

Emergency Committee for American Trade (ECAT)
National Association of Manufacturers (NAM)
National Foreign Trade Council (NFTC)
United States Chamber of Commerce
United States Council for International Business (USCIB)

June 26, 2009

Dear Members of the Senate Finance Committee:

We write to share our strong concerns and deep disappointment with the labor provisions included in H.R. 1886, the Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009 (PEACE Act of 2009), which the House passed on June 11th. The bill, which would create Reconstruction Opportunity Zones (ROZs) in Afghanistan and some areas of Pakistan, seeks to impose counterproductive and unworkable new labor criteria and monitoring requirements that will make the objectives of this legislation more difficult to achieve and should be rejected.

H.R. 1886 rejects longstanding eligibility provisions on labor rights from the Generalized System of Preferences (GSP) and other preference programs, substituting instead the requirement that the countries comply with “core labor standards” and set up an International Labor Organization (ILO) monitoring program to ensure that producers comply with “core labor standards.” The term “core labor standards,” which is undefined in this legislation, typically refers to the ILO’s eight core conventions, of which the United States has ratified only two. Such a requirement, then, goes far beyond U.S. law, as well as what a trade preference program can and should require. Notably, such a requirement goes well beyond even the May 10, 2007 Congressional-Administration trade deal that covered only trade agreements, not preference programs, and was based on the ILO Declaration on Fundamental Principles and Right at Work rather than the core conventions.

Adopting such new and restrictive eligibility criteria in this legislation would be particularly harmful, as it would seriously complicate the ability of the ROZ program to produce the much-needed economic growth through investment in this region that this legislation seeks to produce. Further, the labor monitoring provisions of H.R. 1886 will be particularly difficult to implement, given the unique security issues in this region. Overall, these provisions will create a significant disincentive for companies to invest, which would undermine the very benefits that this program is intended to create. Finally, Congress should ascertain whether the ILO and the Pakistani government are fully prepared and willing to take on the substantial monitoring burdens called for in H.R. 1886 before further advancing this legislation.

The approach taken by S. 496, sponsored by Senator Cantwell (D-WA), is by far a better solution for the inclusion of labor rights criteria in a preference program. It incorporates the criteria for determining eligibility, including with respect to the countries’ commitments to internationally recognized labor rights, consistent with the Generalized System of Preference (GSP) and other preference programs that have been

repeatedly reviewed and approved by Congress. These criteria have been successfully employed by successive Administrations to promote labor rights in numerous developing countries.

For all of these reasons, we strongly urge that the Senate bill, S. 496, serve as the model for any labor provisions included in the final legislation on ROZs along the Pakistan-Afghanistan border.

Respectfully,

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