Should nations follow international trade standards?

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NO.



Opening Statement

(8min)

Introduction

<u>Main arguments</u>

- International trade standards can harm and benefit developing and developed economies differently
- 2. Decision-making is a costly, inefficient, and unfair process
- 3. Tensions accompany international standards that extend beyond trade matters



International trade standards benefit developing and developed economies differently.

Each country has its own special national conditions.

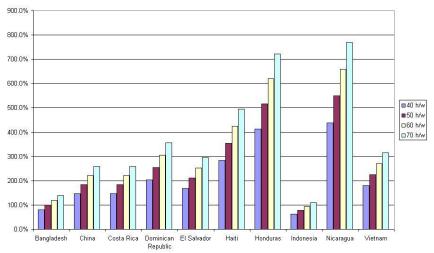
The case for sweatshops:

- What determines whether a good is made in a sweatshop usually is determined by minimum age for employment, minimum wages, standards of health and safety, and working hours
- We as people living in the US have many employment options, and assume that residents of developing countries also have many employment options. In reality, working in sweatshop work is often the only opportunity.
- Trump's immigration policies and immigrant hostility in Europe are making it impossible for low skilled workers to get immigrate to countries with higher paying jobs

The case for sweatshops (cont.):

 Working in the apparel industry in any one of these countries results in earning more than average income in that country

Figure 1 Apparel Industry Wages as a Percent of Average National Income



The case for sweatshops (cont.):

- Since sweatshop labor is better than the available alternatives, reforms aimed at sweatshop workers must not
 jeopardize the jobs they already have. Policies aimed at raising wages could risk that factories will just lay off workers
- Anti-sweatshop proposal: Banning the import of good made in sweatshops
 - Factory managers will raise wages, in turn lowering safety standards OR improve health and safety, which would lower wages
 - This would lower demand for sweatshop labor
 - US workers would benefit, but this would be at the expense of even poorer people who work in sweatshops
- Sweatshops are part of the process of development that ultimately raises living standards
 - This process took about 150 years in US and UK, and 30 years in Japan, South Korea, Hong Kong, and Taiwan
 - More technology and capital today means that development can happen even faster than for the East Asian tigers
- Sweatshops bring technology and physical capital that did not exist before, thus raising worker productivity and overtime, raising their wages

Theoretical foundations

- Child labor model (Doepke and Zilibotti, 2009)
 - Children can do light unskilled labor, while adults can do either heavy or light unskilled labor
 - Child labor ban reduces the total supply of unskilled labor, and adult unskilled labor is reassigned to light labor
 - Returns to light and heavy labor are equalized, which lowers the return to heavy labor → labor reallocation effect lowers the unskilled labor wage
 - Imposing international standards will lower the political support for a child labor ban
 - Conclusion: international labor standards and trade sanctions in addressing the child-labor problem in developing countries reduce income and welfare of developing countries in the short run and also have the potential to lower the prospects for the ultimate eradication of child labor through domestic political action
- Singh, 2001
 - Abolishing child labor in one sector alone, such as the export sector, cannot eliminate child labor in a country → child labor is just moved to industries that don't export

Source: Matthias Doepke and Fabrizio Zilibotti, "Do International Labor Standards Contribute to the Persistence of the Child Labor Problem?" https://www.nber.org/papers/w15050. Nirvikar Singh, "The Impact of International Labor Standards: A survey of Economic Theory,

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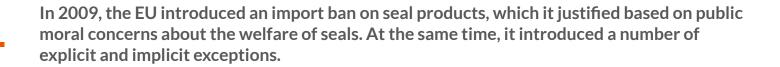


Decision-making is a costly, inefficient and usually unfair process.

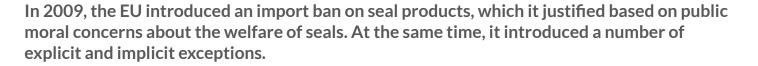
Achieving consensus multilaterally and world-wide is nearly impossible. It is also hard to break the link between market size and political weight that would give small and poor countries a voice in the trade negotiations.

The case for EC-Seal Products

- The Tension between Public Morals and International Trade Agreements
- The EC-Seal Products dispute raises fundamental questions about the relationship between public morals and international trade. Can WTO members impose trade restrictions based on moral or ethical concerns? Under what conditions can these concerns trump existing trade liberalization commitments?



- 1. these exceptions reduced the effectiveness of the import ban;
- 2. the IC exception gave rise to trade diversion, shifting imports from Canada and Norway to Greenland;
- 3. EU exports of processed seal products have actually increased since the implementation of the EU seal regime; and
- 4. most EU citizens know little or nothing about seal hunting.



- These conclusions highlight the difficulties associated with an intergovernmental assessment of national policies relating to moral concerns. As WTO Panels and the Appellate Body have recognized, public morals may differ between WTO members and between sub-groups of a given population.
- Moreover, trade measures motivated by moral issues may be intertwined with commercial issues and demands to mitigate the impact on local business, complicating the question of whether a measure as ultimately designed and applied is truly necessary to protect public morals.
- Finally, moral measures may also intersect with other legitimate public policy objectives, such as the
 protection of the environment, the protection of human life or health, or the promotion of the
 interests of minority communities.
- This case demonstrates the complexity of the legal issues that face the WTO dispute settlement system in such circumstances, and the tension between the objectives and the rationale for any discrimination.



Inevitable frictions come along with international standards—a time bomb for conflicts beyond the economic/trade sphere.

Threats in other spheres come up when consensus is not achieved.

Two Recent News:

♠ > News > Politics

US threatens to withhold intelligence from Britain over Huawei involvement in 5G network



Robert Strayer: 'It's not just the disruption, it's also about the insertion of vulnerabilities and the use of cyber-espionage' CREDIT ITUPICTURES

Huawei: US official warns 'no safe level' of involvement with tech giant



The US has warned that its intelligence sharing with other countries would have to be re-evaluated if those countries use Huawei to build their 5G networks.

Source:

https://www.telegraph.co.uk/politics/2019/04/29/us-threatens-withhold-intelligence-britain-huawei-involvement/https://www.bbc.com/news/uk-48098362

The US has threatened to withhold intelligence from Britain if it allows Chinese technology giant Huawei to help build its 5G network. Robert Strayer, deputy assistant secretary for cyber at the US state department, said America will be forced to "reassess" its intelligence-sharing relationship with the UK. He warned that the Chinese state could order Huawei to "undermine network security, to skim personal information, distribute cyber attacks and disrupt critical infrastructure".

The US has warned that its intelligence sharing with other countries would have to be re-evaluated if those countries use Huawei to build their 5G networks. Senior US official Rob Strayer said any such role for the firm posed an "unacceptable risk" to security.

Debate Case Studies

EC-Seal Products Case Study: The Tension between Public Morals and International Trade Agreements

The EC-Seal Products dispute raises fundamental questions about the relationship between public morals and international trade. Can WTO members impose trade restrictions based on moral or ethical concerns? Under what conditions can these concerns trump existing trade liberalization commitments?

Uneven legalization of non-trade concerns in the WTO

The paper shows that legalization is strong for intellectual property rights, moderate for public health and environmental matters and weak for labour issues. It is argued that legalization is uneven because of members' (divergent) preferences regarding the regulation of non-trade concerns and because of certain institutional aspects of the WTO. The paper shows that it cannot be assumed that the WTO is a highly legalized trade regime, implying an even legalization across issue areas.

Gstöhl, S. (2010). Blurring regime boundaries: Uneven legalization of non-trade concerns in the WTO. *Journal of International Trade Law & Policy*, 9(3), 275-296. doi:http://dx.doi.org/10.1108/14770021011075518

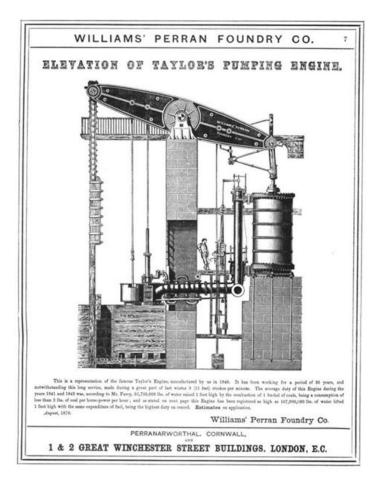
Garment labor

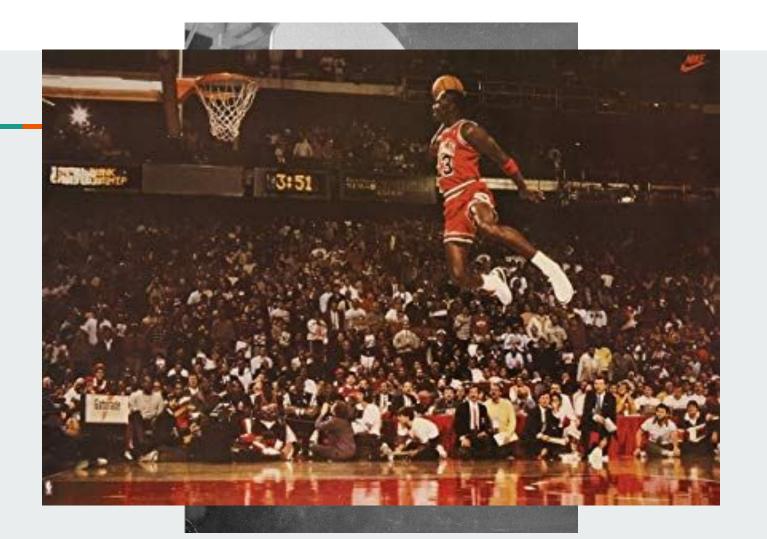
- In response to one 1993 US Senate proposal to ban imports from countries with child sweatshop labor, a factory in Bangladesh laid of 50,000 workers, and, according to Oxfam, many of them turned to prostitution as the only other viable form of employment
- Kathy Lee Gifford was publicly criticized in the US for her exploitation of children in Honduran sweatshop workers. She paid her workers 31 cents/hour, which at 10 hours a day yielded \$3.10 in wages. Nearly a quarter of Hondurans earn less than \$1 per day and nearly half earn less than \$2 per day. We get so caught up in this \$3.10 per day because we're comparing to US alternatives, not Honduran alternatives.

Closing Statement

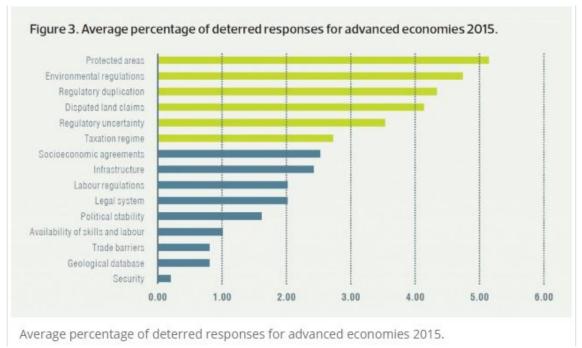
Lean's Engine Reporter

• Increased the speed of innovation





Australasian Institute of Metallurgy and Mining



Unmasking the Pollution Haven Effect, Arik Levenson and M. Scott Taylor, Int'l Economic Review, Feb 2008

Not only are the estimated effects of pollution costs on net imports positive and statistically significant, they are economically significant too. For each country group studied, for the sectors whose PACs increased most, the increase in net imports due to increased pollution costs represents a considerable fraction of the increase in total trade volumes over the period.

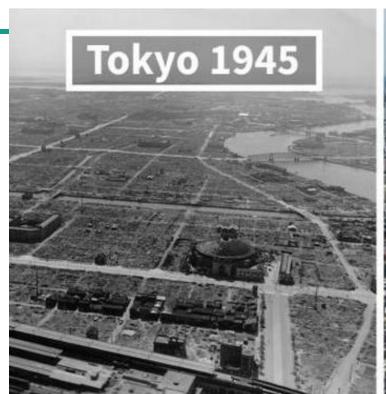
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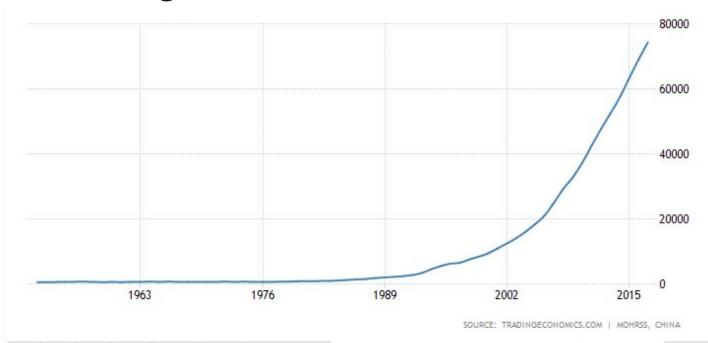








Chinese Wages



Thank you!