

## EXECUTIVE SUMMARY

It is widely recognized that national economies are becoming more interdependent and integrated. With this development, the distinction between domestic and international policies is becoming increasingly blurred. What has traditionally been considered "trade policy," such as issues associated with tariffs, industrial policy, voluntary export restraints, government procurement and trade remedy law, will constitute only a part of the post-MTN agenda. In the future, if the current high level of political interest continues, multilateral negotiations will encompass trade-environment linkages, trade-competition linkages and trade-labour issues.

The growing interdependence and integration of the world's economies require governments to give greater recognition to the global economy's implications for labour policies. Globalization and trade liberalization do not imply governments should take a laissez-faire approach. Rather, strategic refocussing is called for. With increased competition, and restrictions on the use of traditional instruments to ease adjustment, governments have an increasingly important role in promoting human skill development.

The key conclusions and observations to be drawn from this Paper are:

- In respect of labour rights and standards, concepts such as "social dumping" and "social countervail" should be approached very cautiously. Given the lack of evidence on the effects of labour rights on wage costs, productivity differentials, and the risk of expanding the definition of a subsidy to include almost any differences in economic or social policies, Canada should oppose the introduction of such trade remedy mechanisms.
- If no workable multilateral understanding on trade-labour linkages is reached, there is a risk that unilateral trade measures will be used. In particular, it appears that the political climate in the U.S. is such that the U.S. could be prone to use unilateral measures if a multilateral mechanism is not available. As with its traditional approach to subsidization and other "unfair" trade practices, the U.S. is likely to be much more concerned with the "level" of its trading partners' labour laws and practices, rather than its own, such as "right to work" legislation in many U.S. States. "Right-to-work" legislation allows individual States to prohibit agreements requiring membership in a labour organization as a condition of employment.