

**LABOUR CHAPTERS WITHIN THE FREE TRADE
AGREEMENTS (FTAs) AS OPPORTUNITIES TO RAISE
INTERNATIONAL LABOUR STANDARDS**

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Labour clauses within the Free Trade Agreements (FTAs) as opportunities to raise international labour standards

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Abstract

This conference paper analyses the role played by labour and social clauses within free trade agreements (FTAs) in the improvement of working conditions and raise of labour standards.

Keywords

Free Trade Agreements, FTAs, labour standards, labour chapters, international trade, international business.

Summary

Since the 1990s there has been a proliferation of Free Trade Agreements (FTAs) (Park *et al*, 2007). The conclusion of the literature on the effects of FTAs on national economic growth varies. Authors such Baier & Bergstrand (2007) and Sohn & Lee (2010) have identified positive effect of FTAs on economic growth. However, other authors point out trade diversion for developing countries (Francois *et al*, 2005; Richardson, 1993) and increasing trade asymmetries between countries (Kim, 2005). For the International Labour Organisation (ILO), the inclusion of labour clauses committed to the protection of minimum labour standards within FTAs could act as safeguard against racing to the bottom in terms of social dumping.

Explanations based on portfolio theory suggest that capital moves in response to the interest rate prevailing amongst countries, and interest rates vary in response to the difference in ratios of labour and capital (Cohen *et al*, 1979). For international business theorists (Dunning, 1988; Hymer, 1971; Hymer, 1971; Hymer, 1976; Kindleberger, 1969), a firm that invests abroad must have strong specific advantages to overcome the liability of foreigners. This implies that in order to be competitive a foreign firm abroad must be able to earn higher returns than a local firm (Kindleberger, 1969). These specific advantages could be developed into monopolistic advantages such as product differentiation, marketing strategies, retail price, technological innovations, economies of scales, and concessions by governments (*idem*). These advantages depend either of having access to cheap labour or having access to skilled, highly productive and firm's objective-coordinated employees. Fearless international competition for attracting the best available FDI, exacerbates the danger of racing to the bottom for all nations (Chan, 2003).

Within international trade there are mainly two channels for regional integration: integration via markets, and integration via trade agreements. Latin America has been broadly use regional (formal and informal) trade agreements.

In the case of the United States, according to the International Trade Administration (2011) of the Department of Commerce, FTAs have proven to be one of most effective mechanisms to benefit United States's exporters in terms of reducing risk in the investment environment, and facilitating access to foreign countries. In 2010, 41 percent of the total of exported goods from the United States was to countries with which the US has signed FTAs (total 12 signed FTAs enforcing 17 countries). It is widely known that United States (US) uses FTAs to promote labour standards internationally (Candland, 2009; Gaston & Tefler, 1997; Scheuerman, 2001; Weller, 2011). In 1999 was created the Federal Advisory Committee on Labor Diplomacy established by the Department of State to ensure the leadership of the US before the international community to respond to the challenges that labour matters represents for the US. Some authors (Scheuerman, 2001; Weller, 2011) agree that the US would benefit from more international trade, if better working standards around the world. There are plenty of evidences demonstrating the enforcement of labour standards in the FTA between United States and the European Union (Grynberg & Qalo, 2006). And also, the agenda between United States and Latin America have been strengthening through FTAs (Gonzalez, 2009).

Although, there have been attempts of integrating International Labour Organisation(ILO) core standards via World Trade Organisation (WTO)in the 1990s (Pahle, 2010), traditionally there has been a resistance to include core labour standards within the WTO negotiations (Steinberg Weschler, 2008).Due the increase in production costs due the onerous rates that would imply an upgrading in labour conditions in international trade (Alston, 2005), developing countries have expressed themselves against labour chapters proposed in the WTO Singapore Ministerial Conference in 1996 (Grynberg & Qalo, 2006). Developing nations fear that highly industrialised developed may erode their industrialised bases, leading them to long-term impoverished development (Baldwin & Robert-Nicoud, 2000; Richardson, 1993).Nonetheless, there are research evidences demonstrating interest of free market driven international institutions such as the International Monetary Fund (IMF) and the World Bank open to the idea of implementation of core labour standards at the international level (Anner & Caraway, 2010).

Park & Park (2011) propose that there are practices within regional trade agreements (RTAs) which mitigate negative effects of enhancing global free trade. It could be seen an increase of environmental, labour and social standards which are challenging the legitimacy of trade law and the WTO (Bernstein & Hannah, 2008).

There are evidences showing FTAs have strengthened global governance (Brown & Stern; 2011). Specifically in terms of environmental protection (Lo, 2009), and using FTAs as a vehicle to advance health matters through institutional arrangements.Using a content analysis, this paper will provide a comparison of social, labour and environmental clauses within 20 FTAs. It will discuss the role of actors involved in labour diplomacy towards achieving the inclusion of such clauses in international negotiations, and also will describe established consultation and conflict resolution systems for these aims.

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