Linking Child Labour with International Trade: Recent Developments And Their Implications

By

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September 1997

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Abstract

In recent years, child labour has become increasingly linked to important global economic forces such as international trade. In the context of unilateral, regional, and multilateral trade policies, there have been discussions about subjecting products made with child labour to trade penalties and sanctions. These proposals have generated much controversy and concern. This paper aims at providing a comprehensive understanding of recent developments in the trade and child labour linkage within the broader framework of the labour standards and trade debate. It also assesses the validity and effectiveness of using trade-related measures to address the problem of child labour by presenting the arguments for and against this linkage and by analysing the available evidence in this regard.

1. Introduction

Child labour is a multi-faceted issue that has been much discussed at both the national and international levels. During the post-World War II period, international discussions on child labour have been mainly in the context of the United Nations (UN) Convention on the Rights of the Child and the International Labour Organization's (ILO's) Minimum Age Convention Number 138, which are the two main existing international instruments on child labour. In addition, several other conventions, world summits, conferences, and declarations have also addressed the issue of child labour in its many complex dimensions. At the national level, child labour has been addressed in many countries through domestic legislation and constitutional provisions protecting children from exploitation, and through domestic programmes and policies.

Until recently, there was a fairly even interplay between national and international forces in creating awareness about and shaping domestic and international initiatives to combat child labour. However, during the past decade, international forces have assumed an increasingly important role in this respect. Child labour has become increasingly linked with major forces of globalization, including international trade and foreign investment. It has featured importantly in national, regional, and multilateral discussions in these areas.

The linking of child labour to international trade is significant since trade is one of the most dynamic and rapidly expanding forces shaping the world today. This linkage refers to the imposition of tariff penalties, nontariff barriers, and outright sanctions on traded products made with child labour. The issue has been a highly contentious one between developed and developing countries and has generated

considerable concern in developing countries such as India, Nepal, and Bangladesh where child labour is not only widespread but also features prominently in important export sector industries such as carpets, gems, and textiles. As a result, there have been extensive discussions on the underlying motivations for linking child labour and trade and the economic and social implications.

The debate on child labour and trade forms part of the larger debate on the harmonization of labour standards and the integration of social standards into international trade arrangements. The latter issue gained prominence during the Uruguay Round of multilateral trade negotiations when several industrialized countries strongly advocated the inclusion of a social clause, i.e., a set of basic labour rights in the final Uruguay Round agreement. It was argued that all countries, irrespective of their stage of economic development, needed to comply with a set of minimum working conditions, failing which their exports could be penalized by higher tariffs, nontariff barriers, or outright sanctions. Freedom from child labour and minimum age for employment were among the set of minimum working conditions and labour rights included in the social clause.[1]

The child labour and international trade linkage also featured prominently in the context of several unilateral and regional trade agreements during the 1980s and 1990s. These included, among others, the Child Labour Deterrence Act of 1992 in the United States (US); the side agreement on labour standards in the North American Free Trade Area (NAFTA) of 1994, and the renewed Generalised System of Preferences (GSP) in 1984. In all these cases, trade preferences and treatment was

made conditional on compliance with specified labour standards, including the non-exploitation of child labour.

It is understandable that globalization of the world economy has led to an increased role for international forces in the domestic economy. However, the impact of global forces such as trade in sensitive domestic areas like child labour, needs to be better understood. There is need for objective discussion of the economic and noneconomic ramifications, the motivating factors, and the future prospects. This paper attempts to shed light on all these aspects of the child labour and trade debate. The objective is twofold; firstly, to realize a comprehensive understanding of recent developments in the trade and child labour linkage within the framework of the trade and labour standards debate; and secondly, to assess the validity and effectiveness of using trade-related measures to address a complex socio-economic problem such as child labour.

Section 2 of the paper provides an overview of recent developments in the child labour and trade linkage, with references to key cases. Section 3 presents the economic, social, practical, and ethical arguments for and against this linkage. Section 4 discusses evidence from cases where the linking of child labour and international trade has already had a visible impact. The evidence is used to demonstrate the validity of the arguments presented in the preceding section. The concluding section of the paper discusses some of the fundamental issues that need to be resolved in the international debate on trade and child labour and the likely course of future developments in this area.

2. Overview of Developments in Trade and Child Labour

As noted earlier, the emergence of the child labour and international trade linkage has to be understood in the context of the broader debate on labour standards and trade or "social dumping". The term "social dumping" refers to the sale of products in foreign markets at below "normal prices", (below what would constitute normal production costs given a country's technology, resource endowments, and market conditions), due to low wages and production costs that result from poor labour standards and failure to enforce basic labour rights.

The concern over fair labour standards and social dumping is not recent. It dates back to 1919 to the formulation of the ILO's constitution which declared a goal of ensuring workers' a share in the fruits of economic progress. It is also captured in the US Fair Labour Standards Act of 1938 which prohibited commerce in products using child labour, and in the Havana Charter of 1947 (never adopted) which called upon members of the international community to avoid unfair labour conditions in international trade and to maintain fair competition in mutual trade by complying with certain social rules and standards. The labour standards and trade issue also featured during discussions on the formation of the European Community and the harmonization of social standards across its member countries.

However, in all these cases, the trade and labour standards linkage was treated at a rather general and conceptual level. No specific trade-related measures were introduced or advocated to enforce labour standards, including standards relating to child labour. Furthermore, the main multilateral trade arrangement, the General Agreement on Tariffs and Trade (GATT), referred to social dumping only in the case

of products made with prison labour, under Article 20. It subjected such products to import restrictions. In all other respects, labour standards remained outside the GATT's purview as trade policy was treated as a tool of economic rather than social development.[2]

Since the 1980s, concrete trade policy measures have been increasingly introduced to deal with violations of labour standards, including standards pertaining to child labour. The Caribbean Basin Economic Recovery Act which extends duty free status in the US to selected exports from Caribbean countries, was amended in 1990 to make trade and aid benefits conditional upon the protection of worker rights in the exporting countries. Included in the clause on worker rights was prohibition of child labour in products exported to the US by these countries. Similarly, the original Generalized System of Preferences (GSP) Act of 1974 whereby industrialized countries like the US, EU, and Japan granted duty free treatment on all but the most sensitive products to selected developing countries, was amended at the time of its extension in 1984 to include social goals. One of these goals was to "encourage developing countries to afford workers internationally recognized workers' rights" and not accord them their beneficiary rights if such conditions were not met.[3] Included among the workers' rights was minimum age of child employment and prohibition of child labour.

Concrete trade policy measures have also been introduced to deal with violations of labour standards in the context of several new and important trade legislations and agreements. One such case is the US Omnibus Trade and Competition Act of 1988. Section 301 of this Act introduced penalty duties and quotas for

violations of worker rights, including minimum age for employment of children.[4] Another important case is the North American Free Trade Agreement (NAFTA). This regional trade agreement signed by the US, Canada, and Mexico in 1992, set a precedent by formally introducing a supplemental accord on workers' rights into a trade agreement. This supplemental agreement allowed labour standards to be defined on the basis of the member countries' national laws, and allowed member countries to impose sanctions on each other if the exporting member country's domestic laws on health and safety, minimum wages, and child labour were violated. Specifically, the supplemental agreement made the use of child labour in regional exports subject to dispute procedures and possibly, trade sanctions.[5]

2.1 The Social Clause and the Uruguay Round [6]

It was, however, the social clause discussions during the Uruguay Round of negotiations, noted earlier, that set the most important precedent in the area of trade and labour standards, including standards relating to child labour. The idea underlying the social clause was to ensure that all countries engaged in international trade were complying with a minimum set of labour standards and that world trade did not grow at the expense of the socioeconomic rights of workers.[7] Countries violating these minimum labour standards would be penalised through higher tariffs or sanctions. Included among the conditions was that children below a specified minimum age were not to be engaged in production for exports. A positive incentive clause was also proposed whereby countries complying with the conditions would be granted preferential trade treatment.

In pushing for the social clause, the industrialized countries argued that despite cross-country differences in industrial conditions and income levels, certain basic ILO conventions on labour rights and working conditions could be adopted across all countries. Minimum labour standards across countries would create a level playing field, preempting unfair competition and possible unilateral protectionism to counter violations in labour standards. In this context, several industrialized countries called for GATT Article 20 to be changed to include a ban on products made with child and forced labour, and to negotiate the procedural aspects of such a ban.

The developed countries, chiefly the US and the EU, also proposed the enforcement of core labour standards through the World Trade Organization (WTO) rather than the ILO since the latter lacked enforcement capability. The WTO's operational role in this regard would be to use the threat of trade sanctions in cases of non-compliance and to review labour standards in member countries through periodic surveillance under its Trade Policy Review Mechanism and the work of its Committee on Labour Standards and Enforcement. If violations were identified, then the issue would be referred for dispute settlement procedures under the WTO. Sanctions would be used as a last resort, following consultations among the concerned parties, reviews, and opportunities to correct the violation.

The developing countries, however, strongly opposed the inclusion of a social clause in the WTO mandate and argued that the ILO alone had responsibility for protecting worker rights. Opponents also voiced concern that the social clause proposal was motivated by protectionism rather than genuine concern and aimed at depriving manufacturers in developing countries of their traditional comparative

advantage in labour-intensive production. The issue was so highly contentious that the GATT's top level trade negotiating committee failed to agree on a draft ministerial declaration and left the issue open for future discussions in the WTO. Thus, the entire labour standards and trade debate was pushed into the post-Uruguay Round agenda.

2.2 The US Child Labour Deterrence Act [8]

This act, more commonly known as the Harkin Bill was specifically directed at the use of child labour in international trade. It was first introduced in the US Senate in 1992 and later reintroduced in March 1993 to the US House of Representatives with some amendments. The Bill called for restrictions on US imports of industrial and mining products made wholly or in part by underaged labour. It also urged the US President to seek agreement with governments conducting trade with the US to ban international trade in such products.

The Harkin bill is noteworthy in that it laid down detailed procedures for identifying and punishing the use of child labour in exports to the US. It directed the US Secretary of Labour to compile and keep a list of foreign industries and host countries using children, defined as below the age of fifteen, in manufacturing and mining exports, based on information from the ILO and other credible international agencies. The determining factors in this identification process included whether the foreign country or industry was complying with the local laws on child labour; whether it used child labour in its exports; and whether it had been exporting child labour-intensive products to the US on a continuing basis. A product or industry qualified for identification if child labour was used in its fabrication, assembly or processing in

whole or part; if the product was mined, quarried, pumped, or extracted by one or more children; if there was involuntary servitude by children; and finally, if there was exposure to toxic substances or poor working conditions.

The bill made specific recommendations for enforcement and inspection procedures. The US Customs Service plus a list of independent professionals and international organizations in the exporting country were responsible for inspecting, certifying, and labeling export items. The exporter had the responsibility of contracting with these professionals and organizations to certify that the product was not made with child labour and to give it a protected trademark. Companies or countries found to be violating the law or using counterfeit versions of the protected labels could be subject to penalties. These included civil penalties of upto US $25,000, criminal penalties of upto US $35,000 and imprisonment of upto one year. An adjustment period would be granted to correct the violation, failing which the US Secretary of the Treasury could prohibit the product's entry into the US. The ban could be preempted if a US importer signed a certificate of origin stating that reasonable steps had been taken to ensure that products imported from identified industries were not made with child labour.

The Harkin bill was presented in the US Congress as a means to prevent manufacturers in the developing world from exploiting child labour and using the US market as a dumping ground for such products. It was advocated as a major piece of pro-development legislation, directed at promoting investment in the child and its future, raising productivity, and creating a healthy and educated workforce in the developing world. External pressure through trade-based threats was seen as an

effective means to direct attention to the problem of child labour and pressure governments into enforcing existing laws on child labour.

Like the social clause, the Harkin Bill has sparked a lot of concern in developing countries. The latter have questioned the true motivations underlying the bill and whether it would not actually worsen the condition of those it was trying to help. Several amendments were subsequently introduced to the Act to take account of these concerns and criticisms. However, momentum for the Bill in the US died following the fate of the social clause discussions in the Uruguay Round. To date, the Harkin Bill has not been adopted by the US Congress, although the possibility of its future reintroduction or similar legislation in the US and other developed countries remains a subject of concern in the developing world.

3. Views on Linking Trade and Child Labour

There have been extensive discussions on the validity and implications of linking trade with child labour. Arguments have been presented in support of and against the linkage. These arguments are either based on economic and political-economy grounds or on social and ethical grounds.

3.1 Arguments for linking trade and child labour

Support for the trade and child labour linkage rests on two main economic arguments. The first is the social dumping argument, namely, that the use of child labour in exports gives countries an unfair competitive advantage in trade allowing them to export at lower than normal prices. Trade sanctions and penalties are required

to offset this unfair advantage and simultaneously enforce internationally recognized labour rights to realize a uniform playing field in international trade.

The second supporting economic argument is based on a refutation of the common myth that poverty leads to child labour. Instead, in this view, it is child labour that perpetuates poverty by driving down economy-wide wages and thus contributing to adult unemployment and low standards of living. Since cheap or free child labour is often accompanied by widespread adult unemployment in many developing countries, endorsers of this view argue that trade sanctions and penalties on products made with child labour can be an effective means of replacing children with unemployed adult workers. This has the benefit of simultaneously addressing the problems of adult unemployment, low wages, poor working conditions, and poverty.

Furthermore, on political-economy grounds, proponents argue that an institutionalized multilateral mechanism to settle disputes and punish violations relating to child labour and other labour standards is ultimately in the interests of the developing countries. It can preempt unilateral protectionism against cheap labour-intensive exports from developing countries by providing multilaterally accepted guidelines and thus give developing countries a stronger voice in the multilateral trading system.

The advocates are also strongly guided by moral and ethical concerns. They argue that the issue is one of rights and not of economics, that non-exploitation of child labour and respect for children's rights are universally applicable principles, regardless of a country's stage of development. Therefore, if needed, external pressure must be used to break the cycle of exploitation, poverty, and child labour, to shape and

enforce legislation on child labour so as to alter "unethical" production behavior and introduce a "social conscience" into international trade transactions

3.2 Arguments against linking trade and child labour

Opponents of the trade and child labour linkage also argue on economic and social grounds. Their main economic argument is rooted in trade theory which says that commercial policy is not the first best tool to realize noneconomic objectives and that distortions in the domestic market including in the labour market, should be addressed through targeted domestic policy interventions such as taxes and subsidies. Hence, application of tariff penalties and sanctions to eliminate child labour in export production is not a Pareto-optimal policy.

Also, on economic grounds, opponents contend that demand for upward harmonization of standards as a precondition for free trade undermines the very basis of international trade which is comparative advantage and differences in costs. There is no economic basis for using trade sanctions against developing country exporters solely because they export at low prices due to cheap labour that results from factors related to their level of economic and social development. Such action only deprives developing countries of their comparative advantage in labour-intensive production without addressing the root causes that in the first place create the structural distortions in the labour market, including the use of child labour. It also leads to a loss in jobs, output, and foreign exchange earnings, hurts workers in the exporting countries, and aggravates poverty and poor labour standards. Instead, better access to international markets can lead to an improvement in labour conditions and higher

wages.[9] Hence, the use of social clauses or measures like the Harkin bill to correct distortions in comparative advantage is akin to the old pauper labour argument that gainful trade with low wage countries is harmful.

These economic arguments are bolstered by the widely held belief that the industrialized countries are motivated by protectionist interests rather than welfare concerns in proposing the trade and child labour linkage. In this view, the Harkin Bill and the social clause are tools to introduce backdoor non-tariff protection at a time when traditional modes of protection are being reduced and made more transparent, and when many developed countries are facing large trade deficits, persistent high unemployment, and severe competition in sensitive manufacturing sectors. References made to the use of "systematic labour repression" in developing countries to "break into US markets" and to "eliminate the competitive advantage" of the US's basic industries, during the Harkin Bill discussions, indicate that there may be some basis to the protectionism argument.[10]

Critics also voice concern that the linking of trade with sensitive issues such as child labour could set a precedent for interference by third countries in internal matters and result in loss of their sovereignty. They also fear losing their voice within multilateral institutions such as the WTO arguing that the inclusion of a social clause could encourage absolutism in all kinds of standards, externalize the process of standard setting, and tilt the balance of power within the WTO towards the developed countries.

Strong arguments have also been presented against linking trade and child labour on social grounds. In this view, the threat of sanctions would only lead to the

abrupt dismissal of child workers from export production, forcing them onto the streets or to enter the informal sector where they may be more vulnerable and difficult to monitor, and depriving them of their means of survival without providing any alternative means of livelihood or rehabilitation. Thus, trade-related measures cannot by themselves ensure improved welfare and increased school participation for these children.

Opponents also point to practical targeting problems with using trade-based measures to combat child labour. These measures cannot reach the majority of child workers in most developing countries who work in agriculture, family owned businesses, the unorganized sector, domestic service, and other hidden areas where no exports are involved. This raises doubts about the effectiveness of commercial policy in this area. An additional targeting issue concerns identification of the industries to which trade measures are to be applied. In an increasingly globalized world economy where production is spread out over many locations, it is often difficult to track down the consumer or goods to their origin. This not only increases the possibilities for mistargeting of industries but also for unequal or unfair treatment of different countries and singling out of the child labour issue to penalize certain countries for other politically motivated reasons.

Thus, on economic, social, humanitarian, and practical grounds, critics argue that trade is an ineffective and blunt policy instrument. It treats the symptom and not the root of the problem of child labour.

4. Evidence of the Impact

There is some evidence to indicate the likely impact of trade-based measures or the mere threat of such measures. Evidence from two cases is presented in this section. The common feature of both these cases is that trade-based pressures are instrumental in generating the initial momentum against the use of child labour in the exporting country. However, in both cases, the evidence clearly indicates that trade policy alone is ineffective and when applied in a simplistic manner, can even be counterproductive. To be effective, it needs to be accompanied by well thought out, comprehensive, and gradual approaches to rehabilitation and prevention of child labour.

4.1 The Bangladesh garment industry and the Harkin Bill

The Bangladesh garment industry is one of the key modern, formal sector industries in Bangladesh. It is also the most important source of foreign exchange earnings for the country, with sales of $1.4 billion in 1993 and 50 percent of the earnings coming from trade with the US alone. The industry is highly dependent on child labour. In 1992, there were 1,500 garment exporting factories in Bangladesh, employing more than 750,000 workers, of which over 10 percent were children below fourteen years of age.[11] Given the importance of the industry in the domestic economy and the large numbers of child workers engaged in its production, it was an ideal target for measures such as the Harkin Bill.

Following the introduction of the Harkin bill in the US Congress in 1992, there was considerable concern among labour activists, the government, and garment manufacturers in Bangladesh about the bill's implications for the domestic industry. In

January 1993, fearing sanctions on garments exports, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) with support from the government, engaged in massive dismissals of child workers from the industry, threatening to fine units that continued to use child labour. The intent was to divest the industry of underaged workers in line with the Bangladesh Factories Act and to dismiss all child workers from the industry by October 1994. According to BGMEA estimates, some 55,000 children were dismissed in this process.

While the threat of the Harkin Bill led to an immediate reduction in child labour in the garment industry, evidence indicates that it was ineffective in addressing the wider problem of child labour in the country. An ILO study on the Bangladesh experience found that the abrupt dismissal of child workers forced most of the children into destitution and into less secure, less paid, and often more hazardous jobs. Most of the children ended up in domestic service, flower selling, and prostitution, as family circumstances forced them back again into employment. Many of the dismissed children could not even be traced later. None of the former child workers returned to school. The study also found that children in domestic work or in these other occupations were generally worse off than child garment workers in terms of pay, nutrition, safety, and work environment. Thus the dismissal had a negative impact on the welfare of the very children it intended to help. This was also reflected in a public petition signed by the child garment workers pleading for more humane alternatives and against their dismissal.[12]

Recognizing the failure of this method, the BGMEA in conjunction with two large NGOS agreed to a joint programme to provide basic education to the younger

child workers and a combination of training and limited work to the older children. Large multinationals such as Levi Strauss worked with NGOs and garment manufacturers using child labour to remove the children from the factories and provide them with education and other services, while guaranteeing them continued wages and benefits during this period and redeployment at the age of fourteen. The employers pledged to rehire all the dismissed children provided they had received a minimum level of basic education and were of legal age for employment. The BGMEA also initiated discussions with the Asian American Free Labour Institute on ways to reduce incentives for sending children to work, to provide alternative schooling to child workers, improve the work environment for children employed in factories, and raise adult salaries.[13] Thus, the original scheme of large scale dismissals evolved into one with a focus on rehabilitation, prevention, and providing suitable alternatives to the children.

The Bangladesh experience with child labour in the garment industry validates the point made by critics that trade policy is a simplistic tool that will only push child labour out of the export sector and into other areas of the economy. It indicates that child labour cannot be treated in a narrow way as simply a violation of labour standards and one-dimensional approaches may only aggravate matters. It also demonstrates that the fear of losing export markets may cause developing countries to rush into hasty solutions that could hurt the child's welfare. Viable economic, educational, social, and cultural alternatives to child labour must be developed within the country.

4.2 The Rugmark initiative and the carpet industry [14]

The Indian hand-knotted carpet industry makes intensive use of child labour, employing some estimated 300,000 children. Private sources put the share of child labour at over 80 percent in the industry's total labour force of some half a million, including a substantial body of bonded child labour. The industry is a major source of foreign exchange earnings, with sales of over $200 million per year and some ninety five percent of its exports going to the US and Germany.[15] Thus, like the Bangladeshi garment industry, it was also an ideal target for trade pressures.

The Harkin bill as well as media exposure in Europe on child use in the carpet industry, and public campaigns in many developed countries to boycott imports of such carpets have had a significant impact on the Indian carpet industry. One major step has been the patenting of the RUGMARK label in December 1995 following efforts by the South Asian Association against Child Servitude (SAACS), the Carpet Export Promotion Council (CEPC) of India, UNICEF-India, and the Indo-German Export Promotion Programm[e.16] The Rugmark label is an internationally accepted trademark like the Agmark or Woolmark. It guarantees that a carpet is made without child labour. A Rugmark-India Foundation has also been established to supervise the process of approving and granting the label.

The Rugmark label involves a detailed monitoring and certification procedure. Certification is done by an independent body of representatives and consists of three parts. It includes a license approval system whereby bonafide carpet exporters, dealers, or manufacturers who wish to register with the Rugmark Foundation must commit to

not using child labour in their production, register with the CEPC, and provide information on all their looms, contracts, production units etc. to the Foundation.

The second part of the process involves periodic inspections by the Foundation to ensure that production is indeed child-labour free. There are surprise visits to 35 percent of the exporters' loom sites. If no child labour is found, then the license is granted. If violations are identified, then an adjustment period is granted to replace the child worker with an adult. If child workers are identified again in a subsequent surprise check, then the license is rejected.

The third part of the certification process involves the actual granting of the Rugmark label. When an exporter receives an order, he is obliged to provide all information related to that order to the Rugmark Foundation. There is an elaborate tracking system whereby each carpet manufactured on a registered loom is given a four digit number to specify its origin, and identify its loom and loom owner. This information is entered into a data base. Finally, when the carpet is ready for overseas shipment, the Rugmark Foundation provides a unique numbered label to the exporter.

Tables 1 and 2 indicate that the Rugmark initiative has made significant progress in a short time. As of June 30, 1996, some 15 percent of all registered carpet looms were covered by the Rugmark license and over 250,000 carpets had been exported with the Rugmark label. This scheme represents a major step towards ensuring that carpet makers do not use children while still enabling them to export, raise adult employment, preserve the export industry, and earn foreign exchange. Positive steps have also been taken by the importers in developed countries, despite some initial resistance. The German government for instance, has endorsed

RUGMARK and several of the country's important rug dealers have agreed to handle RUGMARK labeled carpets exclusively.

What has made the Rugmark initiative effective is that it is not a hasty, one-dimensional response to the threat of trade sanctions. Although there are difficulties in inspection in the carpet industry due to the diversity of production systems and the scattered distribution of the production units, there are many cross-checks in the Rugmark certification process to ensure credibility. The periodic and surprise checks ensure that there is no reversal to the use of child labour by the licensed producers. Efforts are made through the database and tracking process to prevent registering exporters to subcontract out to other loom owners.

The Rugmark initiative has also been effective because it moves beyond the identification and replacement of child workers to rehabilitate these children. SAACS runs a program for rehabilitating and preventing child labour through education, training, and awareness raising campaigns in the carpet belt of the country. As and when children are located in carpet production, field staff trained in child care, education, and rehabilitation are informed. The children are returned to their families, placed in schools, and entrusted to the care of trained personnel who make sure that they receive all necessary facilities. The cost of rehabilitation is financed by a contribution of 1 percent of the import cost by the importers of the labeled carpets.

5. Future Prospects of the Trade and Child Labour Linkage

The preceding discussion illustrates clearly that trade-related pressures from importing countries can be influential in shaping awareness and evoking private and

public response to the problem of child labour. However, this response must be given proper shape and direction through a combination of efforts by governmental, nongovernmental, and international organizations so that the underlying factors contributing to the problem of child labour are addressed and not merely the appearance of the problem. Moreover, in order to be effective and acceptable, these measures must be effected in a transparent, non-projectionist, non-opportunistic, and gradual manner, through dialogue and cooperation that gives countries time to adjust and take necessary steps.

The future of the trade and child labour debate is linked to the future of the trade and labour standards debate. In this broader context, several fundamental issues need to be resolved. First, one needs to agree on whether goals of social justice and fair competition necessarily require a code of minimum working standards that are linked to international trade agreements. This requires an understanding of how economic ties among countries, each with its own set of rules and practices on trade and production, affect the lives of workers. One needs to ask if unfettered markets can lead to sustained and equitable economic growth and social progress or if markets need to be restrained and channeled in certain directions for economic activities to serve people's interests.

Next one needs to resolve what constitute basic labour standards and who has the responsibility for enforcing these standards. There is a strong feeling that issues such as the exploitation of children at work, or forced labour merit mention in this core of standards as they are some of the most worrying human rights violations. Are the core set of ILO conventions necessarily the standards that all nations must adhere to?

What conditions would ensure an equitable distribution of benefits from the liberalization of international trade? Should the ILO continue with the primary responsibility of monitoring compliance with these standards. Should its mandate be extended to the domain of international trade, or should there be an alternative institution with greater surveillance and enforcement capabilities?

Finally, one must resolve the procedural aspects of the trade and labour standards linkage. This requires consensus in difficult areas such as the definition of social dumping, enforcement of standards, identification of violations, concepts of injury and of normal versus artificial prices. Should trade policy be used as a positive or negative incentive, i.e., should penalties be imposed for non-compliance or should preferential treatment be granted for compliance?

It is unlikely that these fundamental issues will be resolved easily. As more countries at different stages of economic, political, and social development integrate themselves with the world economy and as traditionally protected sectors such as textiles and agriculture are brought under multilateral trading rules and disciplines, the social dimensions of trade are likely to get increased prominence. The post-Uruguay Round agenda has clearly left open the possibility for the WTO to conduct ongoing work on the economic relationship between trade and international labour standards. The trade agenda of the 21st century should see a lively debate on this issue within which child labour will feature prominently.

As concerns India, certain child labour-intensive export-oriented industries or activities stand to be affected by the linking of trade and child labour. These include the hand-knotted carpets industry, the gem polishing industry, the leather and footwear

industry, the brassware industry, and other low-technology labour-intensive traditional industries.[17] With the growing importance of trade in the Indian economy following liberalization and with India's efforts to integrate its economy with that of more advanced countries such as in the context of ASEAN or the Indian Ocean Rim Initiative, the child labour and trade issue is bound to become increasingly important for the country's policymakers. In anticipation of these challenges, the Indian government must remain actively involved in all international and regional discussions on the subject and implement necessary domestic legislation and programmes to combat the problem of child labour.

RUGMARK INDIA: FACTS AND FIGURES

Table 1. Carpet Industry in India, January 1996
(All figures approximate)

Number of looms registered by the CEPC (Carpet Export Promotion Council)	90,000
Number of carpet exporters	2,700
Number of weavers	1,500,000
Number of children in carpet production	
Official estimate	100,000-150,000
Estimate of NGOs	300,000

Source: International Labour Rights Education and Research Fund (October 1996). Rugmark After One Year, ILREF report, Washington, DC.

Table 2. RUGMARK INDIA's Development and Progress, June 30, 1996

Looms under RUGMARK	13,579
Looms inspected by RUGMARK	7,535
Carpet exporters with RUGMARK	231
Licensees	92
Applicants for a license	139
Looms with illegal child labour, detected by RUGMARK	408
Child labour found by RUGMARK in total, including permitted family based child labour	703
Looms with licenses withdrawn	164
Number of carpets exported with RUGMARK label	250,486

Source: International Labour Rights Education and Research Fund (October 1996). Rugmark after one Year, ILREF report, Washington, DC.

Notes

[1] The set of minimum labour rights included in the social clause is based on core ILO conventions. In addition to the progressive elimination of child labour, it includes freedom of association and the right to organize and bargain collectively; freedom from discrimination including equal remuneration for males and females; abolition of forced labour; and acceptable working conditions with respect to minimum wages, working hours, and health and safety. See ILO (November 1996).

[2] See, Centre for Education and Communication (March 1995) for a discussion on precedents to the trade and labour linkage.

[3] Since 1984, labour unions in the developed countries have lobbied to remove countries that deny internationally recognized worker rights from their list of GSP beneficiaries. Several cases have been brought up in GSP hearings including those of Chile, Paraguay, Nicaragua, and the Philippines, and for some countries like Nicaragua, Paraguay, and Romania, GSP benefits have been withdrawn or suspended. See Centre for Education and Communication (March 1995).

[4] Conditionalities with regard to labour standards have also been applied to foreign investment. The US Overseas Private Investment Corporation Amendment Act of 1985 states that US private capital and skills should benefit the economic and social development of less developed countries. Accordingly, a US corporation can insure, reinsure, guarantee, and finance projects only if the country where the project is undertaken takes steps to adopt and implement laws that implement internationally recognized worker rights. The aim is to make multinational companies more accountable for their production practices and to subject them to some code of business standards, including ensuring that they do not use child labour in their overseas operations.

[5] Anderson (January 1995).

[6] Discussion of the social clause is based on Anderson (January 1995), ILO (November 1994), and Centre for Education and Communication (March 1995).

[7] Even as early as the 1960s, the US had tried to raise the issue of fair labour standards in the Tokyo Round of multilateral trade negotiations and to seek an agreement on labour standards. In 1980, the US tried to advance the labour standards and trade linkage issue in the ILO by asking the latter to study if there was a basic set of minimum international labour standards that could be applied to all countries. In 1994, the developed countries pushed for endorsement of the social clause at the ILO's International Labour Conference in 1994.

[8] Discussion of the Harkin bill is based on Study Circle, Bangalore (April 1994), Centre for Education and Communication (March 1995), and report of the US Department of Labour (July 1994 and July 1995).

[9] These arguments are based on the Heckscher-Ohlin and Factor Price Equalization theorems in international trade theory.

[10] Centre for Education and Communication (March 1995).

[11] Boyden and Myers (February 1995).

[12] Study Circle, Bangalore (April 1994).

[13] US Department of Labour (July 1994).

[14] Discussion of the Rugmark initiative is based on International Labour Rights Education and Research Fund (October 1996).

[15] International Labour Rights Education and Research Fund (October 1996).

[16] SAACS is a coalition of like-minded NGOS in Bangladesh, Pakistan, India, Nepal, and Sri Lanka which was formed in 1989. Currently, the association consists of more than 250 organizations across the five countries.

[17] See report of the Study Circle, Bangalore (April 1994) and Centre for Education and Communication (March 1995) for details on specific export-oriented industries.

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