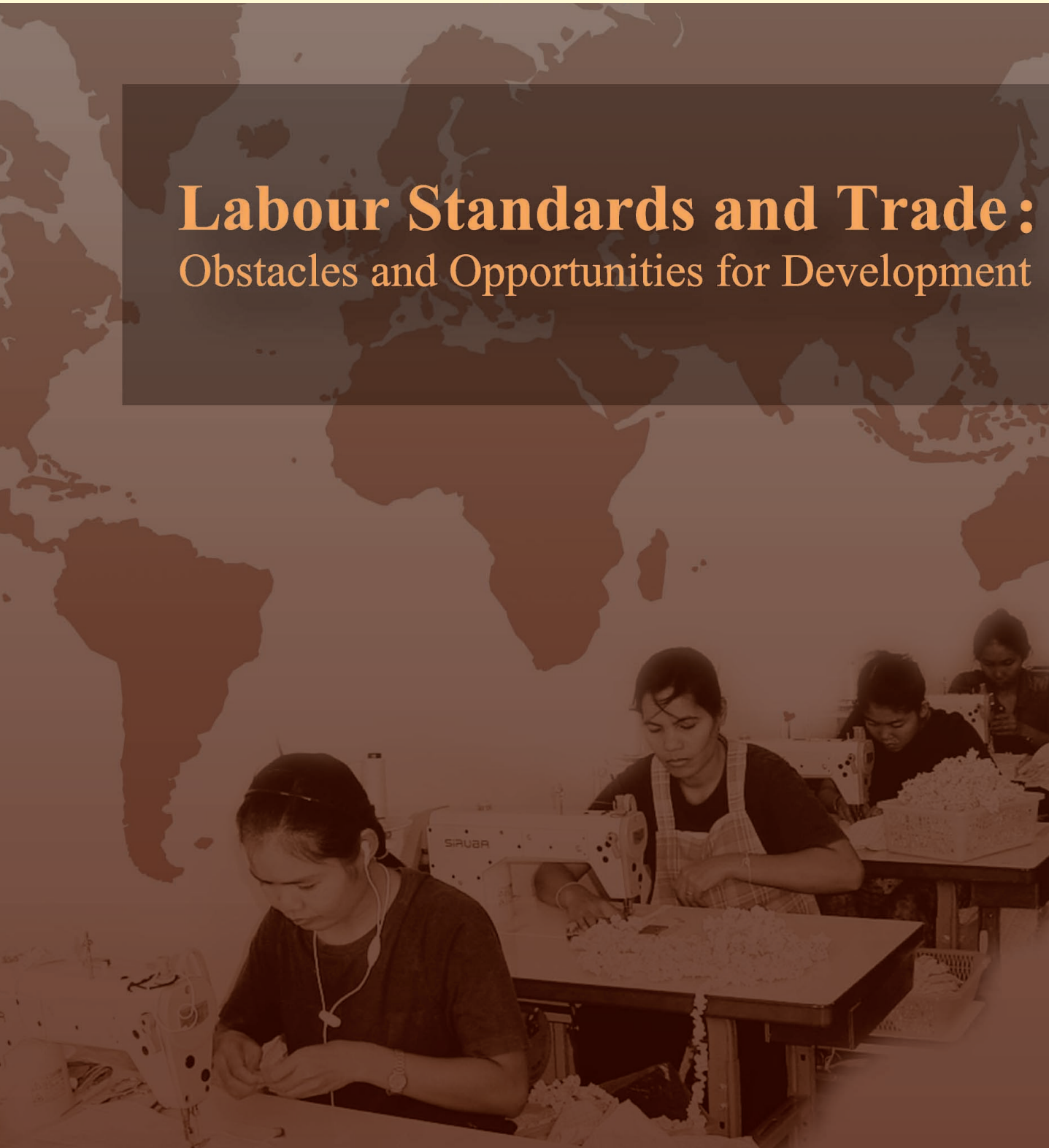




International Institute for
Trade and Development

Labour Standards and Trade: Obstacles and Opportunities for Development





Research Project

“Labour Standards and Trade: Obstacles and Opportunities for Development”

Research Report

Labour Standards and Trade: Obstacles and Opportunities for Development

International Institute for Trade and Development (ITD) – Public Organisation
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Table of Content

Rationale for the Project	A-2
Research Objectives.....	A-3
Research Scope.....	A-4
Research Methodology	A-5
Data Collection.....	A-5
1. (Secondary Data Collection and Analysis).....	A-5
2. Primary Data Collection and Analysis.....	A-5
Research Format.....	A-5
Expected Outcomes.....	A-6
Research Team Members.....	A-7

Research Project

“Labour Standards and Trade: Obstacles and Opportunities for Development”

Rationale for the Project

In today's era of trade liberalisation, non-tariff measures are becoming an increasingly important issue in international trade negotiations. Trade issues include environmental concerns, product quality, and labour standards. In the past, Thailand has been affected by its trading partners raising labour issues in their bilateral trade relations. One such situation involved a major change in Thailand's labour laws during the government of General Suchinda Kraprayoon. General Suchinda repealed Thailand's Labour Relations Act (LRA) B.E. 2518 and replaced it with the LRA B.E. 2534. Under the new LRA, state enterprise workers were no longer included under its coverage. This change prevented state enterprise employees from forming unions and engaging in collective bargaining as before. Because of the significant change in the LRA, the national trade union centre in the U.S., the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO), submitted a petition to the U.S. government. The petition requested that the U.S. revoke the GSP (General System of Preference) granted to Thailand in 1991 until such time labour rights for state enterprise workers were restored. Faced with the possible loss of GSP privileges, the Thai government amended the LRA to restore labour rights to state enterprise workers.

In addition, the issue of labour standards are also inserted in trade agreements between developed and developing countries. For example, the FTAs between the U.S. and other countries often contain a Labour Chapter which sets out labour standards which both parties have agreed to follow. Should one party assert that the other party has failed to comply with the agreed upon standards, the charging party has the right to raise the issue in the dispute settlement process. If a violation of the agreed upon labour standards is determined to have occurred, compensation for failure to comply must be paid to the affected party. Therefore, it is highly possible that Thailand may face such disputes with trading partners in the future if violations of labour practices are found to have taken place.

Moreover, problems with the failure of companies to comply with labour standards can also be raised by local and international non-governmental organisations (NGOs) as well as 'buyers' in importing countries. These groups of consumer and labour advocates have brought alleged violations of labour standards to the attention of their governments and the general public and their efforts have generally been effective.

Some sourcing companies, such as Marks & Spencer and Tesco, have established labour standards for their suppliers when sourcing products from developing countries. Each company designs and implements its own 'corporate codes of conduct' (CoCs). The CoCs establish labour practices that must be implemented and strictly followed in supplier factories. Suppliers who violate the labour practices face significant penalties which can include the cancellation of orders.

Despite the importance of labour standards in today's international trade, these issues receive little attention from Thai academics, the media, and the government. In the past 2-3 years, Thai academic circles have raised various international trade-related concerns, such as Free Trade Agreements (FTAs), in public discussions. Yet, the mention of labour problems in such discussions is few and far between - especially the issue of linking labour standards and trade. Therefore, it is important that the issue of labour standards and trade be brought to the centre of the current international trade debate. In addition, as Thailand has shifted its status from being a low-income to a middle-income developing country, it is time for Thailand to give increased attention to social issues, such as fair treatment of workers, than in the past. Moreover, Thailand has also shifted its status from being an aid recipient to a donor to other more impoverished developing countries. Because of the changed economic condition, Thailand's past development experiences will offer useful insights to other developing countries in Asia. These experiences are especially relevant when these developing countries are following Thailand's footsteps in their journey of economic development. Lessons derived from Thailand's experiences in labour-management relations can offer valuable perspectives for other developing countries when formulating their own labour-management policies. At the same time, experiences of neighbouring countries can also provide guidance to Thailand in terms of the inevitable need for labour standard compliance and the strong connection between labour standards and international trade.

With the above reasons in mind, the ITD considered research on the linkage between labour standards and trade to be one of the most needed areas of research. Therefore, we initiated this project which compares labour standard practices in Thailand and other developing countries in Asia. It is our hope that this research will provide insightful information on the relationship between labour issues and trade to the government, business enterprises, and exporters in Thailand. We also hope that the issues raised in this research will be used as a reference for policy makers when seeking solutions to labour management problems and strategies to enhance the country's competitiveness in the world market.

Research Objectives

1. To enable the government and the private sector (both employers and workers) to realise the importance of labour standards and their links with international trade. This realisation will be a starting point for Thailand to embark on the development of labour skills, capacity, and quality of life of the workers, which is hoped to lead to the enhancement of human resources for sustainable development in Thailand in the future.
2. To explore opportunities for business enterprises that arise from complying with good labour standards, and to identify possible disadvantages that businesses may face by avoiding the compliance.
3. To study problems and obstacles that hinder business enterprises in developing countries from complying with labour standards introduced by the government and the private sector of developed countries, and try to find solutions for those problems.
4. To analyse and compare the labour laws and actual situations faced by workers in four case-study countries: Thailand; Bangladesh; Cambodia; and Viet Nam. Issues investigated included: the rights of employers and workers; working hours; annual leave; health benefits; wages; working conditions; workers' ability to challenge and remedy violations of labour standards; penalties for violations of

labour standards; occupational health and safety; labour relations; and labour welfare, etc.

5. To offer possible solutions for the problems related to labour standards that are acceptable by all stakeholders.

6. To disseminate research results to the government and related agencies in order to provide a base for the formulation of future policies on labour standards.

Research Scope

Four- Country Case Studies: Bangladesh, Cambodia, Thailand, and Viet Nam

1. Examine four U.S. Free Trade Agreements (FTAs) with other countries: the Australia (Australia-U.S. FTA); the Chile (Chile-U.S. FTA); CAFTA (Central American Free Trade Agreement); and the Panama (Panama-U.S. FTA) with a specific focus on the labour chapter of the agreements in order to gain an understanding of labour conditions imposed by the U.S. on its trading partners in order to compare the provisions to the four case-study countries in this research.

2. Examine the content of the ILO Core Labour Standards (CLS) as outlined in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998). In addition, analyse the ILO conventions that have and have not been ratified by Thailand, Cambodia, Bangladesh and Viet Nam to assess the possibilities of further ratification of the remaining CLS conventions by the four countries.

3. Examine labour laws and labour standards established in each of the four case-study countries and compare them with the international labour standards to identify areas of departure and to investigate labour requirements imposed on developing countries' exports. The labour standards that will be examined in this research include:

- a. Thai Labour Standards (TLS-8001-2003) of Thailand's Ministry of Labour
- b. Social Accountability (SA 8000) of SA International
- c. Non-governmental and CoCs as follows:

The United Kingdom

- Ethical Trading Initiative (the ETI Code of Labour Practice)

The United States

- Fair Labour Association (FLA)
- Worldwide Responsible Apparel Production (WRAP)
- United Students Against Sweatshops (USAS)

The Netherlands

- Fair Wear Association

International Cooperation Projects

- Clean Clothes Campaign
- Labour Behind the Label
- Play Fair at the Olympics, etc.

4. Examine labour standards imposed on imports by the U.S.

5. Examine and assess working conditions in the Thai garment and food export industries.

6. Examine and assess labour conditions in Bangladesh, Cambodia, and Viet Nam in their main export-oriented industries and compare the labour conditions and standards adopted by these countries to that of Thailand.

7. Examine problems and obstacles faced by exporters in the four case-study countries which are the result of changing demands on labour standards required by buyers in developed countries.

Research Methodology

Data Collection

1. (Secondary Data Collection and Analysis)

- (1) desk study of 4 U.S. FTAs with other countries i.e. Chile, Australia, Panama, and Central American Countries (Central America Free Trade Agreement: CAFTA) by focusing only on the labour chapter of the agreements, in order to assess implications of such trade agreements on other developing countries that plan to sign FTAs with the U.S. and other developed countries.
- (2) document research on the labour laws of the four case-study countries to assess whether domestic labour laws in these countries comply with international labour standards.
- (3) document research on labour standards and CoCs, as detailed in subparagraph. 3 in the 'Research Scope' section.
- (4) Review of other related academic papers and studies on labour standards and international trade.

2. Primary Data Collection and Analysis

Gather primary data via the use of in-depth interviews with representatives from the government and the private sector as follows:

- Representatives from the Ministries of Labour in the four case-study countries
- Representatives from the International Labour Organisation stationed in each of the case-study countries
- Representatives and exporters from garment and food processing (Thailand only) enterprises and other export industries in Thailand, Cambodia, Viet Nam and Bangladesh.
- Thai workers in focus groups in the above-mentioned industries. There were 7 focus groups with 15 participants in each group.
- Representatives of workers in focus groups in the remaining countries. The number of participants in the focus groups was determined by the researchers of each country.

Research Format

This research is conducted under the 'research network' model. Under this model researchers meet regularly to discuss progress, problems, and the direction of the research. The International Institute for Trade and Development (ITD) coordinates the research. Opinions and information shared among the researchers are invaluable resources which help advance each step of the project. The study is divided into six parts with researchers assigned to different topics, as follows:

1. Research on the labour chapters in the 4 US FTAs and the implications for other developing countries, by Assoc. Prof. Tashmai Rikshasuta, Faculty of Law, Chulalongkorn University.

2. Research on Corporate Codes of Conduct, by Mr. Philip Swing Robertson, Jr., Founder and Director, Asia Human Rights and Labour Advocates
3. Research on labour laws and standards in Bangladesh, by Mr. Philip Swing Robertson Jr. Founder and Director, Asia Human Rights and Labour Advocates.
4. Research on labour laws and standards in Cambodia, by Assoc. Prof. Dr. Voravidh Charoenlert, Faculty of Economics, Chiang Mai University.
5. Research on labour laws and standards in Thailand, by Assoc. Prof. Dr. Chokchai Sutthawet, Secretariat of the Nikom Chantarawitoon Foundation, and Mr. Suriya Yawichian, Kenan Institute Asia.
6. Research on labour laws and standards in Viet Nam, by Assoc. Prof. Lae Dilokwittayarat, Faculty of Economics, Chulalongkorn University.

Expected Outcomes

The objectives of this research project are: 1) to create a knowledge base on the relationship between labour standards and the international trade system; 2) to inform the government and the private sector in developing countries of the need for more positive changes in the practice of labour relations and the equitable treatment of workers . In today's highly competitive world, it is necessary that business enterprises become aware of labour conditions demanded by buyers in developed countries and to realise the crucial role that compliance to such labour standards plays in the survival of their businesses. The ultimate outcome expected is that once such an understanding among the state and private sectors is achieved, workers' welfare will ultimately be improved while exportability of products from countries with good compliance is enhanced. This, we hope, will lead to a win-win situation whereby increased international trade is translated into better quality of life for workers and sustainable development in developing countries in the end.

Research Team Members

Research Title	Labour Standards and Trade: Obstacles and Opportunities for Development	
Language	Thai and English	
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Project Manager	Dr. Vilailuk Tiranutti	Researcher International Institute for Trade and Development
Research Team	Assoc.Prof. Lae Dilokwittayarat Mr. Philip Swing Robertson Jr. Assoc.Prof. Dr. Voravidh Charoenlert Assoc. Prof. Dr. Chokchai Sutthawet Mr. Suriya Yawichian Assoc. Prof. Tashmai Rikshasuta Dr. Vilailuk Tiranutti Miss Julawadee Worasakyothin Mr. Taweepool Srihong Mr. Passagorn Adulpattanakit Miss Rakakaew Jamras Miss Sunantha Kabkuang Mr. Nattapong Engchavadachasilp	Project Advisor and Researcher Project Advisor and Researcher Researcher Researcher Researcher Researcher ITD Researcher ITD Researcher ITD Researcher Research Assistant and Project Coordinator (1) - ITD Research Assistant and Project Coordinator (2) – ITD Research Assistant and Project Coordinator (3) – ITD Research Assistant and Project Coordinator (4) – ITD