

Sleepless in Seattle: Reconciling Globalization and Development

Isabelle Grunberg

[Back to Previous Page](#)

With the addition of labor and environmental standards to the agenda of the Seattle meeting of the World Trade Organization, many are arguing that the WTO is simply tackling too much. They warn of the danger of stitching irrelevant issues onto the trade agenda, making a Frankenstein out of the WTO. In fact, the debate on linking trade with labor and environmental standards has created unusual bedfellows: favoring the linkage is the U.S. administration, allied with a majority of non-governmental organizations, trade unions, and some Western European countries such as France. Against linkages are the vast majority of professional economists and a vast majority of developing countries. At the last ministerial meeting in Singapore in 1996, the issue was settled in favor of the “de-linkers”: it was recommended that labor issues, in particular, should primarily be tackled by a strengthened International Labour Organization (ILO). But the issue has resurfaced again. Where do we go from here?

There is a de Facto Linkage

Although some of the policy implications may be unpalatable, there is a de facto link between trade and other issues, including labor and the environment. In that sense, bringing up those issues is not deliberately “confusing the WTO’s purpose”; it is responding to real world mechanisms of policy competition. In a free trade regime, a product made in a country with demanding standards will lose out, at least on price, to a product made in a country with a more relaxed regulatory environment. In that sense, “policy competition,” brought about by free trade, is a perversion of the healthy process of “product competition.” By making higher standards non-viable, policy competition undermines the application of otherwise sensible measures such as banking and financial regulations but also, plainly, democratic choice. And what we are seeing is not a one-time realignment, but rather a continuous race to the bottom: policy competition can continue until we arrive at zero standards – or no rules at all.

Between protectionism and the race to the bottom, is there an alternative? Yes, that of agreeing on common standards – but in virtually every field of human existence and human consumption. No wonder the WTO is accused of becoming a world government. This “mission creep” is inevitable, not just to resist the race to the bottom, but simply to ensure the benefits of free trade, which rest on the assumption of a level playing field. The European Union has been engaged in a similar exercise for years. While the EU approach to policy harmonization may be too heavy-handed, the WTO has been leaning toward the lowest common denominator in environmental and consumer safety standards (but the highest common denominator in property rights).

The Case for De-Linking

It is undeniable that the picture of a race to the bottom holds a large potential for disguised protectionism of the North against the South. The South is all the more distrustful, because some trade and aid obligations undertaken by the North at the Uruguay round have not materialized. The South insists that it is wrong to expect the whole world to operate on the same norms and standards. “Leveling the playing field” simply does not make sense between Switzerland and Senegal. Laws, regulations, norms and standards reflect the economics, politics and societies of particular countries, not just the need to get ahead in the global trade game. Environmental and biodiversity concerns are clearly less pressing when people are hungry. So how do we reconcile the claims of fairness and the realities of policy competition?

Link — But in Style

First, what matters is the nature of the linkage. Will environmental and labor rights become like anti-dumping

rules at present – enforced through ad hoc, case-by-case, unilateral trade sanctions? Armed with the moral authority of a proclaimed “linkage” between labor rights and trade, will Congress one day decide to block Chinese manufactured imports because of prison labor? A better way is the NAFTA side agreement on labor rights, which simply asks individual countries to enforce their own labor laws. Under this agreement, a few U.S. companies have been brought to court by Mexican trade unions even for violations that had to do with U.S. workers only.

Another criterion for linking in style is to offer positive inducements rather than sanctions. An example is the system of trade concessions given to some Caribbean countries in the framework of the U.S. Generalized System of Preferences. At the very least, these positive inducements, when they exist, should not be penalized, as they are now with the case of the EU-U.S. banana dispute where the European Union stands accused of protectionism for offering preferential market access to small Caribbean landholders that practice sustainable agriculture.

Other forms of positive inducements consist of targeted aid, for example aid to schools and education to prevent child labor.

Focus on Investment, Not Trade

Another idea is to link common standards with investment, not trade. Much of policy competition is driven by the mobility of investment capital and the “threat of leaving the country” if higher standards are used. One could remove the incentives for such threats by having international investors abide by the regulations and practices that prevail in their own countries. According to the University of Maryland Program on International Policy Attitudes, more than 85 percent of some 2,000 respondents believe that U.S. companies should abide by U.S. laws on environmental and work conditions even when operating in foreign countries. International investment could, and would, of course, still remain for the “right” reasons: mining, being present in a market, etc. At the same time, the whole country would not need to convert overnight to new standards imposed from the outside.

In conclusion, the question of links between trade and labor or environmental standards simply will not go away. It is related to some of the major anxieties (and sleeplessness) Western publics have about globalization. At present, we have a discrepancy between an economy that is global, and a decision-making system that is fragmented among nearly two hundred jurisdictions. To redress distortions that are being created, policymakers will need plenty of creative economic diplomacy. This diplomacy should be done in a multilateral, participatory forum where the voices of all can be heard.

Isabelle Grunberg, a development economist, is secretary of ECAAR’s Board of Directors.

Economists for Peace and Security
<http://www.epsusa.org>