

## **Using trade agreements to improve international labor standards?**

The Democratic leadership in Congress claimed a victory last month. In exchange for their votes, they persuaded the Bush administration to include tighter labor standards in the upcoming trade agreements with Panama and Peru. But for whom is it really a victory?

Certainly, the recently elected Democratic Congressmen, from districts where employment has ostensibly been hurt by foreign competition, now have something they can use to appease their voters. But all Congressman Rangel and other Democrats are doing is feeding the myth that competition from poor countries exists because their labor standards are lower and their workers are being exploited. In reality, wages in poor countries are lower because these countries are relatively labor abundant -- and this gives them a cost advantage in some industries despite the much higher productivity of American workers. The vain, and naïve, hope of the new U.S. policy appears to be that, by the inclusion of labor standards in trade agreements, labor costs can be forced up in poor countries, thus lessening competition with American producers.

Can labor conditions in poor countries actually improve because the U.S. administration is empowered to threaten their governments with trade penalties if labor practices do not conform to specified standards? It must be realized that national labor standards are everywhere anchored in the social and economic conditions that countries have attained. One basic condition for improving international labor standards is economic growth and a rising standard of living. The other is the spread of home-grown movements for social reform. It is through

economic growth and domestic reform that solid gains in labor standards come, not through a foreign government using the threatening tactic of trade penalties.

Would it not be more constructive -- and less self-righteous -- if the Democrats were to concentrate their attention on measures that would actually assist American workers to adapt to globalization? Adjustment to economic dislocations, even if caused mostly by technological change and not by trade, is difficult. Universal health insurance, more extensive retraining programs, wage insurance, portable pensions, targeted assistance to affected communities -- these are some of the measures that could ease the adaptation of workers to a fast changing world and lessen their antagonism to the cheaper imports that benefit all American consumers.

**Andrew G. Brown**  
**Wellfleet, MA 02667**  
**(Former Director, Department of International Economic and Social Affairs,**  
**United Nations, New York)**

**Robert M. Stern**  
**Professor of Economics and Public Policy (Emeritus)**  
**University of Michigan**

**Alan Deardorff**  
**John W. Sweetland Professor of International Economics**  
**University of Michigan**

**Arvind Panagariya**  
**Jagdish Bhagwati Professor of Indian Political Economy**  
**Columbia University**