

From Protest to Progress

Addressing Labor and Environmental Conditions Through Freer Trade

EXECUTIVE SUMMARY

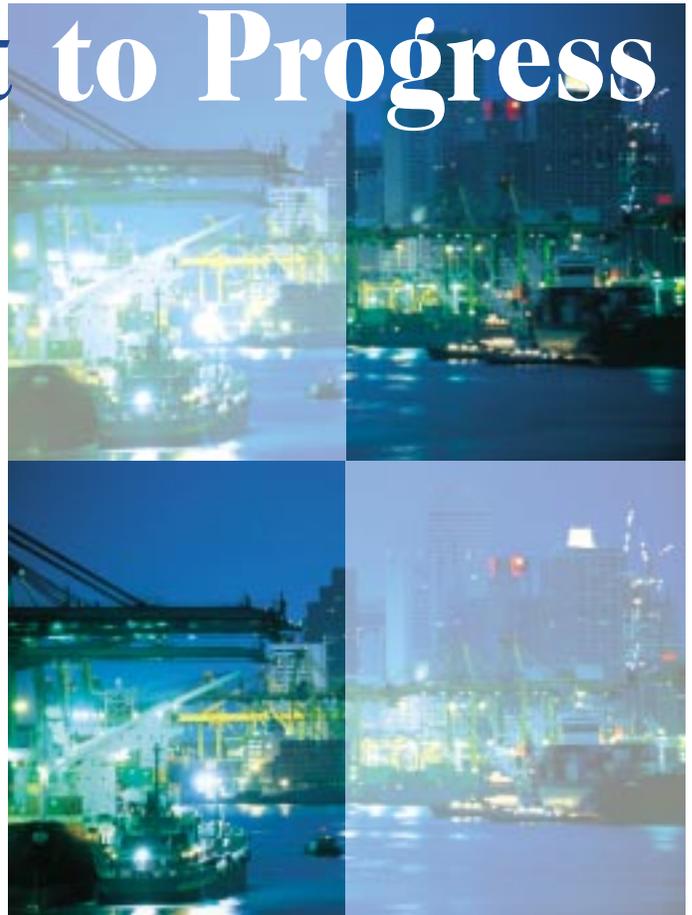
This paper addresses U.S. trade policy and the need for new authority to negotiate trade agreements. The time has come for the United States to renew its commitment to the global trading system and to lead the international community in resolving issues that block the path to more open markets and greater prosperity. While other countries have signed preferential bilateral and regional trade agreements, the United States has sat on the sidelines in recent years. Trade promotion authority is an important signal to other nations that the United States is committed to the multilateral trading system and to negotiations to lower trade barriers further. The U.S. Congress should therefore grant the President the trade promotion authority he needs to negotiate new trade agreements.

Open markets for trade and investment significantly improve economic well-being both in the United States and in other countries. The reduction of trade barriers has played a key role in helping countries around the world to increase economic growth and reduce poverty. In the United States, enhanced access to global markets has meant better jobs, higher wages, and improved living standards.

Poverty, harsh working conditions, and environmental problems are prevalent in low-income countries and in sectors of the developed world. In every country that opens its borders, the issues of trade and foreign investment are superimposed on these existing problems and draw public attention to them. But while trade and investment are not universal remedies for social ills, they are not the cause of those endemic problems. Indeed, trade and investment offer low-income countries, especially those with sound domestic policies, a major oppor-

tunity to reduce those problems through economic development. Developing economies open to trade and investment that follow sound economic policies typically enjoy higher wages and significantly better labor and environmental standards. Experience shows that living conditions in developing countries improve and labor and environmental standards are raised as income rises.

To break the domestic political stalemate that has emerged and move forward, the United States must take the lead in promoting solutions to economic and social problems that many trade opponents associate with trade and foreign investment, notably unsatisfactory labor and environmental conditions. Even if a country pursues all the appropriate policies—open trade, sound macroeconomic policies,



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good governance, and sound safety-net programs—social improvements take time. In addition, economic development may highlight and even temporarily aggravate existing problems. Thus, the United States, working through appropriate international institutions, should fulfill President Bush's pledge that, "Our commitment to open trade must be matched by a strong commitment to protecting our environment and improving labor standards." Furthermore, as CED has observed in previous policy statements, we need to do more at home to ease the economic adjustment of the small proportion of American workers who sustain material and enduring losses from job displacement.

CED specifically recommends the following:

- **The President and other government and private-sector leaders should visibly and vigorously communicate the vital role played by global trade in increasing standards of living at home and abroad. They should also make clear and effective their support for continual worldwide improvements in labor and environmental conditions and the reduction of poverty. In this context, Congress should grant the President authority to negotiate new trade agreements under fast-track rules.**
- **Formulation of policies for trade, labor, and environmental issues, and enforcement of agreed actions, should lie within the purview of the relevant national and international bodies. Trade issues belong in the World Trade Organization (WTO), labor issues in the International Labor Organization (ILO), and non-trade environment issues in the United Nations Environment Program (UNEP) and similar forums. To deal effectively with such issues, those agencies should be strengthened and supported through U.S. leadership and funding.**
- **International economic organizations should increase their openness and transparency to the public. In particular, the WTO dispute-resolution process should be opened to public scrutiny.**
- **Developing countries should be allowed to pursue their own labor and environmental standards, which are likely to rise as their incomes rise. However, they should be encouraged to enforce those standards, to raise them to internationally recognized levels, and to adhere to relevant agreements. Trade agreements should**



incorporate the principle that countries will not weaken their existing labor and environmental rules or their enforcement to gain an advantage in international trade or investment.

- **Specialized international agencies (ILO and UNEP) should strengthen the promotion of internationally recognized standards to which countries can subscribe, taking account of differences in levels of development. These standards should be enforced by means that do not diminish trade and its potential to support economic development. Enforcement could proceed first through public disclosure and then through a menu of economic remedies, which should include positive inducements as well as disciplinary measures such as fines.**
- **Policy makers should avail themselves of opportunities, such as those presented by the bilateral agreement with Jordan, negotiations with Chile and Singapore, and multilateral negotiations for a Free Trade Area of the Americas, to take incremental and experimental steps to resolve policy conflicts between trade, labor, and environmental issues.**
- **To reduce worker anxiety about economic change, the United States should adopt a modest system of temporary supplemental wage and health assistance along the lines suggested by the U.S. Trade Deficit Review Commission. The program should be open to workers who are "displaced" based on Department of Labor criteria and reemployed at less than their previous wage. It should be capped at an appropriate level and percentage of lost income. It should apply to all job displacement, not just that related to trade. The system should be administered by the states and funded from general federal government revenues rather than by payroll taxes.**