

ILR Collection
Articles & Chapters

Cornell University ILR School

Year 1998

Democratizing the Trade Debate

Lance A. Compa
Cornell University, lac24@cornell.edu



Democratizing the Trade Debate

by Lance Compa, School of Industrial and Labor Relations, Cornell University

Shaping new international rules for labor rights, environmental protection, gender equity, minority rights, sustainable development, and other social goals is a formidable political challenge in view of the forces promoting profit-above-all trade and investment policies. The 1998 Summit of the Americas meeting of heads of state and trade ministers in Santiago, Chile, reflected the balance of power in the trade and investment debate. Elite corporate and financial circles mixed fluidly with government officials in the gleaming uptown luxury hotels of the official summit, making

plans for a Free Trade Agreement of the Americas (FTAA) by 2005. Meanwhile, advocates for protection of workers, the environment, human rights, and other social causes were shunted to Santiago's graying downtown. In an alternative Peoples' Summit there, they debated ways to implement principles of social justice in trade and investment policies.

A thorough democratization of policy debates and decision-making is a precondition for progress in adding social dimensions to trade and investment regimes. Democratizing the trade debate means conceding social justice advocates a serious participatory role in shaping the rules

of economic integration and in the operations of the bodies that implement new rules. Without the proverbial "seat at the table," social justice advocates will continue to see their concerns treated as afterthoughts.

The need for more democracy in debates and policy-making on regional and global economic integration has not gone unrecognized:

- A key lesson was learned in the 1997 debate on fast-track negotiating authority, when citizen pressure convinced a majority in Congress that corporate influence was dealing away jobs and social standards in trade negotiations. The fast-track defeat demonstrated the power of citizen action.

- Under sharp attack for its earlier dismissal of concerns about the environment and sustainable development, the World Bank has joined with several nongovernmental organizations (NGOs) to create a mechanism called the Structural Adjustment Participatory Review Initiative (SAPRI) to consider the views and concerns of social actors.

- NAFTA's side agreements on the environment and labor allow NGOs and unions to initiate complaints and to participate in public hearings and in evaluations by independent environmental or labor experts.

- The Mercosur countries of South America have included an Economic and Social Consultative Forum involving unions, social movements, and other NGOs in their common market institutions. They have also created a tripartite Working Group 10, where government, business, and union representatives from member countries discuss labor relations, employment, and social security matters.

- The European Union (EU) has a highly developed institutional structure, including trade union, environmental, and NGO advisory bodies, and a popularly elected European Parliament. A permanent, independent European Court of Justice (with jurists from every member country) resolves disputes under the EU charter after national judicial procedures have been exhausted.

This is not to say that any of these models is sufficient to democratize trade and investment policy. Indeed, they are more notable for their limits and weaknesses than for their strengths in building democracy into the process of economic integration. Real democracy in shaping trade and investment rules or in building new institutions and mechanisms to govern economic integration cannot be limited to advisory councils or consultations. However well-intentioned, these mechanisms usually involve decisionmakers telling their interlocutors "we'll listen to what you have to say, and then we'll do what we want to do." Still, these and other examples are useful for policymakers and social dimension advocates in constructing new and effective democratic alternatives.

Key Points

- Citizen involvement in trade and investment policymaking and related institutions is essential for building effective social dimensions into regional and global economic integration plans.
- Social actors have found some footholds for influencing trade policies and participating in related institutions. They must go further to challenge the insider status of corporate economic elites.
- Recent trade and investment negotiations have shown that neither a democratic opening in policy debates nor citizen access to new institutions are conceded. They must be won by organizing efforts.

Debates, decisionmaking, and institution building in matters of trade and investment policy have been dominated in the U.S. by financial and corporate elites. Unionists, environmentalists, and other social justice communities are kept at the margins when agreements are crafted, when institutions are designed and staffed, and when disputes are resolved. Elected members of Congress and state and local officials are seen as interlopers. An independent judiciary is bypassed by ad hoc panels operating in closed proceedings.

Investment bankers, multinational corporate executives, and their legions of economists and lawyers join government officials at the tables where trade and investment deals are made and institutions are created. Many of these professionals worked on government trade policy before moving on to banks and corporations, and many government officials aspire to high-paying jobs with companies and trade-law firms after a stint in government. Together, they have little interest in constraining corporate power when they fashion international trade and investment agreements. These links were vivid at the Santiago official summit, where representatives of an officially recognized Business Forum met with government negotiators, who rebuffed trade union demands for an equivalent Labor Forum.

The World Trade Organization (WTO) and regional agreements like NAFTA have designed mechanisms for challenging government measures deemed trade-restricting. The proposed Multilateral Agreement on Investment (MAI) would do the same for restrictions on foreign investment. These agreements also create forums for resolving disputes between governments or between governments and multinational firms. In their proceedings, a central role is given to panels of "independent" arbitrators who usually come from elite corporate law circles, though sometimes with an academic veneer. Most dispute resolution proceedings are held in secret, with no opportunity for the public to see what is going on or to participate, even when cases involve vital labor, environmental, or other social issues.

Stung by criticism of the lack of democracy in trade and investment debates, the governments that met in Santiago announced plans for a Civil Society Committee to invite citizen participation in negotiations over an FTAA. In response, labor, environmental, and other social activists must demand a broad inclusion of organizations with varying views, not just groups deemed safe by governments. It is not yet clear, however, that governments' definition of civil society goes beyond a narrow band of nongovernmental organizations that speak the same language as government and corporate officials.

In the NAFTA debate, U.S. officials consulted mainly with NGOs that depend on contributions from corporations and wealthy individuals. Such groups may support modest reform efforts, but they do not question the underlying axioms of the neoliberal agenda: free markets, deregulation, labor flexibility, privatization, unrestricted capital flows, and other elements of the

TINA (There Is No Alternative) paradigm in which return on investment trumps social concerns.

Policymakers must listen to voices that want to fundamentally change the course of trade and investment policy in order to place social concerns ahead of private economic interests. But demanding a greater role for labor rights advocates, environmentalists, and other NGOs in a more democratic hemispheric trade and investment regime carries responsibilities with it. A threshold issue is determining who speaks for social justice communities in policy debates and in negotiations over new, more democratic rules for trade policy.

In the hemispheric context, the Interhemispheric Regional Workers Organization (ORIT) is recognized as the labor body authorized to speak for unions. ORIT embraces nearly all national labor federations, including those that may be rivals in their own country. For unions, their first responsibility is to ensure that their own internal democratic processes reflect their members' interests in trade and investment matters.

For other NGOs, the challenge is more complicated. There is no ORIT for the environment, or for human rights, or for indigenous peoples, or for farmers or women or racial minorities. Instead there are thousands of organizations for these and other issues. Some undertake critical advocacy at national policy levels; others perform courageous advocacy at grassroots levels. Some are funded by a membership base; others are funded by outside donations. Distinct NGO communities must devise creative ways to synthesize their positions where they can, reflecting both grassroots and national policy perspectives. To have an effective voice in trade policy debates, NGOs must be able to answer the question, "Who do you represent?"

Achieving such a consensus is a daunting challenge. Compelling North-South issues divide otherwise natural allies in social justice communities. Workers in developing countries worry that social clauses in trade agreements linking beneficial trade relations to workers' rights might be used for protectionist purposes. Workers in developed countries have concerns about trade agreements requiring shifts of high-skilled jobs to developing countries and whether such clauses might accelerate the decline of secure, good-paying jobs. Many environmentalists fear that a policy of across-the-board economic growth (advocated by most trade unionists) will destroy the capacity of the planet to sustain life. On these and other matters, enhanced dialogue and hard bargaining will be needed to present a unified voice in trade and investment debates incorporating sustainable and equitable development concerns.

Key Problems

- Insiders with revolving-door links among government, corporate, and financial elites still dominate U.S. trade and investment policy.
 - Most governments' ideas of NGO participation in trade and investment matters involve mainstream organizations that never challenge the dominant neoliberal paradigm.
 - Social actors have concerns of democracy, voice, and representativeness that must be addressed as they seek greater weight in trade and investment matters.
-

Democratizing trade and investment policy means sharing power, not just sharing views. This is not to say that environmentalists, trade unions, or other NGOs should share the powers of the state—they would not be nongovernmental if they did. But it does mean they should have:

- parity with financial and corporate interests in access to the policy planning process,
- access to negotiating forums and procedures where trade and investment rules are drawn up and new institutions are established,
- access to enforcement and dispute resolution mechanisms that implement new rules, and
- equal consideration for staff positions in new regulatory institutions.

There are stirrings in the direction of openness and accountability, but policymakers have to press for more movement. ORIT has demanded the creation of a

Labor Forum in FTAA negotiations to parallel the officially recognized Business Forum, with equivalent access to government policymakers and negotiators. So far, however, the demand has not been met.

At the WTO conference in Geneva in May 1998, President Clinton proposed that the global trade body create a permanent forum where labor, environmental, and consumer groups provide input on WTO operations. He also announced that the United States would offer to open to

the public every dispute resolution proceeding (secret, in the past) in which the U.S. is involved. The administration and congressional allies can go farther on this line by insisting that any new fast-track legislation should condition every trade agreement on thorough consultation with NGOs and full transparency in every dispute resolution proceeding.

Democratization should also mean an expanded role for elected officials from states, provinces, and local jurisdictions. Much of the neoliberal offensive has been aimed at laws meant to protect health and safety, employment standards, the environment, cultural values, disadvantaged minority or ethnic groups, and other public interests. Many of these laws are passed by

subnational governments responding to local needs. Promoting democracy in trade and investment policy means honoring local concerns much more than current regimes contemplate (though not to the point of a fetish—local governments can pass stupid laws, too).

Proponents of the neoliberal trade agenda have the easier task. All they have to do is hit a “delete” key, repealing and removing laws and regulations meant to protect working people and the environment or to curb predatory behavior by investors looking for fast profits. On the progressive side, just saying no is similarly facile. “No to NAFTA!”, “No to the FTAA!”, “No to the MAI!” are really slogans of least resistance.

The progressive community must conceptualize, often by trial and error, new institutions and mechanisms to reshape the patterns of economic integration. After that, it must wage a long-term political struggle to ensure that trade and investment policy serves working people throughout the hemisphere rather than each country’s financial, corporate, and political elites. Instead of standing outside in a uniformly critical stance, activists should seek staff positions or roles as independent experts in new trade and investment institutions, as some have done with NAFTA’s labor and environmental bodies and with Mercosur and EU organizations.

Hard work by social justice advocates can produce a viable strategy for changing trade and investment policies and institutions. The broad-based mobilizations that stopped fast-track trade negotiating authority in the United States, the IMF’s labor flexibilization schemes in Argentina, and the OECD’s Multilateral Agreement on Investment demonstrate the capacity of the progressive community for affecting international trade and investment policy.

To begin, any new fast-track authority must set strong social standards as firm negotiating objectives of the United States. It should also contain requirements for democratizing trade negotiations with sustained involvement of labor, environmental, human rights, and other citizen organizations. In the FTAA context, U.S. policymakers should insist on recognizing trade union calls for a Labor Forum parallel in scope to the Business Forum. The Civil Society Committee created by FTAA negotiators must open its doors to dialog with a broad range of citizen action groups throughout the hemisphere. Unless more democratic mechanisms are built into U.S. trade and investment policy, the social and environmental dimensions of global economic integration will be ignored—and this will undermine the stated U.S. foreign policy objective of promoting global economic and political progress.

Key Recommendations

- Governments must open up debates and institutions to citizens who dissent from the neoliberal agenda.
- Policymakers and social justice advocates must match their criticisms with concrete proposals for how they would fashion trade and investment policies and institutions.
- Successes in blocking neoliberal advances must now be turned to a positive vision for social dimensions in trade and investment regimes.

Foreign Policy in Focus is a joint project of the Interhemispheric Resource Center (IRC) and the Institute for Policy Studies (IPS). The project depends on sales and subscription income, individual donors, and grants from The John D. and Catherine T. MacArthur Foundation, General Service Foundation, and various church organizations. *In Focus* internships are available.

Orders and subscription information:

Editors

Martha Honey (IPS)
Tom Barry (IRC)

Production

Grant Moser

Communications Director

Erik Leaver (IRC)

Mail: PO Box 4506

Albuquerque, New Mexico 87196-4506

Voice: (505) 842-8288

Fax: (505) 246-1601

Email: resourcectr@igc.apc.org

Editorial inquiries and information:

IRC Editor

Voice: (505) 388-0208

Fax: (505) 388-0619

Email: resourcectr@igc.apc.org

IPS Editor

Voice: (202) 234-9382/3 ext. 232

Fax: (202) 367-7915

Email: ipsps@igc.apc.org

Website: <http://www.foreignpolicy-infocus.org>

Sources for More Information

AFL-CIO

815 16th St. NW
 Washington, DC 20006
 Voice: (202) 637-5000
 Fax: (202) 508-6967
 Website: <http://www.aflcio.org>
 Contact: Thea Lee

Alliance for Responsible Trade

c/o The Development GAP
 927 15th St. NW, 4th fl.
 Washington, DC 20005
 Voice: (202) 898-1566
 Fax: (202) 898-1612
 Email: dgap@igc.org
 Website: <http://www.igc.org/dgap/>
 Contact: Karen Hansen-Kuhn

Canadian Labour Congress

2841 Riverside Dr.
 Ottawa, ON K1V 8X7
 Canada
 Voice: (613) 521-3400
 Fax: (613) 521-4655
 Email: skatz@clc-ctc.com
 Website: <http://www.clc-ctc.com/>
 Contact: Sheila Katz

Common Frontiers/Action Canada Network

15 Gervais Drive, Ste. 305
 Don Mills, ON M3C 1Y8
 Canada
 Voice: (416) 443-9244
 Fax: (416) 441-4073
 Email: comfront@web.net
 Contact: Patty Barrera

Interhemispheric Regional Workers Organization (ORIT)

Av. Andrés Eloy Blanco, Edificio. José Vargas
 Los Caobos, Caracas
 Venezuela
 Voice: (582) 574-9752
 Fax: (582) 574-8502
 Email: orit@ven.net
 Website: <http://www.icftu.org>
 Contact: Luis Anderson, General Secretary

National Wildlife Federation

1400 16th St. NW
 Washington, DC 20036-2266
 Voice: (202) 796-6800
 Fax: (202) 797-6646
 Website: <http://www.nwf.org>
 Contact: John Audley

Red Chile por una Iniciativa de los Pueblos (RECHIP)

Seminario 774 Casilla 16784
 Santiago 9
 Chile
 Voice/Fax: (562) 341-6597
 Email: rechip@reuna.cl
 Contact: Coral Pey

Red Mexicana de Acción Frente al Libre Comercio (RMALC)

Godard 2D
 Col. Guadalupe Victoria
 México, D.F. 07790
 México
 Voice/fax: (525) 355-1177
 Email: rmalc@laneta.apc.org
 Contact: Héctor de la Cueva
 Sierra Club
 85 Second St., 2nd fl.
 San Francisco, CA 94105-3441
 Voice: (415) 977-5500
 Fax: (415) 977-5799
 Email: dan.seligman@sfsierra.sierraclub.org
 Contact: Dan Seligman

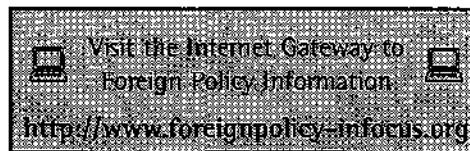
World Wide Web

International Labor Organization
<http://www.ilo.org>

International Labor Rights Fund
<http://www.ilrf.org>

Official Summit of the Americas
<http://www.americas.fiu.edu>

Peoples' Summit of the Americas
<http://www.members.tripod.com/~redchile/index.htm>



Subscription Information

You can subscribe to *In Focus* at one of three levels, receive *In Focus* in one of five ways, and choose which categories of *In Focus* you want to receive. Mark the level of subscription you want, how you want *In Focus* delivered, and the topic categories you want. No extra charge for email delivery to mail and fax subscribers. (Individual copies of *In Focus* are \$2.50, postpaid; bulk orders of *In Focus* are \$12.00 for 10 copies of the same issue, postpaid; orders for delivery outside the US are double the listed prices. Subscriptions do not include back issues. Contact the IRC for a list of available back issues.) Make checks payable to the Interhemispheric Resource Center. We also accept VISA and MasterCard.

U.S. Subscription Level

- \$15 10 briefs
- \$30 20 briefs
- \$60 50 briefs

Foreign Subscription Level

- \$30 10 briefs
- \$60 20 briefs
- \$120 50 briefs

Delivery

- Regular mail
- Fax only
- Email only
- Regular mail & email
- Fax and email

Topic Categories

- | | | |
|---|---|---|
| <input type="checkbox"/> All (receive all briefs) | <input type="checkbox"/> Economic Aid | <input type="checkbox"/> Mexico |
| <input type="checkbox"/> Foreign Policy Overview | <input type="checkbox"/> Global Governance/United Nations | <input type="checkbox"/> South America |
| <input type="checkbox"/> Trade and Investment | <input type="checkbox"/> International Financial Institutions | <input type="checkbox"/> Africa |
| <input type="checkbox"/> Government Agencies | <input type="checkbox"/> (IFIs) and Debt | <input type="checkbox"/> Middle East |
| <input type="checkbox"/> Military and Peace | <input type="checkbox"/> Food and Farm | <input type="checkbox"/> Asia/Pacific |
| <input type="checkbox"/> Human Rights and Democracy | <input type="checkbox"/> Border and Immigration | <input type="checkbox"/> Western Europe |
| <input type="checkbox"/> Environment | <input type="checkbox"/> Central America | <input type="checkbox"/> Central and Eastern Europe |
| <input type="checkbox"/> Labor | <input type="checkbox"/> Caribbean | <input type="checkbox"/> Former Soviet Union |

Name		Institution	
Street Address			
City	State	Zip Code	
VISA/MasterCard Number		Expiration Date	
Signature	Daytime Phone	Fax Number	Email Address

Send subscription to:

Interhemispheric Resource Center ♦ Box 4506 ♦ Albuquerque, NM 87196-4506
 Voice: (505) 842-8288 ♦ Fax: (505) 246-1601 ♦ Email: resourcectr@igc.apc.org ♦ Website: <http://www.foreignpolicy-infocus.org>