Free Trade Agreements and Global Labour Governance – The European Union's Trade-Labour Linkage in a Value Chain World

By:

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Exploring the contentious relationship between trade and labour, my recently published co-authored book looks at the impact of the EU's 'new generation' Free Trade Agreements (FTAs) on workers. Drawing upon extensive original research, which includes over 200 interviews with key actors across the EU and its trading partners, the book considers the effectiveness of the trade-labour linkage in an era of global value chains (GVCs).

The book interrogates the effects of labour provisions, as well as the EU trade agreements in which they are situated, in different national and industry contexts. We present case studies of the European Union's FTAs with, South Korea and Moldova and the CARIFORUM countries of the Caribbean. We first examine the effects of labour provisions in EU trade agreements at a national

level in these very different contexts. This is accompanied by an exploration of the effects of labour provisions, and the wider FTA in which those provisions are situated, in relation to particular GVCs and their associated workplaces. Our book focuses on sugar in Guyana, automobiles in South Korea and clothing in Moldova.

We argue that looking at the effects of FTAs on labour standards through a value chain lens is vital. As much as two-thirds of international trade is estimated to now take place through global value chains (GVCs). There is a rich literature that has examined how the cross-border power that transnational corporations or 'lead firms' exercise in the value chain has conditioned labour standards among supplier firms. But this literature has paid less attention to the role of FTAs in this process, especially as it relates to labour provisions. Stephanie Barrientos and her colleagues suggest that labour provisions in FTAs 'could play a useful role' but that 'the effectiveness of such provisions – implemented at the national level as an instrument to promote labour standards – is restricted when trade patterns are increasingly fragmented and coordinated across borders by buyers within global production networks'. What such provisions have achieved so far, why they are restricted, and how they might be reformed is left unexplored. Our theoretical approach, which recognises the complex interactions between FTAs and GVCs in both creating and constraining global labour governance, means that we are can speak to such questions.

So what are the key findings of the book? At the national level, we show how labour standards provisions were of marginal importance in the negotiation and implementation of these agreements. We find that government officials from trade partner governments saw labour provisions as externally imposed and not their responsibility. Their focus was on more pressing and immediate concerns including adherence to commercial provisions of the agreements. At the same time, EU officials had very limited conception of their role with regard to labour provisions and very limited understanding of the dynamics of domestic labour struggles within trade partners, making them largely powerless to push for changes to domestic labour law and practice.

Moving on to the GVCs, we examined the extent to which the labour provisions in our chosen FTAs had traction on labour standards issues. This analysis

revealed that for workers across all of our export industries, the labour provisions were mismatched with their most pressing workplace concerns including in all three cases, the situation of informal, migrant and/or women's labour. At the same time, these concerns were exacerbated by the agreements' commercial provisions including the removal of tariff barriers. In Guyana, we found that closures of sugar estates in the country's single biggest employer, was significantly influenced by changing trade relations with the EU and the associated downturn in sugar exports. This led to significant economic dislocation and political discontent. With its focus on niche export opportunities and appeals to social dialogue, the EU-CARIFORUM Economic Partnership Agreement (EPA) was simply unable to mitigate such trade-induced dynamics on this section of the Guyanese workforce. At the same time, the potential for economic and social upgrading was severely limited. Caribbean business representatives were particularly vociferous about the reluctance of EU Member States to issue work visas in line with their EPA commitments, and the inability of Caribbean service providers to access EU markets as a result.. In Korea, we found that the commercial provisions of the agreement shifted competitive conditions in the Korean auto market contributing to an influx of imports from the EU and in particular Germany and the erosion of the Hundai Motor Group's profits (Hyundai being Korea's largest auto manufacturer). This threatened to create adverse impacts on workers in the more insecure and low-paid jobs, especially those located in the lower tiers of the production network.

In Moldova, as tariffs barriers were reduced, exports particularly to the UK and Italy increased. This created more jobs for a workforce that consists of 90% women. So there was a positive impact on female participation in the workforce. But pressure from lead firms in the UK and Italy, combined with weaknesses in the labour protection system in Moldova also led to the entrenchment of poverty wages and heavy reliance on piece rate payments and other troubling overtime practices and production methods.

Overall then, we found that the labour standards provisions in EU FTAs were ineffective in protecting workers' rights and amplifying workers' voice. Moreover, there was some evidence that the wider FTAs had worsened employment prospects and jeopardised labour rights for workers in these three export industries.

These findings reveal the inadequacy of current efforts to address labour issues through trade agreements. We also highlight the limitations of current reform efforts. At the same time, we caution against the outright rejection of the trade labour linkage as a solution to these problems and point to the future progressive potential for a reconceptualised trade-labour linkage when rethought along fundamentally different lines. Most fundamentally we call for rethinking of the language and actors of ‘trade’ policy and argue for a paradigm shift in the very idea of what ‘trade agreements’ are, including a re-labelling them as ‘international co-operation agreements’. This terminological change could have important discursive effects, challenging the assumption that the increased movement of goods and services ought to be valued for its own sake and raising distributive questions about the costs and benefits of international exchange out of the ghetto of ‘non-trade’ issues.

There are a number of other important recommendations in the final chapter of our book. But I want to concentrate here on the implications of our findings for the interlinkages between trade, labour and GVCs with two final reflections.

First, we identify the importance of research into labour provisions in trade agreements (so-called trade labour linkage) being undertaken within a broader examination of the changes introduced by the commercial provisions of FTAs and the extent to which they filter down to the workplace (what we call the trade labour nexus). This kind of research reveals that the adoption of commercial obligations contained in trade agreements create differentiated impacts in different national contexts and in highly differentiated GVCs, including sometimes serious negative impacts for workers. Simplistic policy prescriptions to adopt these commercial obligations fail to recognise the complex inter-relationships between trade policy and GVCs including the outcomes achieved for workers as a result.

Second if labour provisions are to be fundamentally re-thought in future trade agreements to address some of the issues we identify, then much greater engagement in the governance of GVCs is critical. We argue that there is a strong rationale to develop country priorities around those industries and workers that are tied into the value chains of EU firms and to incentivise serious action to improve outcomes for workers in those GVCs, for instance through

Joint liability agreements - *binding* agreements between buyers and suppliers which oblige firms to improve working conditions and hold them accountable in instances where systematic rights violations or serious injury do occur.

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