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Fact Sheet #3:

CHILE AND SINGAPORE AGREEMENTS' LABOR PROVISIONS FALL SHORT OF PREVIOUS TRADE DEALS AND CONGRESSIONAL NEGOTIATING OBJECTIVES

At first glance, the labor chapters of the Chile and Singapore agreements look very comprehensive. A closer look reveals that **only one workers' rights provision is actually subject to dispute settlement** – the obligation that a country enforce its labor laws, no matter how inadequate those laws may be.

All of the other Jordan FTA labor commitments that Congress directed USTR to put in future agreements, including commitments to the ILO core labor standards and a commitment not to waive domestic labor laws, are excluded from dispute settlement and thus completely unenforceable. **This means a country can gut or simply get rid of their labor laws in order to gain a trade or investment advantage and face no consequences whatsoever.** Even for the one obligation that can be brought to dispute settlement, the remedies available for violations are far weaker than the remedies available for commercial disputes.

The agreements retreat from the Jordan FTA, which allowed every labor obligation, including commitments to meet the ILO core labor standards, to be taken to dispute resolution. In addition, under the Jordan FTA, the exact same dispute settlement rules and remedies were available for labor, environmental, and commercial disputes.

The agreements are weaker than our GSP system, which currently applies to Chile. Under GSP rules, we can scrutinize whether or not a country's labor laws actually comply with international standards, not just whether inadequate laws are being enforced. In addition, the GSP program contains an individual petition procedure that allows workers to participate in the GSP process. Though the GSP rules need to be improved, no petition procedure at all is available in the Chile and Singapore agreements.

The agreements violate Congressional negotiating objectives. Congress instructed our negotiators to seek provisions in trade agreements that "treat United States principal negotiating objectives equally," with equivalent dispute settlement procedures and equivalent remedies for all disputes. The agreements' labor and environmental enforcement provisions are dramatically weaker than their enforcement procedures and remedies for commercial disputes:

- For commercial disputes, sanctions are supposed to be equivalent to the harm caused by the violation being remedied. For labor disputes, on the other hand, fines are capped at an absolute level no matter how much harm labor rights violations have caused. **The cap on fines in labor disputes – $15 million – is so low that it could never deter violators of workers' rights.** As a percentage of total bilateral trade volume in 2002, the cap is less than 0.24% of our trade with Chile and less than 0.05% of our trade with Singapore.

- **Not only are the fines much lower for labor disputes, but any possibility of trade sanctions is much lower as well.** In commercial disputes, a party can suspend the full original amount of trade

benefits if a fine of half that amount is not paid. In a labor dispute, the sanctions a party can impose if a fine is not paid is limited to the value of the fine itself, or $15 million.

- **Even small fines will be spent to reward rather than punish violators.** In commercial disputes it is presumed that fines will be paid out by the violating party to the complaining party, unless a panel decides otherwise. Yet for labor disputes, a fine is automatically paid into a fund to improve labor law administration in the violating country, thus compensating the violator for its failure to effectively enforce its own laws. There is nothing to prevent a violator from simply shifting part of its prior budgeting out of labor enforcement to compensate for the fine, and thus no assurance that the fine will provide additional money for enforcement. Whether money will actually be spent on enforcement, rather than the kinds of conferences and seminars that have failed to improve workers' rights under the NAFTA labor side agreement, is also not addressed.

- The AFL-CIO believes in the importance of financial assistance to help countries improve labor rights, but the promises of assistance that the U.S. made to Chile and Singapore will be very difficult to fulfill if the President's request to **slash funds for international labor rights activities from $148 million to $12 million** goes through. Even if adequate funding is provided for this assistance, it is no substitute for the availability of effective enforcement mechanisms in cases where governments refuse to respect workers' rights in order gain economic or political advantage. In commercial disputes, the deterrent effect of punitive sanctions is clearly recognized. USTR ignored Congress's direction to provide sanctions with an equivalent deterrent effect in labor disputes.

The labor provisions in the Chile and Singapore FTAs are woefully inadequate. They fall short of the Jordan FTA and GSP. They also clearly fall short of Congressional negotiating objectives. They will be extremely difficult to enforce with any efficacy, and any fines that are imposed will be inadequate to actually remedy or deter violations of workers' rights.

The Chile and Singapore agreements must be rejected. **As USTR plans to expand the Chile and Singapore model to countries with egregious workers' rights records in Central America and elsewhere, Congress must send a strong signal that the labor provisions of the Chile and Singapore FTAs are completely unacceptable.**