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## Alternative ways to link trade with labour standards; [LONDON 1ST EDITION]

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### Abstract (Summary)

Sir, Jagdish Bhagwati ("Foes of free trade get a foot in the door", May 22) describes those who favour the inclusion of labour standards in trade treaties as "foes" of free trade, whose motivations are "not altruism and empathy, but fear and self-interest".

He endorses a "two-track approach" in which "labour standards would be pursued at the International Labour Organisation, trade at the World Trade Organisation", and claims that this approach "follows from the principles of efficient policy design". Although many proponents of linkage between trade and labour standards may be correctly described by Prof Bhagwati as foes of free trade, not all are.

### Full Text (390 words)

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By CHRISTIAN BARRY and SANJAY SANJAY G.

From Profs Sanjay G. Reddy and Christian Barry.

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As we have argued in the FT (July 24, 2006), there is an alternative approach to linkage, which would provide an attractive means of furthering the interests of poorer countries. This alternative would extend the transparent, rule-based approach of the WTO system to include an appropriate concern for labour standards (thereby excluding opportunistic actions by wealthy importing countries). It would require that poorer countries undertake only those efforts to promote labour standards that are reasonable to expect in light of their circumstances; while also ensuring that these countries gain by providing them with additional access to northern markets and other forms of reward for their efforts.

Such an approach would not aim to protect the interests of industries in the rich countries, but rather to provide governments of poorer countries with the means and the incentive to take steps that benefit their workers. Such an approach would dampen the present competition for trade and investment between poorer countries, which results in labour standards and real wages that are lower than they would otherwise be without producing any gain for them.

We share Prof Bhagwati's critical view of the agreement on trade between the Bush administration and the Democrats in the US Congress, because it does not seek a multilateral, co-operative and context-sensitive approach to linking trade and labour standards. Developing countries should favour linkage of the right kind, demanding it in the multilateral Doha round.

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