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Regional Trade Agreements with Labor Clauses: Their Effects on Trade and Labor Standards

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Abstract

There have been increasing cases in which countries negotiating a regional trade agreement (RTA) include in the RTA provisions that require or urge them to commit to improving or not lowering labor standards in the signatory countries, in order to respond to growing domestic and international concerns about the impact of globalization on working condition of trading nations. This study first presents a classification of the currently-effective RTAs based on the existence as well as the type and extent of labor provisions in them; and then examines (i) the effects of a labor-clause inclusive RTA on observed labor standards in the member economies of the RTA, and (ii) the impacts of the labor-clause inclusive RTA on trade between/among those member economies, using currently available data on labor conditions and trade for a variety of countries. Through the empirical exercises, this study expects to contribute to benefit-cost consideration of the policy of including labor provisions into RTAs.

Key words: International trade, Regional trade agreements, Labor standards

JEL classification: F13, F16, J81, J83