

HOW TO MAKE TRADE BENEFIT WORKERS?

CLS+

Core Labour Standards Plus
Linking trade and decent work
in global supply chains

**FRIEDRICH
EBERT**
STIFTUNG

WHAT IS CLS+

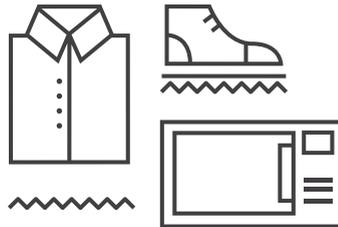


By specialising in goods where countries have a lower opportunity cost, trade can contribute to economic welfare and reduce poverty. At least in theory. But in practice, the benefits of trade are not fairly distributed.

Since the 90s, the nature of international trade has fundamentally changed. Today, about 80 per cent of world trade takes place in global value chains, which is a way of organising the production process in which low-productivity-low-skill tasks are typically outsourced to developing countries. Suppliers usually compete for orders from a limited number of large corporations that maintain a strong market position, while the lower end of the production chain is characterised by unfair wages and weak enforcement of core labour rights as formulated by the International Labour Organization (ILO).

By linking trade to working conditions, Friedrich-Ebert-Stiftung is advocating for decent work in global supply chains. To this end, in 2016 FES in Asia launched Core Labour Standards Plus (CLS+), a regional project that aims to promote and develop binding labour and social standards in trade agreements and preference systems.

Trade liberalisation has put downward pressure on wages and working conditions at the lower end of production in global value chains.



CLS+ is a project by FES in Asia that stands for shared prosperity through trade and decent work in global supply chains.

WHO BENEFITS FROM TRADE IN ASIA?

Four case studies in Asia explore the trade and labour nexus in three key industries.

In 2016, CLS+ commissioned case studies in Asia to explore the trade and labour nexus in garments, footwear and electronics supply chains. All four countries selected for the case studies benefit from different preferential trade schemes with the European Union (EU) in those export-oriented sectors.

In all four countries, labour rights are being eroded and wages do not reflect living costs as a result of the huge price pressure on producers by lead companies. This is despite specific references to labour standards and social clauses in the various trade regimes, and is compounded by weak enforcement of labour rights by local and national institutions.

CAMBODIA has duty and quota-free access to the EU market for all exports except for arms and armaments, an arrangement under Everything but Arms (EBA), an EU trade scheme to support the development of the world's poorest countries. Over a decade after EBA came into force, Cambodia is one of the worst countries for workers in the world. The modest improvements in working conditions in the garment and footwear industry, achieved under the preferential trade agreement with the US, have come under increasing pressure from competition with China and Vietnam and declining export prices. Health and safety hazards are widespread and so is gender-based discrimination, as well as forced overtime.



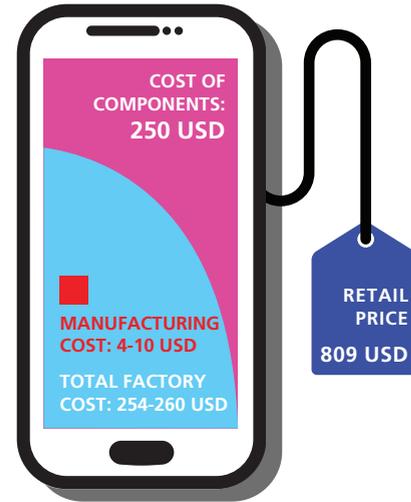
Over a decade after Everything but Arms came into force, CAMBODIA is one of the worst countries for workers in the world (ITUC Global Rights Index 2016).

In January 2014, **PAKISTAN** became beneficiary of the EU's Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+), which is an instrument to encourage third countries to comply with human rights in return for duty-free access to EU markets. To qualify, Pakistan ratified 27 international labour conventions. Despite this, breaches of labour rights in the country are widespread. Workers in the garment industry primarily work in the informal economy, which deprives them of any rights. Many of them are paid below the official minimum wage, which is less than half of the estimated living wage.

Beneficiary of GSP+ since 2014, PAKISTAN doesn't protect the right to organise and collective bargaining in export processing zones.

87%
of women workers
in **PAKISTAN's**
garment industry are
paid below the
minimum wage

In **VIETNAM**, the situation in the electronics industry is the worst, especially in the areas of occupational health and safety, working hours and living wages. Workers face forced overtime, up to 100 hours per month, in an industry where wages present a fraction of the manufacturing costs.



THE COST OF A SMART PHONE

Source: Do Quynh Chi, "The Missing Link in the Chain?" in *Who benefits from trade?*, (FES, 2017).

In **BANGLADESH**, workers' wages are insufficient for decent living standards and overtime is often obligatory. By one estimate, the workers' share of the sales price for a garment product was less than one per cent in this country that, like Cambodia, benefits from the EU's preferential arrangement Everything but Arms. Workers face restrictions to their right to form trade unions and are prevented from organising and bargaining collectively, both inside and outside of designated zones for export-oriented production.

Arrests and beatings of trade union leaders are not uncommon in BANGLADESH, another beneficiary of the EU's EBA.

Despite the commitment to labour standards in EU trade schemes, the four case studies demonstrate the reality of the race to the bottom in the garment, footwear and electronics industries.

WHAT PREVENTS A SOCIAL DIMENSION OF TRADE?

Social conditions in trade agreements can prevent countries from engaging in unfair competition that undercuts fundamental rights at work. However, lack of political will, enforcement capacity, and promotional approaches to labour standards make the schemes used by the EU ineffective.

Tariff suspensions mostly work to the benefit of importing companies. Producers in developing countries are often price-takers. Workers continue to suffer from exploitative wages, which are often below the official minimum or the levels necessary for decent living standards. They further face forced overtime, and breaches of safety and health standards in the workplace.

Increased trade and greater liberalisation does not automatically lead to social progress or respect for labour standards.

HOW CLS+ SUPPORTS A SOCIAL DIMENSION OF TRADE?

The examples from the case studies of Bangladesh, Cambodia, Pakistan, and Vietnam commissioned in the first project phase of CLS+ give compelling evidence for the need to address the decent work deficit in global supply chains.

The goal of the CLS+ project, as the name implies, is to go beyond the ILO core labour standards. These core conventions are recognised as an important element of decent work and are used by the EU in trade agreements, but they do not cover additional important rights such as living wages, maximum working hours including overtime, and safe and healthy work places.

The fulfilment of these rights is directly linked to the structure of global value chains and should therefore be addressed in trade negotiations and social clauses.

CORE LABOUR STANDARDS

PLUS

FREEDOM OF ASSOCIATION & RIGHT TO COLLECTIVE BARGAINING

LIVING WAGES

NO FORCED OR COMPULSORY LABOUR

HEALTH & SAFETY STANDARDS

NO CHILD LABOUR

WORKING HOURS & OVERTIME

NO DISCRIMINATION IN EMPLOYMENT AND OCCUPATION

In a second phase, CLS+ combines the findings of the case studies, a paper on the effectiveness of social clauses, a tariff study, and a model labour chapter to advocate for better schemes of generalised tariff preferences applied by the EU, and free trade agreements that ensure respect of workers' rights. It aims to explore the idea to establish a fund, financed by the reduction of tariffs to support better working conditions.

Free trade should be a goal only if it allows to increase prosperity for all.

WHAT CAN YOU DO IN SUPPORT OF TRADE THAT BENEFITS WORKERS?

Free trade should be a goal only if it allows to increase prosperity for all. You can make a difference by joining our advocacy goals and taking up one of the following actions:

- ⚙️ Read and share the findings of the CLS+ studies that give compelling evidence for the need to address the decent work deficit in global supply chains;
- ⚙️ Support our model labour chapter and its inclusion into future trade agreements;
- ⚙️ Advocate for a new ILO convention on decent work in global supply chains;
- ⚙️ Follow us for updates online at **www.fes-asia.org** and **#CLSPlus**.

Core Labour Standards Plus (CLS+), a regional project by Friedrich-Ebert-Stiftung (FES), is coordinated by the FES Office for Regional Cooperation in Asia. For further information:

VERONICA NILSSON, PROGRAMME MANAGER
INFO@FES.ASIA
WWW.FES-ASIA.ORG