



STRENGTHENING THE TRADE AND LABOUR NEXUS: TOWARDS INCLUSIVE TRADE

BRIEFING PAPER

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THE ISSUE AT A GLANCE

Trade and labour are intrinsically interlinked, however **efforts to strengthen labour standards within the scope of the multilateral trading system have not attracted universal support**. To date, no World Trade Organisation (WTO) agreements explicitly refer to or deal with labour commitments.

Despite inertia at the multilateral level, **recent years have seen a bilateral surge of labour provisions in trade agreements**. In an upward trend, over a third of trade agreements in force and notified to the WTO now include labour provisions.

This **positive momentum meets challenges at the level of implementation**. Impacts on decent work - including working conditions, occupational health and safety, and child and forced labour - have been difficult to assess.

At the same time, the relationship between trade and labour is a fast evolving space. **Key issues for the international community currently include:**

- **Decent work in agriculture** – guaranteeing livelihoods and labour standards for the billion people who depend on agriculture for subsistence is a critical challenge in the face of a growing food crisis
- **Forced labour** – as numbers increase dramatically, the issue is receiving renewed attention from leading economies such as the US and EU
- **Digital trade in services** - this fast growing market risks of widening inequality and presents a newly emerging field for labour rights and provisions

The following **opportunities exist for strengthening multi-stakeholder action:**

- **Dialogue** – The engagement of governments, workers, employers and civil society actors in cross-border social dialogue enhances the negotiation and implementation of trade agreements. Can this practice be strengthened and scaled?
- **Cooperation** – Cooperation between countries on addressing labour deficits, and at the multi-lateral level between the International Labour Organisation (ILO) and WTO are regularly presented as common aims. Can multi-stakeholder action contribute to strengthening cooperation on e.g. research, best practice sharing, capacity building, technical assistance, or mobilizing resources?
- **Commitment** – Improving labour standards in countries and supply chains will require strong commitment from nations and multinational companies. How could commitments be aligned, strengthened and scaled to meet rising ambitions?

CONTEXT

Trade and labour are intrinsically interlinked, but the nature of their relationship, and how it should be managed in the international arena warrants renewed attention. Powerful technological, social, and environmental forces are causing unprecedented disruption in international trade - compounded by the COVID-19 pandemic, economic nationalism, geopolitical tensions and conflicts. The effects of these megatrends are numerous and diverse. Some provide new avenues for growth, while others put increasing pressure on inequality, primarily through their impact on economies and labor markets.

A new vision for the global trading system must encompass inclusive trade and equitable access to the benefits of trade for all. Revisiting the trade and labour relationship as part for a broader strategy of unlocking inclusive trade could have a meaningful impact on both domestic inequality and global disparities. The time is right, as we are seeing a rise in both appetite and opportunities for meaningful collaboration.

It is currently estimated that 21% of employed people live in poverty, global unemployment will rise to 205 million, 160 million children are in child labour and 24.9 million people are in forced labour. Rising disparities in well-being and opportunity both within and across countries necessitate new transformative actions from the global trade community.

In this light, the World Economic Forum's Inclusive Trade project is working with the TASC Platform (Thinking Ahead on Societal Change) to identify major issues at the interface of trade and labour and generate positive angles for conversation and collaboration in the international arena. How can rules, institutions, and supply chain initiatives be strengthened to improve livelihoods and working conditions for millions of people across the world?

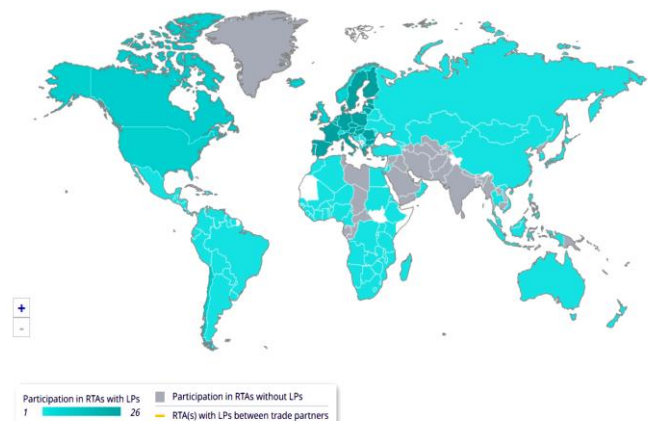
TRADE AND LABOUR: AN EVOLVING RELATIONSHIP

Labour Provisions in Trade Agreements: A Bilateral and Plurilateral Surge

The preamble of the Agreement establishing the World Trade Organization (WTO) notes that members' "relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment...". However, historically, efforts to strengthen labour standards within the scope of the multilateral trading system have not attracted universal support and, to date, none of the WTO agreements explicitly refer to or deal with labour commitments.

Yet, many governments – more notably, the US, Canada, Chile, and New Zealand - have incorporated clauses in free trade agreements (FTAs) that commit the countries party to the agreements to adhere to national and/or international labour standards, laws or conventions (Graph 1).

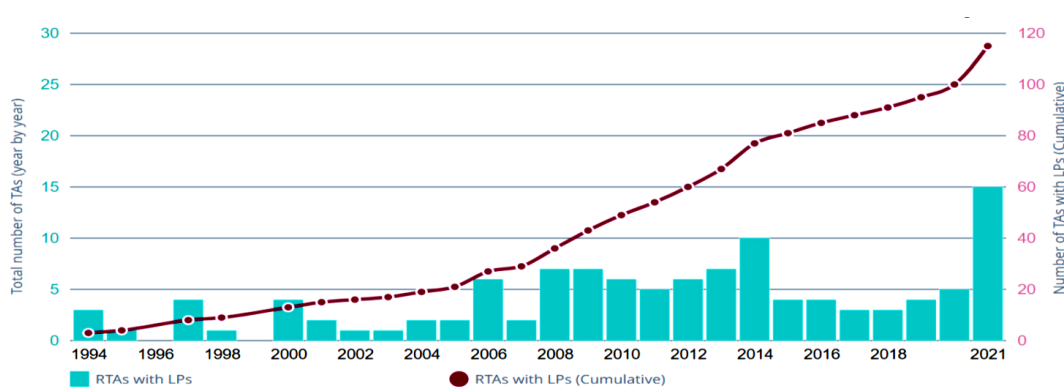
Trade and sustainable development chapters involving provisions to protect and promote labour standards, as well as provisions to protect the environment, have now become a standard part of recent European Union FTAs. As of 2019, one third of trade agreements in force and notified to the WTO include labour provisions, and a general upward trend can be observed (Graph 2).



Total 356 RTAs

1. Participation in Regional Trade Agreements with Labour Provisions.

Source: ILO, Labour Provisions in Trade Agreements Hub, <https://www.ilo.org/LPhub/>



2. Regional Trade Agreements with Labour Provisions

Source: ILO, Labour Provisions in Trade Agreements Hub, <https://www.ilo.org/LPhub/>

Challenges of Implementation and Impact

Despite significant progress, in practice, implementation remains a challenge and evidence of impact remains limited. Critics argue that labour clauses in trade agreements have remained cosmetic – the mechanisms for raising labour standards, and holding governments to account for the labour laws they enact and the way they enforce them are lacking.

While trade and globalization have created jobs and new pathways to market, lifted incomes and improved working conditions in some contexts, research has shown that trade liberalization can produce higher wage inequality, downward pressure on working conditions and social downgrading, and increases in informality. The impacts on decent work, including issues such as working conditions, occupational health and safety, and child and forced labour, has been more difficult to assess.

New Frontiers in the Trade and Labour Nexus

While a broad array of subjects can be found in the nexus between trade and labour, the following are currently key issues for discussion and collaborative action in the international arena.

1. Decent work in agriculture: in the face of a global food crisis

A billion people who depend on agriculture for subsistence are significantly impacted by trade agreements and fair labour standards in agriculture. Lack of a living income, forced and child labour (the agricultural industry accounts for almost 70% of all cases of child labor worldwide), and concerns about occupational health and safety are some of the most prevalent and serious problems encountered in the production of agricultural commodities.ⁱ And this is all taking place against the backdrop of a growing food crisis.ⁱⁱ The majority of countries experiencing food crises rely heavily on imports and have limited capacity to increase social protection and other measures of aiding vulnerable populations. Global grain shortages may become worse if trade restrictions persist (22 countries, or 21% of the world's wheat trade, had put export restrictions in place as of early Juneⁱⁱⁱ), and the delicate balance may also be impacted by climate events. For the foreseeable future, vulnerable employment, food insecurity, and high rates of poverty can be a dangerous mix.

2. Forced labour: renewed attention from leading economies

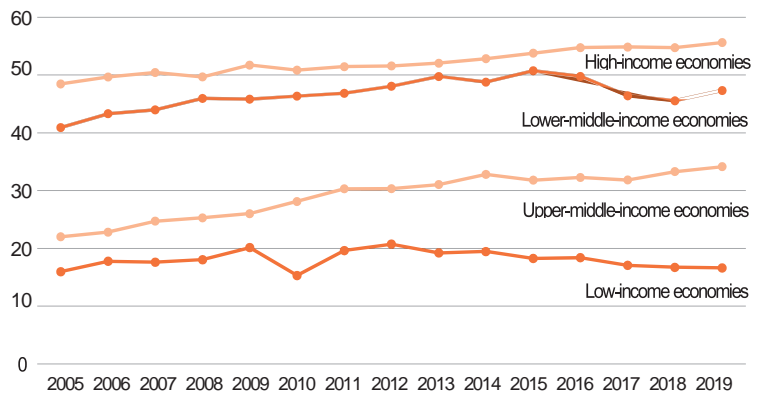
The most recent global studies of modern slavery estimate that fifty million people were victims of modern slavery in 2021. 28 million of these people were subject to forced labour, which has dramatically increased in the last five years.^{iv} Women, children and migrant workers continue to be disproportionately vulnerable. 86% of forced labour cases are found in the private sector, while 14% are due to state-imposed labour. The issue has garnered renewed attention from some of the largest economies in the world, with the US passing legislation creating a rebuttable presumption that imports from a certain region were made with forced labour and hence banned^v and the European Commission proposing to ban items created with forced labour from being sold on the EU market. The proposal emphasizes the value of strong collaboration with international partners and draws on definitions and standards that have been adopted internationally.^{vi}

3. Digital trade: the newly emerging field for labour rights and provisions

Recent years have seen an increase in exports of digitally tradeable services, such as ICT, sales and marketing, financial, professional, and education and training services. Companies based in the United States, the EU, India, and China are among the leading competitors in worldwide marketplaces, however the surge of digitally tradeable services has not yet reached low-income countries.

Although digital trade has the potential to uplift workers and stimulate innovation, it can have serious consequences for worker rights and low-income countries. The digital divide^{vii} and gaps in workers skills and competencies^{viii} severely disadvantage low-income countries. New forms of digital labour division and the capacity to outsource parts of digital work is giving rise to a new class of worker – platform workers who provide on demand services and who frequently lack health insurance and other standard employment benefits.^{ix} And, because many digital companies use artificial intelligence, facial recognition, and other technology to monitor employees' activities and automate oversight, protecting employees' privacy and data has become an urgent concern.

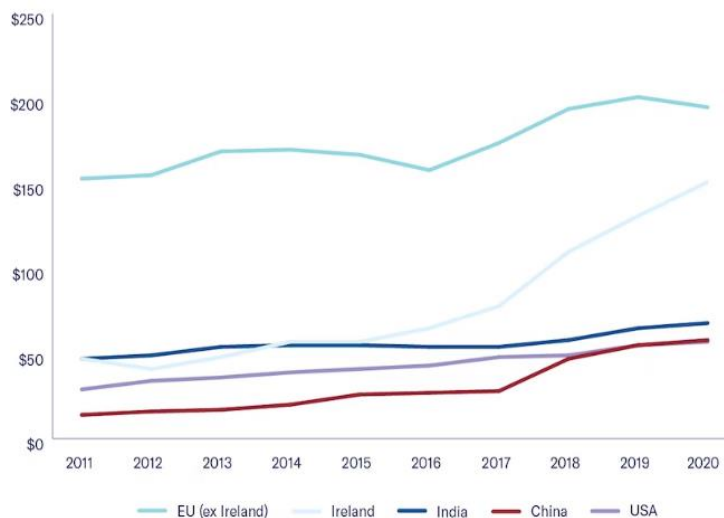
While digital economy agreements are a relatively new phenomenon, they have already transformed the trade landscape and paved the way for other innovative approaches to regional trade cooperation. ^{x xi}



3. Exports of ICT Services (\$billions) Digitally tradeable services exports (as a percentage of total trade in services)

Source: UNCTAD data on international trade in digitally delivered services, <https://unctadstat.unctad.org>

The Digital Economy Partnership Agreement (DEPA) between Chile, New Zealand and Singapore is a ground-breaking, digitally-focused trade agreement open to all WTO members, while ASEAN members have committed to a robust five-year agenda towards the development of an integrated ASEAN Digital Economy, culminating in negotiations for the ASEAN Digital Economy Framework Agreement by 2025.



4. Exports of ICT Services (\$billions)

Source: WTO Data

OPPORTUNITIES TO STRENGTHEN THE TRADE AND LABOUR NEXUS

Our research and interviews have highlighted the following key mechanisms for improving multi-stakeholder action towards a positive trade and labour agenda.

1. Stronger Dialogue

Can the practice of cross border social dialogue be strengthened and scaled?

Research shows the benefits of governments, workers and employers (or their representative organizations), as well as civil society actors engaging in the negotiation or implementation of trade agreements. The exchange of views and experiences through cross-border dialogue and cooperation has proven to enhance the capacity of local actors.^{xii}

Labour or sustainability clauses regularly contain provisions requiring or allowing social dialogue to promote the effective implementation and monitoring of commitments. The process draws largely on multilateral and intergovernmental (soft law) instruments aimed at establishing benchmarks for good management practices of multinational enterprises and follow-up mechanisms for ensuring effectiveness. More recently, these instruments include the notion of human rights and due diligence (hard law). However, the practice is not uniform, and capacity to conduct effective dialogue varies across countries and contexts.

Canadian and United States agreements with their trade counterparts foresee consultations with national employers' and workers' organizations on the implementation of their labour provisions.

EU trade agreements provide for special consultative committees, with the involvement of the social partners. For instance, since 2011 the EU–Republic of Korea FTA has established monitoring mechanisms, which include representation from workers and business and a Civil Society Forum that convenes on a yearly basis in order to conduct cross-border social dialogue on the implementation of sustainability clauses.

2. Stronger Cooperation

Can multi-stakeholder action contribute to strengthening cooperation at multiple levels?

A common aim (identified in EU, ITUC, UNESCAP publications) is that dispute settlements and arbitration should be combined with cooperation in labour standards, stakeholder involvement and dialogue. This could include capacity building, technical assistance and mobilizing resources to address decent work deficits.

Both the United States and the EU have used the technical assistance of the ILO to support their cooperative activities, for example in CAFTA-DR and CARIFORUM countries, respectively, after the entry into force of the agreements. In addition, the Cambodia–United States Bilateral Textile Agreement (CUSBTA) is highlighted as a good practice example of how governments, employers, trade unions, and other non-state actors can work together.

Collaboration between the ILO and the WTO is critical. Options for strengthening alignment could include enhancing working group and committee synergies, exploring possibilities or needs for adjustment within existing international standards, treaties and agreements, and ILO observer status at the WTO.

4. Stronger Commitment

How could commitments be aligned, strengthened and scaled to meet rising ambitions?

For labour provisions in free trade agreements to be effective, there must be a strong national commitment to improving compliance and enforcement, as well as appropriate domestic measures and institutional mechanisms. Similarly, aligned commitments from multinational firms to improve labour outcomes throughout their supply chains, and initiatives to work with suppliers and governments to deliver on these commitments are needed.

ABOUT THE TASC PLATFORM

The TASC Platform is an open forum where policymakers, businesses, researchers and civil society can come together to tackle some of the biggest universal challenges of the future. By providing a place for people to share perspectives, connect visions and develop new solutions, we can bring the unknowns of the future into focus and act on them today. An independent body supported by the Government of Switzerland and embedded in the Center for Trade and Economic Integration within the Geneva Graduate Institute, we leverage the latest thinking in the academic world to inform innovation, policy making, practical action and behaviour change, and embrace a culture of openness, critical thinking, and global cooperation.

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ENDNOTES

ⁱ Refer to https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067555.pdf

ⁱⁱ Ahead of the 77th Session of the UNGA, world leaders were presented with bleak estimates: “By mid-2022, the population facing the three highest phases of acute food insecurity was greater than at any point in the six-year history of the Global Report on Food Crises (GRFC)”, according to the Food Security Information Network’s (FSIN) report, and the number of people requiring urgent humanitarian assistance is forecast to reach up to 205.1 million in 45 of the 53 countries/territories included in the GRFC 2022, published in May 2022”. Refer to https://knowledge4policy.ec.europa.eu/publication/global-report-food-crises-2022-mid-year-update_en

ⁱⁱⁱ Mari Elka Pangestu and Axel Van Trotsenburg, Trade restrictions are inflaming the worst food crisis in a decade, July 06, 2022, <https://blogs.worldbank.org/voices/trade-restrictions-are-inflaming-worst-food-crisis-decade>

^{iv} https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_854733.pdf

^v U.S. Customs and Border Protection, “Uyghur Forced Labor Prevention Act”, 28 June 2022, <https://www.cbp.gov/trade/forced-labor/UFLPA>

^{vi} European Commission, “Commission moves to ban products made with forced labour on the EU market”, 14 September 2022, https://ec.europa.eu/commission/presscorner/detail/en/ip_22_5415

^{vii} UNCTAD (2021), COVID-19 and E-commerce: a Global Review. United Nations publication, Sales No. E.21.II.D.9. Geneva.

^{viii} UNCTAD (2022), Digitalisation of Services: What Does it Imply to Trade and Development?, https://unctad.org/system/files/official-document/ditctncd2021d2_en.pdf

^{ix} Mexi, M. The platform economy—time for decent ‘digiwork’, Social Europe, 26 November 2020, <https://socialeurope.eu/the-platform-economy-time-for-decent-digiwork>

^x Rachele Taheri, Olivia Adams, Pauline Stern, DEPA: The World’s First Digital-Only Trade Agreement, Asia Pacific Foundation, October 7, 2021, <https://www.asiapacific.ca/publication/depa-worlds-first-digital-only-trade-agreement>

^{xi} <https://asean.org/asean-economic-community-council-endorses-roadmap-to-accelerate-economic-recovery-digital-economy-integration/>

^{xii} Dealutre, G., Echeverria Manrique, E. and Fenwick, C. (eds) (2021), *Decent Work in a Globalized Economy: Lessons from Public and Private Initiatives*, International Labour Organization; Mexi, M. and Silva, A. (2021), Trade and Labour: Exploring the Nexus. Briefing Paper. TASC Platform, Geneva Graduate Institute.