechanisms, the harmonisation of social policies cannot be contemplated internationally."

NAFTA

At the time that NAFTA was being negotiated, some observers urged that it include a Social Charter for North America as a possible means of protecting the interests of workers.[9] However, since the NAFTA had already been signed by the member countries in the summer of 1992, the newly elected Clinton Administration opted to pursue a separate side agreement covering labor issues as well as an agreement covering environmental issues.

Because it required some time to establish the institutional framework following the implementation of NAFTA in January 1994, there has been limited experience in administering the labor side agreement. Most of the submissions that have been filed to date have involved alleged non-compliance especially by Mexico with its labor laws. These submissions have involved issues of freedom of association being denied to Mexican workers.

It is interesting to ask whether the NAFTA labor side agreement might serve as a model for an agreement that might in the future be incorporated into the WTO, an expanded NAFTA, or other regional trading arrangements. As far as a global agreement is concerned, the NAFTA side agreement goes beyond what are considered to be core labor standards and emphasizes the observance of existing national laws governing labor standards in the NAFTA member countries rather than the intercountry harmonization of these laws that proponents of labor standards favor. Further, not all standards are subject to sanctions and those that are (i.e., child labor, minimum employment standards, and occupational safety and health) are precisely ones that have engendered much of the ongoing controversy in the global context. Whether an agreement on

[9] A useful reference is Lemco and Robson (1993).

labor rights and standards should be made a condition of expanding NAFTA to include Chile and other nations in the Western Hemisphere or made applicable to other existing regional trading arrangements also appears problematic on both conceptual and empirical grounds.

National/Unilateral Arrangements

As noted in Brown, Deardorff, and Stern (1996, p. 229), since the 1980s it has become increasingly common to include international labor standards criteria in U.S. foreign economic legislation. The most important of these actions have been in establishing eligibility for trade preferences in the 1983 Caribbean Basin Economic Recovery Act and the 1984 renewal of the Generalized System of Preferences (GSP), and making the foreign denial of worker rights actionable under Section 301 of the 1988 Trade Act. The 1988 Trade Act also expanded the requirements of the Departments of State and Labor to submit periodic reports to Congress on human rights abuses and foreign adherence to internationally recognized worker rights. The stipulations on labor standards in the GSP were made mandatory. GSP eligibility has in fact been revoked at times for a number of developing countries until they showed evidence that the offending actions had been or were in the process of being eliminated. Apparently prompted by the U.S. experience, the EU has adopted similar labor standards criteria for its GSP program that became effective in 1998.

While there may be instances in which countries have improved their labor standards in order to maintain GSP eligibility, these cases may not be important economically, considering the size of the countries involved and the limited benefits that the GSP offers because of the restricted product coverage. Also, in the future the value of GSP will be eroded as the result of implementing the tariff reductions negotiated in the Uruguay Round. Nonetheless, it may appear that the experiences with quid-pro-quo actions under the GSP program can possibly provide some

useful insights into the design and implementation of policies and procedures governing trade-linked labor standards in other contexts. This may be misleading, however, since the removal of GSP eligibility is essentially decided unilaterally by the United States and the EU, both of which are obviously very powerful entities in the global trading system. Unilateral U.S. action can also be taken under Section 301 of the U.S. Trade Act. One should be wary therefore of arrangements in which developing countries may be coerced into taking actions detrimental to their own interests in response to pressures from their more powerful trading partners.[10]

Other Arrangements

There are a number of other arrangements that deserve mention in addition to those already discussed above.

For example, as noted in OECD (1996, pp. 161-69), the OECD, ILO, UNICEF, and other UN agencies have been active in promoting cooperative programs of economic development in which practical measures backed up often by multilateral and bilateral financial assistance can be devised to deal with some of the underlying causes of poverty in poor countries that may be reflected in the employment of children and the absence or relatively weak enforcement of core labor standards. The OECD and ILO have also developed international codes of conduct applicable to multinational enterprises (MNEs) that may assist in improving labor standards and working conditions in MNE affiliates in host developing countries. Individual firms can attempt to develop codes of conduct on their own, as Aggarwal (1995, p. 39) has noted has been done by such U.S. MNEs as Levi Strauss, Liz Claiborne, Nike, Reebok, Sears, Timberland, and Walmart. These cooperative efforts and codes of conduct are essentially voluntary in nature, and, of course, there is no guarantee that they will be effective in all circumstances in low-income countries, as some

[10] Srinivasan (1998) characterizes the GSP as "'crumbs from the rich man's table' which the developing

firms have already discovered. Nonetheless, they serve an important role insofar as they help to focus attention on the importance of the root causes of underdevelopment and the types of business practices that may help low-income countries to raise per capita incomes and improve conditions of work.

Finally, also worth mentioning is the importance of consumer labeling in providing a market-based method for helping to improve labor standards. The advantage of labeling is that it provides information about production processes being used and allows consumers in making their consumption choices to reflect the satisfaction that they derive from the presumed realization of higher labor standards internationally. When labor standards are considered to be public goods, there will be a need for governmental policies. What is important is that these various private and public actions can be carried out without the coercion that may be involved when efforts are made internationally to influence governments to change their domestic labor-market policies.[11]

VI. Conclusions and Implications for Policy

The motivation for this paper has been to consider whether international labor standards should be incorporated into the rules and mandate of the WTO which oversees the international trading system and into regional and national trade policies and trade agreements.. A case could possibly be made for devising WTO rules and disciplines to improve core labor standards in low-income countries and, by the same token, to prevent the United States and other high-income countries from abusing their economic power in seeking measures that would be detrimental to

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countries should do well without."

[11] It should be noted, however, that in a "quiet maneuver" led by Representative Bernard Sanders, (Ind-VT) and Senator Tom Harkin (D-IA), the 105th U.S. Congress enacted the Bonded Child Labor Elimination Act, and it was signed by President Clinton on October 10, 1997. The Act is designed to prohibit imports of goods made by indentured child laborers, that is, children who are sold into bondage by their parents and who must work for an extended period of time to gain their freedom. It is not yet clear how this Act is to be enforced, and, as already stated, it is unlikely to effect significant improvement in the conditions of

the cost competitiveness and economic welfare of low-income countries. However, it is difficult to make this case convincingly because of the diversity of labor standards in countries with differing national characteristics, policies, and institutions. Furthermore, the literature summarized above suggests that there are no compelling theoretical and empirical grounds to support the international enforcement and harmonization of labor standards.

What then should be done on the global level? Issues of international labor standards have historically been the province of the ILO, which is often criticized because it lacks a mechanism for enforcement of discipline to raise labor standards and because it espouses an interventionist social agenda. While these criticisms may be true, they miss the point. If one looks at the economic development of the United States, Western Europe, Japan and other advanced industrialized countries over the past century, it is evident that the real incomes of workers have increased dramatically and that the conditions of work have improved concomitantly. To achieve these improvements in labor standards has required an active role for government together with broad public support in individual nations. In recent decades, there have been similar improvements in a substantial number of developing countries in Asia and Latin America. What the historical record suggests therefore is that policies are needed currently to provide technical and financial assistance to low-income countries to promote economic progress, which in turn will help these countries to enhance the economic welfare of their citizenry.

With sufficient encouragement and increased financial support, the ILO can provide a multilateral forum that would serve to strengthen its role and authority in pursuing improved labor standards internationally. The challenge then is to reinforce the institutional role for which the ILO has been designed.

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poverty that are characteristic of the families involved. For more details, see Greenhouse (1997).

In conclusion, what must be emphasized is that the policies of the United States and other industrialized countries should be directed to maintaining open markets and encouraging the economic growth of their developing country trading partners. This is the surest way to achieve higher labor standards since there is pervasive historical evidence that standards are improved with higher levels of per capita incomes. This suggests accordingly that national governments in developing countries should institute pro-active policies designed to improve working conditions and workers' rights as their economies expand and more resources can be channeled towards social betterment.

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