

Sustaining Free Trade: Addressing Its Opposition

Having practiced architecture for the last seven years in both small and large firms in both the US and the Middle East, the readings about the role of workers in development shed a new light on my perception of my own work experience, and allowed me to question and analyze the various firm structures I had been a part of. During class discussion on October 18, Patricia, Adriana and I each discussed our different exposures to the role of workers in our jobs. While my anecdote presented a negative outlook on the power of workers, Adriana's experience with chemical plants workers was very positive; while Patricia's was moderate¹. The discussion raised a number of questions for me: Why were some workers able to succeed in achieving their goals while others were not? What role do incentives and policies play in creating an efficient working environment in which both the owner and the worker benefit?

Throughout my work experience, whether in the US or in Kuwait, in large or small firms, the managers/ owners made all decisions autonomously and passed them on to the employees. Therefore, Stiglitz's argument that "changes cannot be 'ordered' or forced from the outside," and that "change has to come from within" both compelled me and surprised me (Stiglitz, 2000). Stiglitz's argument makes sense: workers are in fact at the center of development, and their satisfaction directly impacts productivity. The article "Help Wanted" even provides a great case example in China where factories are struggling to find workers because of their low wages and standards (Yardley & Barboza, 2005). What I find surprising though is, if workers are at the center, why had no firm I worked for applied a more collaborative system? Another question the reading raised for me is about the role of democracy

¹ I spoke about the difficulty I faced while working for a small firm in Kuwait where during employees meetings I and another female co-worker were always marginalized. The rest of the workers always remained silent about their concerns in fear of being fired. I was eventually pushed to quit. Adriana had a positive experience with workers organizing themselves to achieve safety, while Patricia felt that in her experience, while the managers were very cooperative, the workers were not.

in development. Stiglitz argues that economic democracy is vital in achieving democracy within the workplace. But in countries where the basic foundation of democracy is lacking, such as in Kuwait, how can such methods be applied in the work place?

The question of democracy is raised in the article “India Hopes for Growth in Textile Exports.” (Rai, 2004). What surprised me in this article is that there was a quota implemented on India’s and China’s textile production in order to minimize foreign competition in the US. Such policies stand in contradiction to the notion of democracy, and portray the power the US has on the production of development countries. The Indian government even collaborated with the US by providing incentives to the producers that discouraged mass production in order to maintain its trade relations with the US. Such policies and international rules set the framework for Rodrik’s article, “Has Globalization Gone Too Far?”

Rodrik argues that International labor policies cannot be effective without taking the local culture into account and imposing appropriate domestic policies (Rodrik, 1997). While his argument has much merit, what I find most surprising is the extent to which this argument is taken by the WTO. I am surprised to find out that banning trade child labor manufactured items is in conflict with the WTO’s rules! While it is true that each local culture differs in what it considers acceptable or not, shouldn’t there be a universal human rights initiative for children? Even if we answer yes to this question, it still raises the question of the extent to which the WTO has the right to interfere in the local government of places.

The role of the WTO in international policies is further explored in the article “Like Japan in the 1980’s, China Poses Big Economic Challenge.” (Bradsher, 2004). What I find most interesting in this article is the role of world politics in WTO’s rules decisions. China charges 17% tax on imported computer chips as opposed to only 3% on locally produced chips. American companies are calling upon the WTO to interfere in such policy, for they stand against the notion of free trade, however,

Washington is hesitant to make a move for fear of losing China as a political ally. Since China is a nuclear power, the US looks to it for help in standing against North Korea and Pakistan, and therefore is very careful in forcing China to adhere to certain policies. This dynamic introduces a new element to the discussion of labor policies: that of the relationship between political interests, power, and trade laws. This brings me to the question: What solutions can be provided to assure the benefits of both the developing and developed world without sacrificing one's right over the other?

A Slap on the Hand, a Lecture, and an Award

What struck me in Robert Pires' paper is the significance of rise of productivity of the labor inspectors in Brazil between 1996 and 2006 (Pires, 2007). While in 1996, 2,774 inspectors reached 15,955,168 workers; in 2006 one hundred more inspectors were able to reach double the amount of workers. This information sheds light on the urgent need for effective methods that not only encourage workers' participation and managerial collaboration, but also, planning policies that allow the inspectors themselves to be more efficient in enforcing labor standards. By having more discretion themselves, the inspectors were able to negotiate between coerciveness and education in implementing labor laws, became more flexible with the workers, and thus were successful in bringing the firms to comply with labor standards. An example of this success is evident in the fire works factory and the auto parts factory². Another point that I find intriguing in Pires paper is the use of contradicting methods by the inspectors, for not only did the inspectors take it upon themselves to enforce labor standards in the factories, they also played the role of lawyers to get judges to support the workers' cases³. By taking on the duty of policing, teaching, and defending all at the same time, the inspectors were able to be most effective in implementing labor standards.

² In the auto parts industry accidents were reduced by 66% from 2001 to 2003 (p.22), while in the fireworks factories, they got 90% of the firms to sign a compliance schedule (p.33).

³ Pires, page 43. The inspectors prepared legal documentations and photos in order to reverse the judges' decisions in favor of the inspectors.

The ways in which the inspectors in Brazil shifted between being enforcers and lawyers is strikingly similar to the role of the labor inspectors in the case of the Dominican Republic in Andrew Schrank's article (Schrank, 2007). Both the inspectors in the DR and Brazil used the law to further succeed in enforcing labor code. However, while the inspectors in Brazil were not formally trained in the judicial systems, the inspectors in the DR were trained as lawyers. Also, while the Brazilian inspectors practiced coerciveness along with incentives, the Dominican inspectors did not use coerciveness. Interestingly enough, regardless of the varying differences in their tactics, both countries were able to achieve considerable improvement in the implementation of their labor laws. This tells us that "there is no magic formula"⁴ for code enforcement, but rather an intersection of factors that are specific to the local level.

Fear of Infamy, Additional Cost, and Loss

What I find most interesting about the Brazil case study in the Damiani article is the way in which the irrigation technology served as the catalyst for the change in labor conditions and the strengthening of the workers' union (Damiani, 2003). New irrigation systems demanded an increase not just of workers' supply, but also of workers' skills. Since the farmers could not afford to reduce the quality of the exported produce to the international market, they realized the urge to invest in training their workers, and at the same provide them with incentives to avoid losing them to other producers. Such dynamic allowed for the rise in workers' wages, better conditions, and shifted the power dynamic between the worker and the owner to a more equal one. This relates back to Stiglitz argument about the importance of principal-agent relations in developing labor standards, while at the same time it adds a new variable to the equation: technology's role in development. Since the technological advance is not a "planned" policy or condition, how do we as planners account for such unpredicted specificity in creating social policies and labor laws?

⁴ Rodrik, 1997

Another important factor in improving labor condition and eradicating child labor in Brazil is the international image keeping of Brazil's exporters as well as fear of shaming. The Brazilian government was careful to maintain a positive image in the international community for fear of losing ground as a "backward" system. This is interestingly similar to the way in which Las Vegas restaurant owners saw the need to adhere to workers' rights in order to avoid strikes (Greenhouse, 2004). The strikes created a "bad" public image for Las Vegas, which negatively impacted its revenue. It is quite amusing how two extremely different sectors, in two very different places faced similar circumstances and were driven by the same motive. This implies that, regardless of geographical and industrial differences, there are some commonalities across very different cases, which we can draw lessons from. The challenge, however, is to distinguish between the local context and the universal factors in making effective policies.

While fear of international infamy led to the strengthening of the labor unions in Brazil, fear of international investment losses had the opposite effect in Uganda, where President Museveni demanded, "Do not disturb my investors!" (Beckman, 2002). Such contrast in approach teaches us about the importance of government interest in supporting the labor union. While in Brazil the government was afraid of losing exporting opportunities if it did not comply with labor standards, in Uganda, the government felt they would lose revenue had the labor unions gained power. It is interesting how two identical goals (of international relations) can have opposite impacts on the local level (strong unions vs. weak unions). The article "Banana Workers Get Day in Court," helps shed some light onto the Uganda case. It clearly portrays the impact of international corporations on local labor laws by showing how giant companies, such as Shell, are pressuring Nicaragua to repeal its own laws because the laws would hurt the foreign investors' interest.

While international corporations are one factor in the failure of union growth in Uganda, it is important to note they are not the sole players. Another equally important factor lies in the historical

context of Uganda's colonial government. The colonial legacies, which "suppressed the nationalists movement, including the labor movement," carried through to the post-colonial government. This knowledge presents an interesting challenge: If history has such a significant impact on current policies, and history is unchangeable, what types of different policies are needed in order to alleviate the negative post-colonial spillovers that are specific to certain states?

Although the repressive regimes mentioned above are the result of foreign investors and powers in developing countries, I am surprised to see similar regimes exist within the US (Greenhouse, 2006). In the article on Smithfield processing plant, the way in which the management had the workers arrested for organizing unions is similar to the foreign investors' threats to developing countries. This brings me back to Stiglitz's argument about democratic development. If labor rights are achieved through democratic practices, where is the difference in democracy between Uganda and Smithfield?

At The Intersection of the High Road and the Low Road

My previous assumption of a high road system is that is very distinct from the low road system, and is better in terms of efficiency. Knauss, however, presents a case study where the lines of the high roads and low roads are not as black and white as I had thought (Knauss, 1998). What I find particularly interesting about the company Knauss studies is how although the company relocated their work to a lower wage setting, and hired low-cost subcontractors, they applied "lean production" practices to the shop floor. The company adopted the "product focused factory" concept, which is typically associated with lean-style high performance manufacturing. It is only by adopting the different methods of high roads and low roads, was the company able to achieve efficiency.

A similar set of practices that obscure the lines between the high road and low road are in the article "In Search of the High Road in a Low Road Industry." (Bailey & Bernhardt, 1997) A particular case study that I find interesting in this article is Better Burgers. Although the authors do not consider

Better Burgers an ideal example of high road operation, I think it is important to note the positives of the high roads practices that have been adopted in the company. While the pay in Better Burgers remains low and career advancement limited (which contrasts to high roads models), the workers are granted discretion in responding to customers and making decisions on the floor. I view the adoption of the high road method within a low road system as a step in the right direction, for as Professor Tendler stated in class, it shows that “there is cooperation in the midst of tension.” The readings above relate back to Stiglitz statement, “The contrasts between the low and high involvement workplace are part of a larger story about the interlocking attributes of different types of systems.” It is by looking the intersections of these systems within both “successful” and “unsuccessful” case studies that we are able to combine various strategies to yield effective outcomes.

Just Do it: Setting the Standards

The last time I had seen anything about Nike was in Michael Moore’s documentary “The Big One.” The film portrayed the working conditions and low pay of Nike’s sweatshops but provided no information regarding any effort on Nike’s behalf to improve standards. Up until the class with Professor Richard Locke, I have been under the assumption that Nike is an evil empire that pays no regard to the workers in the developing countries. Therefore, I was very surprised to learn that Nike is in fact trying to create change in its overseas factories.

Although Nike’s efforts in monitoring their factories provide good lessons for the international community on improving labor standards, their implementation methods require work. It is surprising to learn that while Nike spends million of dollars on monitoring the working conditions in its factories, it does little to cancel contracts with the non-compliant factories. (Locke, 2007) What then is the purpose of the monitoring? Next steps that will ensure compliance on the ground are needed in order for Nike’s strategies to assure the improvement of working conditions, as opposed to simply beautifying Nike’s image.

One thing that struck me in the reading “Improving Work Conditions in a Global Supply Chain,” is the relationship between flexible working conditions and productivity (Locke, 2007). Workers in plant A (where production is more efficient and labor standards are higher) have a much more collaborative relationship with their supervisors than the workers in plant B (where productivity and compliance are lower). This finding relates back to earlier readings, specifically the Pires and Schrank readings, and stresses the importance of the need for labor code enforcement methods. In addition to relating back to the previous readings, Locke’s lecture clarified one question I have been contemplating: If a collaborative system is more efficient and more productive than a hierarchical system, why then do most firms still practice the latter? From the lecture, I learned that switching to a new system would inevitably cause losses before it can create gain, and most firms are afraid of or could not afford the short-term losses.

Taking Globalization Too Far

Freeman’s and Elliott’s arguments in “Can Labor Standards Improve Under Globalization” set an interesting contrast to the previous readings in this class. For one, Freeman argues that the workers of the developing world are unable to improve their own working conditions, and therefore need the help of the advanced countries unions (Freeman & Elliot, 2003). Freeman’s perception of the workers in the developing world is very Western centric, in that it looks at the workers from the developing world as “poor” and “weak.” Both Pires and Damiani’s articles on the success of workers in Brazil refute Freeman’s argument and show that under certain conditions, the workers in the developing world have been able to achieve their own rights without the interference of the international community. This leaves me wondering, how can the international NGOs provide a balanced support, which grants the developing world its own voice, while still providing it with the aid it needs?

In “Generating Jobs” I am struck by Freeman’s statement regarding labor policy making, where he states that the question of casualty is not addressed in the book because the focus of the book is on

“potential cures to the problem, and casualty is largely irrelevant to policy cures.” (Freeman, 1998)

This disclaimer stands in contradiction to the analytical methods we have been working on attaining throughout the class. Since the beginning, we have been learning how to dig deeper and deeper into the reasons certain things happen the way they do in order to equip ourselves with policy making tools. How can planners begin to examine cures without examining the causes and the effects of the problems?

The Role of Class and Race in Public Goods Contributions

Doner and Schneider argue that certain “prior or parallel networks may strengthen associations,” and that “ethnic linkages can make the potential group more homogeneous and hence, easier to organize.”⁵ (Doner & Schneider, 2000) They go on to argue that such linkages in fact provide a strong negative incentive for the members of associations to comply with the decisions, for breaking the rules maybe be punished in the “broader social context.” I find this argument very interesting in the way in which it relates back to our studies of the informal sector. In reading about the informal sector earlier in the semester, we learned that the more dependent the social sector is on kinship relations, the closer it is to the formal economy. Drawing the two concepts together, planners can begin extracting lessons from the informal sectors and apply them to formal associations practices.

Cammett’s essay on Tunisia and Morocco provides a supporting case study for Doner’s and Schneider’s parallel networks argument by examining the role of race and class in the strength of success of business associations. One of the main reasons Cammett provides for the success of the Moroccan workers’ associations and the failure of the Tunisian association is “the diverging ways the state incorporated the business classes after independence.” Cammett goes on to clarify that “The distinct context of class structure and business-government relations within which industrialists maneuvered shaped their responses to economic openings in the 1990’s.” What I find most intriguing

⁵ Doner & Schneider, p. 273.

about the Moroccan and Tunisian cases are the ways in which the role of the urban elites in the resistance against colonization set forth the path for their credibility after independence⁶. The intersection of race and class play a major role in some associations' willingness to contribute and thus succeed in providing a strong network; and therefore should not be overlooked in examining the systems of business associations.

The Self Interest of Remaining Small

I was struck to find out from the reading "Employers Large and Small," that the majority of the firms in the US are in fact small firms (Brown, Hamilton, & Medoff). Having grown up in Kuwait, where my exposure to American firms has been McDonalds and other major American corporations, I was convinced that large corporations make up the majority of the American economy. However, in reading Brown's article, I not only learned that the opposite is true, but it also made sense as to why small firms are the predominant market. The reading explains how many firms choose to stay small to avoid higher restrictions and taxes associated with large firms. The reasons small "formal" firms choose to remain small are interestingly similar to the reasons "informal" firms choose to remain informal; both do it to avoid the laws of the State. However, while I had felt sympathetic towards the informal firms decisions earlier in the semester, Professor Tandler's paper brings me to question my own thinking.

From reading Professor Tandler's paper, I am surprised to learn about the ways in which the political agendas of individuals and governments encourage the stagnation of small firms for their own gain (Tandler, 2002). It is interesting how politicians promise excessive flexibility to small firm owners in exchange for their votes, for this practice not only prevents small firms from growing, it also borders on corruption. However, while such exchange of favors is not in the best interest of the greater

⁶ In Morocco a strong urban elites (the Fassi) developed prior to independence and fought against colonialism, thus attaining powerful positions in the post-colonial government. The Tunisian elites on the other hand, played a minor role in the fight against the French, and "therefore had little influence on the character and goals of the new state."

good of the economy, it does not dispute the fact that small firms do need government aid. The question then is how can policy makers, politicians, and governments support small firms, while at the same time allowing them to grow and benefit the economy?

Conclusion

One thing is certain: what brings about change in working conditions and standards is a hybrid of factors, some of which are planned and others are not.