

# New research dispels 'protectionism' myth

July 10 2023

---



Credit: CC0 Public Domain

There is no evidence that trade partners weaponize labor provisions in trade agreements, according to new research co-authored by Desirée LeClercq, the Proskauer Employment and Labor Law Assistant Professor at Cornell University's ILR School.

In the research, published in *The Journal of Law, Economics, and Organization*, LeClercq and co-authors Raymond Robertson (Texas

A&M) and Daniel Samaan (International Labor Organization), examined the relationship between labor provisions and bilateral [trade agreements](#) from the 1990s through February 2016. LeClercq, a former lawyer for the International Labor Organization, and her research colleagues found no evidence that labor provisions impact—much less reduce—trade flows.

In a recent interview, LeClercq discussed why the findings shared in the paper are so significant.

## **Why did you want to research this topic?**

Normally, if governments close their markets to cheaper exports abroad merely to protect their domestic industries, they run the risk of violating the trade rules under the World Trade Organization (WTO) for engaging in "protectionism." For decades, ever since the Clinton administration unsuccessfully urged governments to formally link their trade and labor instruments at the World Trade Organization in the 1990s, there has been a lot of speculation around why governments choose to include binding commitments to international labor standards in their trade agreements.

Those commitments, as I have written about, are pretty vague. No one really knows what the fundamental international labor principles mean in an operational sense. Consequently, governments that include those binding commitments—including the United States—enjoy significant discretion to close their markets if they believe their trade partners have violated those principles. Many governments and observers dismiss efforts to protect workers' rights in trade as "disguised protectionism," basically accusing governments of using those vague commitments as a pretext to close their markets without triggering retaliation by violating the WTO's rules.

Of course, we can't prove the intention of government negotiators. My work also shows how governments like the United States negotiate their trade agreements behind closed doors. Even if they negotiated transparently, if they're going to go so far as to insert binding labor clauses to hide their protectionist motives, they're not about to announce that to the world.

Rather than focus on intent, this project focuses on effects. In 2015, when I was still a lawyer for the International Labor Organization, I was involved in a trade and labor project with a rising economist star in the ILO's research department—Daniel Samaan—and a well-known econometrician, Raymond Robertson. On a flight from Geneva to Washington, D.C., we cooked up an idea about examining whether binding, sanctions-based labor clauses actually led to market closures as commonly suspected. It took us seven years to feel happy with our methodology and typology, but I think it was well worth the wait. Given the recent rhetoric around the Biden administration's "worker-centered" trade policy, this article could not have come at a better time.

## **What are your key findings?**

On Twitter the other day, an economist posed the following question: Have any of you read an economic paper with null results that ended up being important? You see, typically in economic work, showing no effect is the kiss of death. You want splashy findings showing never-before associations and leading to spin-off work delving deeper. For example, if the mainstream suspicions of disguised protectionism were true, binding, sanctions-based labor clauses would have led to a decrease in trade. In our case, however, we did not find a negative association.

Our null results were the most significant finding we could have hoped for. Basically, we "controlled" for a bunch of factors and ran a bunch of intimidating-sounding "regressions"—a term that makes me picture

some intergalactic, Star Wars-esque technology—to see what's what. We found that irrespective of the countries, levels of development, other trade chapters and the like, there was no association between binding, sanctions-based labor clauses and trade flows. In other words, maybe governments are dishonest protectionists, and maybe they aren't, but they are definitely not taking advantage of their opportunity to act like protectionists. They haven't used their discretion to enforce commitments to ambiguous labor standards to put the smackdown on their trade partners.

## **What are the practical implications and/or potential impact of this research?**

A lot of the resistance in countries to entering into trade agreements with labor provisions is that they will be vulnerable to disguised [protectionism](#). We hope our work can contribute to their deliberations by showing, at least until 2016, that they stand to benefit from trade with labor protections. There is no evidence that trade partners weaponize those provisions, and their workers will benefit from the trade agreements' safeguards and technical assistance.

**More information:** Desirée LeClercq et al, Labor provisions in trade agreements: recasting the protectionist debate, *The Journal of Law, Economics, and Organization* (2023). [DOI: 10.1093/jleo/ewad009](https://doi.org/10.1093/jleo/ewad009)

Provided by Cornell University

Citation: New research dispels 'protectionism' myth (2023, July 10) retrieved 27 April 2024 from <https://phys.org/news/2023-07-dispels-protectionism-myth.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.