

**Towards A Solution:
Conflict Between
Trade and Labor Standards**

A Japanese Initiative with the Social Accountability 8000

**By
Tetsuya Ishizuka**

**CD 691 MACD Project
MA in Commercial Diplomacy
Monterey Institute of International Studies**

**Project Advisor:
Prof. William W. Monning**

March 29, 2000

This paper was researched and written to fulfill the M.A. project requirement for completing the Monterey Institute of International Studies' Master of Arts in Commercial Diplomacy. It was not commissioned by any government or other organization. The views and analysis presented are those of the student alone. Names of people, corporations, businesses and governments are used only as examples in fictitious sample correspondence, statements, etc. in order to depict a realistic, albeit fictional, scenario. This does not represent any knowledge of these examples, nor does it in any way represent an endorsement by an individual, corporation, business or government.

For more information about the Commercial Diplomacy program and the M.A. project requirement, please visit www.commercialdiplomacy.org.

PREFACE

There are no easy solutions to the question of how the international community can continue to liberalize international trade and also do a better job of protecting workers

from exploitation and abuse. Any solution will need to account for the divergent interests of multinational corporations, developing countries, and developed country consumers—consumers who are becoming increasingly concerned with workers rights.

The project explores potential solutions to the trade-labor conundrum with a specific emphasis on evaluating the potential of international labor standards certifications such as the certification program initiated by the U.S.-based Council on Economic Priorities' Accreditation Agency (CEPAA). The project was submitted to fulfill the master's project requirement of the Monterey Institute of International Studies' Master of Commercial Diplomacy study program.

I am grateful to Ms. Maki Saito Akabane, Research Consultant of the CEPAA, who is actively working to promote the idea of certifications within the Japanese business community and who helped me develop this project. In addition, Ms. Eileen Kohl Kaufman, Executive Director of the CEPAA, kindly provided me the opportunity to discuss with her my project and to learn about CEPAA's current efforts.

At the Monterey Institute, Prof. William W. Monning, the advisor for my project, provided encouragement at crucial points during the development of my ideas. Other professors in the Commercial Diplomacy Program also provided assistance in developing each component of the project, as well as my interest in the topic. This work would not have been completed without their assistance and instruction.

Tetsuya Ishizuka
MACD Candidate
Monterey Institute of International Studies
Monterey, California, U.S.A.
March 29, 2000

TABLE OF CONTENTS

[EXECUTIVE SUMMARY](#)

[INTRODUCTION](#)

[BACKGROUND](#)

- I. [Trade and Labor Standards](#)
- II. [Labor Standards Definitions and Initiatives](#)
- III. [CEPAA and SA 8000](#)
- IV. [Japan and Its Influence in Asia](#)

ANALYTICAL PAPER

- I. International Political Dimension
- II. Domestic Political Dimension
- III. Commercial Analysis: Labor Standards and SA 8000
- IV. Analysis of Stakeholders
- V. International Negotiation Challenges

DOMESTIC STRATEGY

- I. Research Strategy
- II. Political Strategy
- III. Media Strategy

INTERNATIONAL STRATEGY

- I. Political Strategy
- II. Media Strategy

NEGOTIATION STRATEGY

EXHIBITS

BIBLIOGRAPHY

EXECUTIVE SUMMARY

Issue

At the World Trade Organization's (WTO's) 1999 ministerial conference in Seattle, labor standards surfaced as one of the most contentious areas of disagreement among WTO member countries. The clash between developing and developed countries on this issue contributed to ministers' failure to reach consensus on the launch of a new round of trade negotiations. The clash has also raised questions as to the institutional capacity of the WTO to make further progress on trade liberalization. On one side, policy leaders from developed countries are no longer willing to push for further trade liberalization without also responding to the public's growing concern over trade's negative impacts on labor and the environment. On the other, developing countries protest any attempt to link international labor standards to trade. Such a link, they contend, would cripple their ability to participate successfully in the global economy because their comparative advantage lies in their supply of cheap labor.

While the Government of Japan (GOJ) is not currently willing to tackle the issue of labor standards in international fora, Japan's increasing imports of labor-intensive products will force Japanese businesses (if not the GOJ) to take actions in the future; consumers will demand it. Moreover, given that Japan is the largest economic entity in the Asian region, it bears special responsibility for improving labor conditions in the region. Treatment of

labor standards should become an issue under the country's trade and development policy.

Trade and labor rights have become inexorably intertwined. In order to either facilitate further trade liberalization or establish greater protection for workers' rights, the trade and labor rights communities will need to find new solutions that simultaneously address both communities' concerns. One potential solution is for businesses around the world to voluntarily adopt a uniform and verifiable set of labor standards such as the Council on Economic Priorities Accreditation Agency's (CEPAA's) Social Accountability 8000 (SA 8000).

Background

Since World War II, policy leaders have made great strides toward establishing a system of rules for international trade—a system that facilitates the expansion of trade by reducing tariff and non-tariff barriers to international commerce. The working assumption has been that trade, in and of itself, raises living standards and spreads wealth to all corners of the globe.

In recent years, however, policymakers and private citizens have begun questioning whether or how trade contributes to building civil societies, and one of the primary focuses of this concern is worker rights. Recent reports of worker abuse in developing countries have led many in the developed world to believe that the international community should be making efforts not just to facilitate trade, but also to protect the right to fair and safe labor conditions.

To date, there have been two noteworthy attempts to ensure that workers around the world are treated fairly. The Organization for Economic Cooperation and Development (OECD) set forth guidelines for the treatment of workers, and the International Labor Organization (ILO) established conventions concerning worker rights. Neither has been widely accepted by the international community, and both lack legal enforcement mechanisms.

Building international institutions' capacities to improve labor standards worldwide will take time. Developing countries will first need to build further domestic capacity to enhance their labor practices; they are not likely to accept an international standard anytime soon. In the meantime, the international business community's adoption of voluntary standards could go a long way toward building labor standards worldwide. Voluntary actions have the potential to establish de-facto standards without threatening either business' or developing countries' commercial prospects.

SA 8000 offers one possible standard that could be adopted on a voluntary basis by businesses around the world. SA 8000 is based on a commercial incentive structure, and it has already begun attracting attention in the international community. As of January 2000, 31 factories and companies worldwide had successfully obtained this new certification.

Recommendation for Action

CEPAA is currently promoting SA 8000 in Asia. Japan should be a major focus of this effort. Within Asia, Japan is the largest economic entity and the largest donor of development assistance. It wields a great deal of political and economic influence in the region. CEPAA should also take advantage of Japanese companies' extensive presence in Asia.

Specifically, CEPAA should develop a one-year program to develop and promote a labor certification system for Japanese companies. CEPAA can use the United Kingdom's Ethical Trading Initiative (ETI) as a model for formulating an initiative in Japan. The initiative should combine the SA 8000 concept with the trade and development policy of the GOJ. The components of the one-year program should include:

- Research on the relationship between labor standards and trade in the Asian region;
 - Coalition building activities in Japan and overseas; and
 - Public relations and educational activities.

Preferred outcomes

CEPAA's actions will work toward the goals of:

- Creating public and private sector acceptance of labor standards as economically and socially desirable measures.
 - Increasing the number of business sites that use SA 8000 (including overseas factories that supply Japanese corporations);
 - Influencing corporate sourcing practices in Japan;
 - Educating the general public in Japan on the importance of labor standards;
 - Putting labor standards on Japan's trade and development policy agenda;
 - Creating a model to spread SA 8000 in Asia; and
 - Contributing to a solution to the international conflict between trade and labor standards.
-

INTRODUCTION

Issue

Can international labor standards benefit the development of civil societies? Or are such measures destined only to create additional trade barriers? Developing countries, which have a comparative advantage in cheap labor costs, oppose the idea of combining labor standards with trade agreements. Doing so, they fear, would rob them of their comparative advantage. Yet consumers in the developed world are growing increasingly concerned that factories in developing and emerging markets exploit workers. They are demanding improvements in working conditions.

The U.S.-based Council on Economic Priorities Accreditation Agency (CEPAA)¹ offers a potential solution to this standoff. In 1997, CEPAA invented a verifiable standard for working conditions—the Social Accountability 8000 (SA 8000). Companies that meet the standard are certified just as, for example, electronics equipment is certified if it meets specified electronics standards. Although SA 8000 is voluntary, certified companies benefit by being able to display their certificate and thereby let consumers know that their products are made in factories that maintain good working conditions.

CEPAA is currently promoting SA 8000 as an alternative to attempts to link labor standards with trade rules. SA 8000 in no way encumbers free trade, yet it encourages companies to voluntarily improve working conditions in their factories.

CEPAA is promoting SA 8000 in Asia because labor standards in many Asian countries are weak. Within the region, Japan is a logical first target. Because it is the largest economy in the region (as well as the second largest in the world), introducing SA 8000 in Japan has the potential to affect labor practices all over Asia. If Japanese companies begin requiring their suppliers to meet basic labor standards, the impact could be enormous. Moreover, because Japan is the largest donor of official development assistance in the region, it has a great deal of power to encourage Asian governments to develop their own labor laws and enforcement mechanisms.

Labor Standard Programs and the SA 8000

A variety of programs and activities have been developed to protect labor standards. Some programs are conducted at the multinational level. Others are voluntary actions initiated by private companies. Current programs, however, have several defects. Multinational standards including the ILO Conventions and the OECD Guidelines for Multinational Enterprises are not legally enforceable. Many private, voluntary actions, such as corporate codes of conduct and industry-based labeling programs, are not transparent and often are expensive to verify.

SA 8000, by contrast, is transparent and credible. It uses third-party auditors to verify labor standards compliance just as ISO 9000 and 14000 verify compliance with quality and environmental standards.

Since the introduction of SA 8000, CEPAA has conducted a series of workshops to introduce the standard to companies around the world. As of January 2000, 31 companies and factories had obtained the certification.

¹

Project Overview

This project sets forth a strategy for introducing SA 8000 in Asia. The strategy focuses on Japan because Japanese corporations have extensive business ties throughout the region and, therefore, have a great deal of power to affect labor practices in the region. By persuading Japanese corporations to adopt the SA 8000 standard for their products and to require that supplier factories adopt the standards, Japanese corporations could dramatically improve working conditions throughout the region. As the largest donor of development assistance in the region, the GOJ also has enormous potential to influence Asian countries' labor standards.

The strategy uses the United Kingdom's Ethical Trading Initiative (ETI) as a model. A partnership between government, business, labor unions, and NGOs, ETI has resulted in the creation of a base code and social auditing program. The U.K. government, including the Department for Trade and Industry and the Department for International Development, provided the initial three years of funding for ETI.

The strategy is designed to be implemented over one year during 2000 and 2001. Costs are estimated to be approximately \$950,000 (see Exhibit 3 for a detailed implementation schedule and estimated budget).

Structure of the Paper

1) Background Paper

This section describes the current state of labor issues worldwide, giving special attention to various private and public policy initiatives.

2) Analytical Paper

This section analyses the advantages and disadvantages of national and international labor standards initiatives, as well as private and commercial initiatives. It also considers the relationship between labor initiatives and the GATT/WTO agreements, and it examines governmental and business interests in Japan.

3) Domestic Strategy Paper

The domestic strategy paper lays out a strategy for influencing the GOJ and the public to become interested in labor policy reform. The domestic strategy consists of 1) a research strategy, 2) a political and legislative strategy, and 3) a media strategy.

4) International Strategy Paper

International organizations can be instrumental in marketing SA 8000 within Asia and in influencing trade and local labor policies throughout the region. The international strategy paper lays out a strategy for CEPAA to gain the cooperation of international organizations such as the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank (ADB), the International Labor Organization (ILO),

the World Trade Organization (WTO), and the Organization for Economic Cooperation and Development (OECD).

5) Negotiation Strategy Paper

The negotiation strategy paper describes how negotiations concerning SA 8000 should be approached. The strategy identifies all stakeholders, as well as their interests and options.

6) Exhibits

The exhibits contain additional information and sample documents.

BACKGROUND

I. Trade and Labor Standards

World Trade and Labor Standards

While concerns about labor rights abuses have multiplied in recent years, resistance to any linkage of labor standards with trade sanctions remains strong.

- In 1995, the World Bank drew attention to these labor issues by including a chapter on public policy and labor standards in its World Development Report. The chapter called for government and civil society intervention to ensure the establishment and enforcement of adequate labor standards, and it described the dangers of using trade sanctions to enforce labor standards.²[1]
- In 1996, trade ministers at the WTO's Singapore Ministerial Conference "renewed" their "commitment to the observance of internationally recognized core labor standards," but they also "reject[ed] the use of labour standards for protectionist purposes, and agree[d] that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question." ³[2]
- Most recently, at the November 1999 WTO ministerial conference held in Seattle, President Clinton called for labor standards violations to be made actionable within the WTO. However, for the time being, Clinton's address seems only to have solidified the standoff between developed and developing country members of the international trade organization. Developing countries strongly oppose incorporating any labor standards within the WTO framework.

Nonetheless, the issue of trade and labor is not likely to go away anytime soon. Indeed, concern about the impact of trade liberalization on civil society has only grown in recent years as trade unions, human rights groups and the media have focused attention on high

profile companies' failures to provide decent wages and working conditions. Nike's exploitation of workers was the first and perhaps best known of these cases. The media has also pursued stories about alleged abuses by Reebok, Levi Strauss, and Disney, as well as stories about child and forced labor. There has been renewed focus on the child labor that sustains Pakistan's carpet industry, and the ILO has instructed Burma to stop the use of forced labor. The Seattle Ministerial only fueled activists' fire by providing them a high-profile event at which to voice their concerns.

Labor Practices in Asia

Most Asian countries have stringent legal frameworks for upholding high labor standards. Enforcement of these laws, however, is a different story. The media has reported numerous examples of labor standards violations in the region:

- In 1998, Reuters reported that about 27 million people work in the world's 850 export processing zones and that these workers often earn low wages and are subject to poor working conditions. The article quoted the ILO as saying, "It is a regrettable feature of many zones that both male and female workers are trapped in low-wage, low-skill jobs. They are viewed as replaceable and their concerns do not receive sufficient attention."⁴[3] China has 124 export processing zones.
 - In February 1999, *The Economist* reported on an investigation that found that workers making Disney products in a Chinese toy factory were forced to work up to 16 hours a day, seven days a week and were paid almost no overtime.⁵[4]
 - According to the *Asia Times*, a supplier to the GAP forced workers in Saipan to work over 40 hours a week in unhealthy working conditions and without overtime pay.⁶[5]
 - The U.S. Department of State's 1998 Human Rights Report noted that, within China, "[T]here is a high rate of industrial accidents, with most of the accidents occurring in the mining sector." With respect to other industrial sectors, the report stated that "many factories that use harmful products, such as asbestos, fail not only to protect their workers against the ill effects of such products, but also to inform them about the potential hazards."⁷[6]
 - The State Department's Human Rights Report also reported that some ASEAN countries, such as Malaysia, Thailand, Indonesia, Philippines, Vietnam, Laos, Burma and Cambodia, do not provide sufficient legal protection for workers and human rights. In the Philippines, for example, the State Department found that "violations of minimum wage standards were common. Many firms hired employees at subminimum apprentice rates, although no approved training was entailed in their production line work."⁸[7] In Thailand, says the report, "an estimated 240,000 to 410,000 (two to four percent of children between the ages six and 14) work in urban employment at particular risk of labor abuse."⁹[8]
 - According to the United Nations, about 70 percent of the child workers in the world live in Asia. An ILO survey asserts that "one in five Asian children between the ages
-

of five and 14 are in the workforce” and that “the number of children in the informal sector is growing.”¹⁰[9]

II. Labor Standards Definitions & Initiatives

Labor Standards Defined

There is no consensus on what should be covered by labor standards. The ILO identifies the following eight of its more than 150 labor conventions as addressing “core” labor standards:

- ~~•••~~ Forced Labour Convention (1930)
- Freedom of Association and Protection of the Right to Organise Convention (1948)
- Right to Organize and Collective Bargaining Convention (1949)
- Equal Remuneration Convention (1951)
- Abolition of Forced Labour Convention (1957)
- Discrimination (Employment and Occupation) Convention (1958)
- Minimum Age Convention (1973)
- Worst Forms of Child Labour Convention (1999)

Of these, the OECD has recognized only the following four conventions as addressing “core” labor standards:¹¹[10]

- ~~•••~~ Forced Labour Convention (1930)
- Freedom of Association and Protection of the Right to Organise Convention (1948)
- Right to Organise and Collective Bargaining Convention (1949)
- Abolition of Forced Labour Convention (1957)

The World Bank has described the differences between core labor standards and standards that should not be related to international trade. In its view, core labor standards include freedom of association, the right to collective bargaining, the elimination of forced labor, exploitative forms of child labor, and discrimination; standards that are viewed as having no relation to trade are minimum wage and health standards.¹²[11]

Many countries have ratified the ILO-defined core labor standards. However, there is no relation between ratification of core labor standards and actual protection of worker and human rights. Many developing countries have signed more of the conventions than the United States (which has signed just four).

Multilateral Initiatives

In 1977, the ILO governing body adopted the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, which provides guidelines for MNEs, governments, employers and workers in the areas of employment, training, conditions of work and life, and industrial relations.¹³[12] In June 1998, by adopting the Declaration on Fundamental Principles and Rights at Work, all ILO members countries renewed their commitments to respect and promote in good faith the right to freedom of association and collective bargaining, the elimination of forced or compulsory labor, the effective abolition of child labor, and the elimination of discrimination with respect to employment.

A number of other institutions have attempted to promote labor standards. Like the ILO conventions, none of these involve enforceable standards:

- The OECD Guidelines for Multinational Enterprises address global corporate activities—both the morality of corporate activities, as well as the protection of core labor standards. Since their adoption in 1976, the Guidelines have been revised several times. (The latest revision was in 1991.)¹⁴[13] There is no mechanism for enforcing the Guidelines, and they only cover OECD countries. OECD countries also tried to address labor standards in the context of negotiations on the Multilateral Agreement on Investment, but these efforts were shelved with the negotiations.
- At the first WTO ministerial conference in Singapore in 1996, ministers declared that the organization would survey the relationship between trade liberalization and labor standards and also that labor standards should not be used as protectionist measures. The WTO declared that it would cooperate with the ILO to secure labor standards related to world trade.
- Concerned about the international inequalities that are growing with globalization, the United Nations Development Programme (UNDP) stated in its 1999 Human Development Report that “multinational corporations need to be brought within the frame of global governance, not just the patchwork of national laws, rules and regulations.”¹⁵[14] The organization suggested social auditing as a possible measure for securing secure labor standards.
- Amnesty International also has put forth a set of human rights principles for companies.¹⁶[15]

Government-Business Programs

Individual developed-country efforts to promote workers' rights in developing countries include the Clinton Administration's Apparel Industry Partnership (AIP) and the United Kingdom's Ethical Trading Initiative (ETI).

AIP established a code of conduct for apparel factories that produce products for export to the United States.¹⁷[16] The program was initiated at the request of human rights groups and labor unions with the goal of protecting worker rights in the Caribbean. With governmental assistance, the U.S. apparel industry has been cooperating in purchasing only goods produced by factories that meet AIP standards. According to a CEPAA officer, however, AIP is not working very well because factories do not want to meet the AIP standards, which they see as burdensome.¹⁸[17]

ETI is an NGO that encourages companies to consider ethics.¹⁹[18] The United Kingdom's Department for International Development and Department for Trade and Industry both participate in ETI board meetings.

Codes of Conduct

Some 230 ethical conduct programs have been established by private organizations in various countries to promote labor standards²⁰[19] (see Exhibit 10 for examples). Many of these rely on companies' commitments to follow codes of conduct in their business activities.

According to one author, "codes of conduct are written statements of principle or policy intended to serve as the expression of a commitment to particular enterprise conduct."²¹[20] Codes of conduct can be separated into two categories: operational codes and model codes. The first are codes that are actually applied to business operations of companies that trade and invest internationally. The second are generic models that are not themselves enforced. The AIP code of conduct, which is enforced via independent monitoring, is an example of an operational code. The ILO Conventions and the United Nations Declaration for Human Rights are both model codes that are not enforced.

SA 8000's code of conduct is based on the ILO Conventions and UN Declaration, but it includes a monitoring system to verify that companies comply with it.

Social Labeling and Investor Initiatives

Like social auditing programs, both social labeling programs and investor initiatives are designed to encourage ethical corporate behavior. Social labeling programs encourage ethical business conduct by allowing companies to communicate their ethical conduct directly to consumers via labels. A variety of social labeling programs have been developed. RUGMARK, for example, was established in Europe to certify that carpets imported from South Asia are not manufactured using child labor. Investor initiatives encourage companies to act ethically by enabling potential investors to screen companies based on whether or not they behave in a socially responsible manner.

III. CEPAA and SA 8000

The Council on Economic Priorities Accreditation Agency (CEPAA) is an affiliate of the Council on Economic Priorities (CEP), an American public interest research institution. CEP has partners around the world, including in Japan where it works with the Asahi Cultural Foundation (ACF), an affiliate of Asahi Shimbun (one of the largest newspaper companies in Japan). CEP established CEPAA and developed SA 8000 after learning through its studies that corporate internal codes of conduct often don't work very well. According to CEP, internal codes "tend to be highly inconsistent and expensive and inefficient to monitor because they are not well defined and are often not monitored by trained auditors. Such codes and their monitoring systems also tend to be weak on audibility and sensitivity to local laws and customs."²²[21]

SA 8000 sets out both a standard for workplace conditions and a system for independently verifying factories' compliance with the standard. As CEPAA explains, both the standard and the verification system draw from established business strategies for ensuring quality (such as those used by the International Standards Organization in ISO 9000 and ISO 14000).²³[22] A variety of professionals, including corporate executives, NGO and labor union representatives, and university professors participated in the taskforce that developed the standards. (See Exhibit 2 for a list of CEPAA advisory board members.)

SA 8000 covers nine core areas:

- 1) 1) child labor;
 - 2) 2) forced labor;
 - 3) 3) health and safety;
 - 4) 4) compensation;
 - 5) 5) working hours;
 - 6) 6) non-discrimination;
 - 7) 7) discipline;
-

- 8) free association and collective bargaining; and
- 9) management systems (including systems that monitor the above eight criteria).

These categories are based on the United Nations Declaration of Human Rights of 1947, the United Nations Convention on the Rights of the Child and the ILO labor standards conventions.

There are several advantages of the SA 8000 system:

- It requires verification by CEPAA-accredited, third-party auditors every six months. Currently five corporations are accredited as auditors (SGS-ICS of Switzerland, DNV of Norway, BVQI and Intertek Testing Services (ITS) of the United Kingdom, and Underwriters Laboratories (UL) of the United States).
- It is inexpensive relative to the cost of establishing a social auditing program from scratch or implementing an in-house verification system.
- It sets standards for and verifies companies' management systems for establishing and maintaining appropriate working conditions.
- It provides SA 8000 compliant companies with a certification that can be used as a marketing tool and therefore provides an incentive for company compliance. SA 8000 certification can be displayed in catalogues and advertisements, and on business cards and posters, etc. It will become increasingly valuable as it becomes more widely recognized.

As of January 2000, 31 companies and factories around the world has obtained the SA 8000 certificate.²⁴[23] Most companies interested in the certificate are labor-intensive manufacturing businesses. The Avon Corporation obtained the certificates for their New York and Ohio factories in the United States. Dole Foods has applied for certification to prove that its labor policies are socially responsible. In at least one case, that of Toys-R-Us (a U.S. toy manufacturing company), the company requires that its contracting suppliers get SA 8000 certification.

CEPAA is now trying to gain worldwide recognition and acceptance of the new certificate. It is focusing its efforts on Southeast Asia, Central America, and East Asia. Since starting the SA 8000 program, workshops have been held in Asia, Eastern Europe and Central America.

To date, no Japanese companies have been SA 8000 certificated.²⁵[24] However, some corporations in the textile and clothing industries, cosmetic industries, and leather industries are interested in obtaining certification in order to improve their brand image and head off the risk of being associated with poor labor practices.

On October 22, 1999, a forum was held in New York to introduce SA 8000 to Japanese corporations. In early December, representatives from the Keidanren (the Japanese Federation of Economic Organizations) visited CEPAA to ask about SA 8000.

IV. Japan and Its Influence in Asia

Japanese Trade within Asia

Japan's imports have increased in recent years. According to International Monetary Fund (IMF) statistics, Japan imported about US\$ 235 billion in 1990. The value grew to US\$ 274 billion in 1994 and about US\$ 350 billion in 1996. Of 1996 imports, over half (US\$ 190 billion) came from developing countries, and Asian countries accounted for over two-thirds (about US\$ 130 billion) of this subtotal.²⁶[25]

A large portion of these imports from Asian countries is comprised of goods that require labor-intensive production processes. In 1997 some US\$ 4.2 billion (about 70) percent of Japan's total US\$ 5.8 billion textile imports came from Asian countries. China alone contributed about 45 percent of Japan's total imports of textiles and about 33 percent of textile imports from Asia.²⁷[26] Clothing import statistics were similar with China contributing about 60 percent and the entire Asian region contributing about 80 percent of Japan's clothing imports.²⁸[27]

Japanese demand for labor-intensive products has stimulated imports from the Asian region. For example, Japan imports large quantities of furniture from Asian countries. Thailand, other ASEAN countries and China dominate Japan's wooden furniture imports; Indonesia and the Philippines account for most of Japan's imports of rattan furniture.²⁹[28]

Japanese Corporate Investment in Asia

Japanese corporations, especially the Sogo-Shosya or major trading companies (MTCs), have invested heavily in Asia. These companies not only procure products from overseas but also invest capital to manage contracting factories or shops by sending their employees abroad. According to the World Investment Report 1998, eighteen Japanese transnational corporations (TNCs) are ranked on the list of the largest 100 TNCs. Of the Japanese corporations on the list, the MTCs account for more than half.³⁰[29]

The retailing market provides an indicator of the Japanese purchasing power in Asia region. Of the top 35 retailers in Asia, 33 are Japanese. Two Japanese companies are

ranked on the global 500 revenue index of general merchandize companies; Daiei Inc. is ranked as 120, and Takashimaya Co., Ltd at 431).31[30]

Labor Standards and Japanese Corporate Behavior

A recent survey on Japanese corporate behavior revealed that corporate interest in ethics is not strong. According to one review of Japanese case studies, “only 30 percent of Japanese large corporations have written codes of ethics and more than 70 percent do not have any system for monitoring ethical behavior.” 32[31] There are plenty of cases in which Japanese corporations have not met adequate labor standards.

- Corporate Watch, a project of the Transnational Resource and Action Center (TRAC), has reported that the U.S. affiliate (Jefferson, Ohio) of Kobe Steel, a major Japanese steel corporation, does not provide safe working conditions or adequate wages. According to the report, “An overwhelming number of production workers suffer from carpal tunnel syndrome, with many already having surgery on both wrists. Wages in Jefferson are 25-50 percent less than in Cleveland.”33[32]
- Sexual harassment and discrimination against minority groups in Japan are prevalent.

Some corporations, however, are willing to at least establish codes of conduct. For example, the Omron Corporation, a Japanese electronics device company, has ten ethical conduct rules:34[33]

1. Fair and free competition
2. Active disclosure of information
3. Preservation of safety and the environment
4. Respect for human rights
5. Respect for intellectual property
6. Observance of international rules
7. Observance of limitations on international transactions
8. Sound relations with public administrative authorities
9. Opposition to antisocial elements
10. Adherence to this statement in all activities

In 1992, the Japanese Federation of Economic Organizations (also known as JFEO or the “Keidanren”) put forth a set of principles on ethical corporate conduct. Labor standards, however, are not clearly mentioned in the principles.

GOJ Policy on International Labor Standards

Currently, Japan does not have any mechanism for encouraging Japanese companies to ensure that their suppliers respect basic labor standards, and individual corporations have not established programs of their own. Japan's official stated position is that labor standards should not be linked to trade agreements.

Nonetheless, Japan has indicated its interest in labor standards within the Asia Pacific region. At the Asia Pacific Economic Cooperation (APEC) meeting in Osaka, the GOJ, along with South Korea and the United States, expressed the necessity of supporting labor standards.³⁵[34] Moreover, several of Japan's ODA programs focus on improving labor standards in Asia. For example, in November 1999, the government will host a seminar on labor policy for the Asian countries. The World Bank, the ILO, and the Ministry of Labor of Japan (MOL) are all involved in the seminar.³⁶[35] Japan has also provided technical assistance to Asian countries to help them strengthen their laws and legal enforcement systems. Most recently, the ADB announced a technical assistance program to help China develop a legal and regulatory framework appropriate for a market economy. Japan provided the funding for this initiative.³⁷[36]

The GOJ is strongly committed to providing development assistance to developing countries. According to the OECD's Development Assistance Committee (DAC) report, Japan is currently the largest provider of development assistance. It contributed about 9.6 billion dollars in 1998. The second ranked country, the United States, contributed 6.4 billion dollars.³⁸[37]

The GOJ's strong commitment to development assistance is embodied in its 1992 Official Development Assistance Charter, which states that "full efforts should be made to promote democratization and the introduction of a market-oriented economy and to secure basic human rights and freedoms in the recipient country."³⁹[38] The latest ODA plan focuses on East Asia and calls for the development of a cooperative relationship with the private sector and NGOs.⁴⁰[39]

According to Ministry of Foreign Affairs (MOFA) statistics, China and the ASEAN member countries are the major recipients of the ODA's financial and technical assistance.⁴¹[40] Japanese presidents have headed the Asian Development Bank (ADB) for the past ten years.

Footnotes:

⁴²[1] CEPAA is an affiliate of the Council on Economic Priorities (CEP), a public interest research institute that studies corporate governance. CEPAA's advisory board consists of businessmen, trade union representatives, academics, and representatives from non-governmental organizations (NGOs).

⁴³[1] "Public Policy and Labor Standards," *The World Development Report 1995*, World Bank, Washington D.C.

- 44^[2] “Singapore Ministerial Declaration,” World Trade Organization, WT/MIN(96)/DEC/W, 1996.
- 45^[3] Reuters, “Workers ‘trapped’ in trade zones Poor conditions typical of exports areas, UN says,” *The Toronto Star*, 1998.
- 46^[4] “Business ethics. Sweatshop wars,” *The Economist*, February 1999.
- 47^[5] Farhan Haq, “The GAP Targeted Over Saipan Workers’ Rights,” *Asia Times Online*, March 6, 1999.
<http://www.atimes.com/oceania/AC06Ah02.html>
- 48^[6] The U.S. Department of State, *1998 Human Rights Report*.
http://www.state.gov/www/global/human_rights/
- 49^[7] Ibid.
- 50^[8] Ibid.
- 51^[9] UN Wire, “Child Labor: ILO To Explore Problem At Thailand Conference.”
<http://www.un.org/partners/business/LABOR.HTM>.
- 52^[10] *Trade, Employment and Labour Standards: A Study of Core Workers’ Rights and International Trade*, Organization for Economic Cooperation and Development, Paris 1996.
- 53^[11] “Public Policy and Labor Standards,” *The World Development Report 1995*, World Bank, Washington D.C.
- 54^[12] *Trade, Employment and Labour Standards: A Study of Core Workers’ Rights and International Trade*, Organization for Economic Cooperation and Development, Paris 1996.
- 55^[13] *Guidelines for Multinational Enterprises*, Organization for Economic Cooperation and Development, Paris.
- 56^[14] *The Human Development Report 1999*, United Nations Development Programme (UNDP), New York.
- 57^[15] *The Human Rights Principles for Companies*. Amnesty International.
<http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm>
- 58^[16] “Apparel Industry Partnership.” The Lawyers Committee For Human Rights (LCHR). <http://www.lchr.org/sweatshop/main.htm>
- 59^[17] Personal communication with Eileen Kaufman, February 7, 2000.
- 60^[18] “Ethical Trading Initiative.” The Social Development Department,
<http://www.dfid.gov.uk/public/what/advisory/group7/eti.htm>>
-

61^[19] Jannelle Diller, “A social conscience in the global marketplace? Labour dimensions of codes of conduct, social labeling and investor initiatives,” *The International Labour Review*, Vol. 138 (1999), No. 2.

62^[20] Ibid.

63^[21] The Council on Economic Priorities Accreditation Agency (CEPAA).
<http://www.cepaa.org/intro.htm>

64^[22] ISO 9000 is a standard for quality management systems. ISO 14000 sets out standards for corporations’ environmental protective measures.

65^[23] *CEPAA Update*, November 1999.

66^[24] Personal communication with Maki Saito, September 1999.

67^[25] The International Monetary Fund (IMF), *Directory of Trade Statistics Yearbook 1996*, Washington D.C.

68^[26] World Trade Organization, “Textile imports of selected economies by region and supplier,” *The WTO Annual Report 1998*, Geneva.

69^[27] Japan External Trade Organization (JETRO). “Clothing imports of selected economies by region and supplier,” 1997. <http://www.jetro.go.jp/it/e/pub/focus/97>

70^[28] Ibid. “The Japanese Market for Furniture.”

71^[29] The United Nations Conference on Trade and Development (UNCTAD), *The World Investment Report 1998*, Geneva.

72^[30] The International Labour Organization (ILO), “Globalization and rest... employment and working conditions.”
<http://www.ilo.org/public/english/100secto/techmeet/tmc99tmcr1.htm>

73^[31] Nakano Chiaki, “Attempting to institutionalize ethics: Case studies from Japan,” *The Journal of Business Ethics*, Dordrecht, February 1999.

74^[32] Corporate Watch, Action Alerts, “Stop Union Busting by Kobe Steel in Ohio,” February 19, 1999. <http://www.corpwatch.org/trac/corner/alert/kobe.html>

75^[33] Nobuo Tateishi, “Business & Society: New Perspective,” *The International Institute for Labour Studies of the ILO*, 1998.

76^[34] Nigel Haworth and Stephen Hughes, “Scaling the Great Wall: China, the International Labour Movement and APEC Integration,” Center for Labor Research and Education, The Institute of Industrial Relations, The University of California, Berkeley, <http://www.violet.berkeley.edu/~iir/clre/programs/greatwall.html>

77^[35] Nikkei Shimbun, “Forum on Labor Policy in Tokyo,” September 1999.

78^[36] The Asian Development Bank (ADB), “ADB help Improve Legal System In People’s Republic of China,” *ADB Online*, October 26, 1999. <http://www.adb.org/news/1999/nr100-99.asp>

79^[37] The Organization for Economic Cooperation and Development (OECD), *DAC Report 1999*, Paris.

80^[38] The Ministry of Foreign Affairs (MOFA), *Japan’s Official Development Assistance Charter*.

81^[39] Nikkei Shimbun, “Stress on the rehabilitation of the East Asia,” July 11, 1999.

82^[40] MOFA, *The Japan ODA Report 1996*.

ANALYTICAL PAPER

I. International Political Dimension

Multinational Initiatives

Multinational initiatives on labor standards indirectly influence the activities of multinational enterprises and international public policy. The OECD Guidelines for Multinational Enterprises puts pressure on MNEs to behave ethically. The ILO

conventions encourage national policymakers to pay attention to domestic labor conditions. However, no multinational framework for labor standards has legal enforcement power over either countries or companies that violate core labor standards, and gaining acceptance of an enforceable standard is unlikely in the near future.

Developing countries oppose the idea of relating labor standards to trade agreements. Developing countries do not want to see their comparative advantage in cheap labor eroded. Moreover, they are not prepared to pay increased administrative and judicial costs that would accompany the enforcement of labor standards. Even if cost were not an obstacle, most developing countries lack qualified personnel and governmental structures to effectively implement and enforce standards.

Nonetheless, developed countries' growing concerns about worker rights means that this issue will not go away, and multilateral action will be required to address the problem. The ILO will likely become more important, but it will need some sort of enforcement mechanism if it is to have any real impact. It will need to be changed and perhaps become more like the WTO. Indeed, some suggest that the ILO could establish a labor standards review mechanism in the ILO similar to the WTO's trade policy review mechanism (TPRM).⁸³^[1]

SA 8000 as an Alternative to Multilateral Labor Agreements

SA 8000 provides a viable alternative to the painstaking and uncertain process of attempting to negotiate multilateral rules on trade and labor standards. While it will take time for SA 8000 to gain recognition among businesses, governments and consumer groups, SA 8000 leaves countries and companies free to trade openly while creating an incentive for companies to improve labor standards at their own factories, as well as to require that supplier companies establish good standards.

SA 8000 is also WTO consistent. The Agreement on Technical Barriers on Trade (TBT Agreement) defines a standard as a "document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context."⁸⁴^[2] It defines the role of a standard as "a factor for rationalization of production, a factor for clarification of transactions, a factor for innovating and developing products, a factor for transferral of new technologies, and a factor for strategic choice for companies."⁸⁵^[3] SA 8000 meets both of these criteria and therefore is unlikely to be challenged as a violation of WTO commitments.

SA 8000 can become internationally recognized just as ISO 9000 and 14000 already are. SA 8000 provides an incentive for companies and countries to improve labor standards without the risk of damaging the free trade environment.

Government-Business Initiatives

Governmental-business partnership programs such as the White House's Apparel Industry Partnership (AIP) and the United Kingdom's Ethical Trading Initiative (ETI) enable governments to review conduct practices with assistance from and in cooperation with private industry. Participation rates in both initiatives are small but larger than would be expected without government interest in and financing of the programs. Regardless of their current size, these programs have helped establish a relationship between government, the business community and civil society—a relationship that has the potential to create a flexible dialogue and a framework for improving labor conditions.

Ethical Trading Initiative (ETI)

The Ethical Trading Initiative (ETI) is a partnership between government, the private sector, unions and NGOs. The United Kingdom's Department for International Development and the Department for Trade and Industry provided the funding for over half the anticipated costs of the initiative's first three years. Representatives from these departments also participate in ETI board meetings.

The initiative is still in its pilot phase, but all members have already agreed on a "Base Code," which is based on the ILO core labor standards. Members have also agreed to participate in tests of ETI's monitoring and verification systems. While membership is "most appropriate" for U.K. food, clothing, footwear and household goods sectors, any U.K. company is eligible for membership based on its ability to support and contribute to the ETI process.^{86[4]} Member companies are also required to ensure that their suppliers meet agreed standards "within a reasonable timeframe, and that performance in this regard is measured, transparent and, ultimately, a precondition to further business."^{87[5]}

The Base Code includes the following nine principles:

- 1) Employment is freely chosen.
- 2) Freedom of association and the right to collective bargaining are respected.
- 3) Working conditions are safe and hygienic.
- 4) Child labor shall not be used.
- 5) Living wages are paid.
- 6) Working hours are not excessive.
- 7) No discrimination is practiced.
- 8) Regular employment is provided.
- 9) No harsh or inhumane treatment is allowed.

Major organizations involved in ETI are as follows:^{88[6]}

- **Companies**

J Sainsbury
Levi Strauss & Co
The Body Shop

- **Non-governmental Organizations**

Action Aid
Council on Economic Priorities
New Economics Foundation
Oxfam UK/I
Save the Children Fund

- **Trade Unions**

The International Confederation of Free Trades Unions (ICFTU)

- **U.K. Government**

Department for International Development
Department for Trade and Industry

Developing Countries' Enforcement Frameworks

One of the major difficulties in protecting labor standards in developing countries is the difficulty of establishing effective legal enforcement schemes in each country. Even if a country has strict labor laws for protecting worker rights, improvements in working conditions usually do not materialize without regular inspections, effective administration of legal procedures, and adequate human resources to conduct inspections. Some researchers note that when labor inspection agencies lack sufficient verification staff, local governments are likely to overlook bad shop-floor practices.^{89[7]}

International cooperation will be needed to provide resources and technical assistance to help developing countries establish legal enforcement mechanisms and educate inspectors. However the SA 8000 system circumvents the issues by gaining companies' verifiable commitments to meet basic labor standards.

Status of SA 8000 under the International Accreditation Forum (IAF)

To be successful on the worldwide level, SA 8000 will need to gain the same status that ISO 9000 and 14000 already enjoy. Toward this end, CEPAA is seeking membership in

the International Accreditation Forum (IAF), an international organization that works to encourage the development of a single worldwide system of mutually recognized conformity assessment certificates.^{90[8]}

IAF recognition will generally strengthen SA 8000's credibility and reputation with the business community, governments and civil society worldwide. Moreover, IAF recognition will be important in convincing the Japanese Accreditation Board (JAB) to promote the certificate when CEPAA introduces it in Japan.

Private Initiatives

In response to the public's growing concern about labor standards, private companies have initiated their own social auditing programs and codes of conduct. Nike and The Body Shop are examples. Both companies have developed their own codes of conduct and use third-party monitoring to ensure that their codes are met.

However, individual programs have several problems. First, they often lack transparency and credibility. Indeed, just having a code of conduct does not gain the public's trust because companies' internal reviews of labor practices are usually not disclosed in public. Second, individual auditing programs often cost too much for small and medium sized businesses to afford, partly because verification of labor standards in a company's overseas factories or in its supplier factories can be extremely costly. It is not clear that individual companies' own codes of conduct and social auditing programs are transparent enough to be credible and therefore justify their high cost.

Investor responsibility schemes have similar problems because the effectiveness of screening processes that determine whether or not companies take social responsibility is questionable. Nevertheless, socially responsible investing encourages corporate management boards to respect codes of conduct in order to gain shareholder confidence, and in the United States, the social investment programs are blossoming. In 1998, assets in socially and environmentally responsible portfolios in the United States exceeded \$ 1 trillion.^{91[9]}

II. Domestic Political Dimension

Japanese Trade Policy and Labor Standards

The GOJ opposes combining labor standards with trade negotiations. Nevertheless, as the Japanese Central Labor Union (often called "Rengo") has become more concerned about the treatment of workers in developing countries, so too has the GOJ.

Three factors make it all the more important that the GOJ address labor issues: 1) Japanese imports are increasing, making overseas labor issues more relevant within

Japan; 2) American and European concerns about labor standards are growing, which could lead to costly company boycotts; and 3) there is an increasing danger that labor issues could become barriers to trade with developing countries—which would both stunt third world development and make it more difficult for Japanese companies to maintain and build new relationships with developing country suppliers.

The Japanese ODA Policy and Labor Standards

ODA's current five-year plan (1999-2003) stresses social development programs such as human resource development, health, and legal reinforcement programs. Accordingly, Japanese ODA can contribute significantly to international efforts toward building individual countries' labor standards enforcement mechanisms.

SA 8000 fits well with ODA's objectives. CEPAA should approach ODA officials about introducing SA 8000 in developing country factories and businesses as a part of ODA's programs.

III. Commercial Analysis: Labor Standards and SA 8000

Benefits of SA 8000 for Japanese Corporations and Consumers

Consumer demand for goods produced under socially responsible business conditions is pushing businesses around the world to verify their good corporate conduct. Japanese corporations have come under particularly intense scrutiny with the recent discovery of a number of business scandals that involved bribery, sexual harassment, and discrimination, among other things. Japanese corporations, however, lack necessary expertise in the fields of public relations and social auditing. Gaining an objective SA 8000 certification will provide these companies with a ready made public relations tool for advertising their good corporate governance both domestically and overseas.

The Benefits of SA 8000 for Contracting Suppliers in the Developing Countries

Developing countries' lack of know-how and weak legal enforcement systems make the task of instituting and enforcing labor standards a difficult and slow process. Requests from Japanese corporations that their suppliers become SA 8000 certified will have a large impact on labor management practices in developing countries by encouraging these countries to do their best to speed the development of internationally acceptable labor standards. Having SA 8000 certification will become a marketing tool for supplier companies in Asia.

Cost of Labor Standards

The cost of implementing responsible labor standards varies according to each company's circumstances. On the one hand, improving labor standards can increase wages for workers and the overall management costs of an organization. On the other hand, sound labor standards can enhance productivity by enticing workers to stay in their jobs longer.⁹²^[10]

The cost of SA 8000 depends on the size and condition of the applicant company or factory.⁹³^[11]

Initially, companies or factories interested in certification attend a four-day, \$1,600 course to learn about the certification system. Subsequently, the applicant works with a third-party auditor to complete a comprehensive review of the applicant's internal labor practices and management system. Of the total cost of obtaining SA 8000 certification, only 15 percent goes to human resources costs; 85 percent goes into correcting labor conditions and establishing appropriate management practices.⁹⁴^[12]

Despite the fact that SA 8000 certification can be used as a marketing tool, some companies and factories simply cannot afford the costs associated with certification and SA 8000's ongoing audits. In such cases, financial assistance from Japanese corporations could make a large contribution toward improving developing country labor standards.

To date, no empirical studies have investigated how SA 8000 contributes to or damages the corporate bottom line. However the threat of boycotts will make SA 8000 attractive to companies even without evidence that improved management systems will increase profits. The cost of negative publicity due to poor management practices is almost certainly far larger than the cost of obtaining SA 8000 certification.

Due to the economic recession, cost reduction and efficient management are in the forefront of every Japanese manager's mind. While obtaining SA 8000 certification presents an additional cost, these costs should be weighed against productivity gains that can be expected after implementing SA 8000 consistent labor and management practices.

Labor Standards and Human Resource Development (HRD)

A better work environment is said to contribute to higher productivity and development. That is, building better working conditions and allowing employees more control over their work tends to increase productivity. At present, many developing countries do not achieve these correlations. "While many developing countries possess numerous laws meant to regulate workplace conditions, these laws are often enforced in a hit and miss fashion, and usually apply only to foreign and large domestic firms."⁹⁵^[13]

SA 8000 has the potential to improve working conditions in a way that makes employees take more responsibility for their work product and thereby increases productivity. For

developing countries, this could prove significant. In fact, NGOs conducting development assistance programs have expressed their interest in SA 8000 as a means of advancing local economies, as well as improving living standards.⁹⁶^[14] Indeed, as one set of authors noted, “HRD policy can be used to formalize the informal sector, protect women, children and other vulnerable workers, and address unfair or exploitative working conditions in EPZs [Export Processing Zones].”⁹⁷^[15]

IV. Analysis of Stakeholders

A number of organizations, as well as businesses, have a stake in the debate over labor standards and will be interested in any effort to implement SA 8000 more broadly. These stakeholders’ interests are briefly described below. Further details are included in Exhibit 11.

International Stakeholders

- International Labor Organization (ILO)

The ILO is eager to see every country ratify the ILO conventions. However, if a country lacks the capacity to enforce the conventions, worker and human rights are unlikely to improve. To address this problem, the ILO is studying effective enforcement mechanisms. It is especially interested in exploring private initiatives such as SA 8000 and other voluntary codes of conduct and labeling schemes.

Because the ILO’s Asia-Pacific representative is Japanese, she should be approached as part of CEPAA’s comprehensive strategy for introducing SA 8000 in the region. CEPAA should propose the possibility of promoting SA 8000 through ILO events and activities in the region.

- Organization for Economic Cooperation and Development (OECD)

Currently, the OECD’s Guidelines for MNEs is a voluntary code that member countries are supposed to instruct their MNEs to observe. However there is no mechanism for enforcing the Guidelines, and they do not contain clauses concerning the abolition of child labor and forced labor or other core labor standards, such as discrimination, compensation, and freedom of association.⁹⁸^[16]

The OECD’s Development Assistance Committee (DAC) has expressed great interest in SA 8000; the DAC’s 1999 report recognized SA 8000’s potential for improving working conditions around the world.

- World Trade Organization (WTO)

At the Singapore ministerial meeting in 1996, WTO member countries acknowledged the relationship between labor standards and trade. The ministerial declaration stated that the WTO does not support the use of labor standards as protectionist measures and also noted the importance of preserving developing countries' comparative advantages so that they can fully participate in global trade.

The WTO maintains that the ILO, not the WTO, should handle labor standards because it is the ILO that has competence on this issue. Nevertheless, at the Seattle Ministerial meeting in November 1999, countries such as the United States, Sweden and Germany pushed for consideration of how labor standards should be addressed within the system of international trade rules, and the United States is pushing for the establishment of a WTO working group on trade and labor standards.

SA 8000 could provide a solution on the conflict between labor and trade issues. However care will need to be taken to ensure that the standard is not used as a protectionist measure.

- United Nations Development Programme (UNDP)

The UNDP is concerned with social inequality worldwide. In its 1999 Human Development Report, it focused on the widening gap between developed and developing countries and discussed the impacts of globalization. Since globalization gives corporations more power, the UNDP stresses the importance of strengthening corporate governance to handle social policy.^{99^[17]}

The report also discussed social auditing programs and noted that SA 8000 is currently being implemented worldwide. The UNDP is interested in SA 8000 as a measure for supporting social policy as developing countries become more integrated into the world trade system. Combining the SA 8000 certification program with UNDP programs in Asia will advance the legitimacy of the new certification.

- Multilateral Financial Institutions (MFIs)

Multilateral Financial Institutions (MFIs), such as the World Bank (WB) and the Asian Development Bank (ADB), are interested in assisting in the development of legal institutions in developing and emerging markets—particularly because the Asian financial crisis was largely caused by a lack of government regulatory control over financial activities.

MFI financial assistance also should be utilized to establish legal enforcement mechanisms for labor standards in developing countries. One of the major obstacles to improving labor standards in developing countries is their lack of personnel qualified to audit companies and enforce labor laws.

Given that MFIs are willing to cooperate with private sector companies to achieve their objectives, they are likely to be interested in promoting SA 8000 as a complement to public sector reforms in developing and emerging market countries. In Asia, the ADB

will have a large influence over programs designed to improve labor standards. The current president of the ADB is a Japanese officer who has connections with Japan's Ministry of Finance (MOF).

- Multinational Enterprises (MNEs)

Business can no longer ignore consumers' and stockholders' growing concerns about labor practices. Large enterprises can create their own disciplinary codes of conduct and these codes can help reduce a company's risk of image-damaging boycotts. However, the public does not necessarily trust self-auditing programs, and the existence of numerous codes of conduct or social labeling programs dilutes the effectiveness and credibility of any one code. Moreover, it can be quite expensive for a company to use its own code of conduct as a marketing tool. Because the code is unique, it requires extra branding effort. Consumers will not immediately recognize it as they would a global label such as SA 8000.

- International Accreditation Forum (IAF)

CEPAA is in the midst of applying for membership in the IAF. Gaining IAF membership will give SA 8000 credibility in the eyes of the business community. By becoming an IAF member, CEPAA would also gain greater access to other IAF member organizations that could help in marketing SA 8000 around the world. In Japan, for example, the Japan Accreditation Body (JAB) is an IAF member.

- Contracting Suppliers in Asia

Supplier companies in Asian developing countries might not by themselves decide to improve working conditions in their factories. However, more and more companies are likely to begin demanding some sort of verification of labor practices from their suppliers because labor issues have become a risk management issue.

- Labor Unions in Asia

Introducing SA 8000 in Asia will assist union organizing efforts because the standard calls for freedom of association. Introducing SA 8000 in Japan might not directly support freedom of association. However, if Japan's MNEs adopt SA 8000, they might start demanding that their Asian suppliers ensure freedom of association rights.

Domestic Stakeholders

- The Ministry of Foreign Affairs (MOFA)

MOFA has not explicitly indicated concerns about labor standards to its Asian counterparts. Nonetheless, it should be encouraged to promote SA 8000 in Asia. Because MOFA is responsible for developing Japan's foreign policies, it has a great deal of influence over other countries in the region.

- The Ministry of International Trade and Industry (MITI)

MITI is responsible for domestic economic policy and trade policy, and it cooperates with JAB concerning standardization issues in Japan. MITI's support of SA 8000 will be of great assistance in marketing the certificate program to the Japanese business community.

- The Ministry of Labor (MOL)

The MOL often cooperates with the ILO in implementing labor policies worldwide. In 1999, the MOL, along with the ADB, WB and ILO, held a meeting in Tokyo on labor policies for Asian governments. Within Japan, the Ministry's role has expanded since Japan's plunge into economic depression.

- The Japan International Cooperation Agency (JICA)

JICA implements Japanese development assistance programs. It also cooperates with the UNDP to implement development programs. Currently, JICA is focused on social development and legal institutions building programs for developing countries. Because JICA recently began using NGOs in implementing its programs, CEPAA should explore the possibility of including SA 8000 training in JICA's social development program.

- The Japan Bank for International Cooperation (JBIC)

JBIC is a government organization that supplies loans for export and import financing, as well as development assistance loans. In determining whether to grant development assistance loans, JBIC currently does not consider human rights or labor standards issues. However such consideration could be incorporated into JBIC's loan criteria. Increased information about the beneficial relationship between labor standards and development would provide a strong argument for doing so.

- The Diet (Parliament)

Mr. Naoto Kan, a Diet member, former leader of the Democratic Party of Japan, and formal civil rights movement leader, is particularly influential on labor standards issues. Although he was not re-elected as the DPJ leader in 1999, he remains popular. CEPAA should work towards gaining his support, as well as support from the DPJ, the LDP, and the Social Democratic Party.

- The DPJ, an opposition party, is sensitive to labor issues because it is backed by "Rengo," Japan's National Labor Union. The DPJ's major constituencies are the populations of Japan's large cities and workers' union. The DPJ is the largest opposition party in the Diet.
- The Liberal Democratic Party (LDP), the majority party, traditionally assists the industrial and agricultural sectors. Its relationship with the Keidanren is strong.
- The Social Democratic Party led by Ms. Takako Doi is a left-of-center political group. It was the primary political organization for labor union members until the DPJ

was formed.

- Keidanren (The Japanese Federation of Economic Organizations)

Keizai Dantai Rengo Kai (often called “Keidanren”) is a federation of large Japanese corporations, which has a great deal of influence over Japanese economic policy decisions. The current president of the organization is Mr. Tadashi Imai, chairperson of the Nippon Steel Corporation, the second largest steel company in the world. The Keidanren’s board is made up of executives of major Japanese corporations such as Sony, Toshiba, Ajinomoto, Toyota, and Tokyo Electric Power Corporation (TEPCO).

The Keidanren has put forth principles on corporate governance. Although the principles are not legally enforceable, they demonstrate the organization’s concern with corporate activities in Japan and overseas. The Keidanren has acknowledged the growing international concern over labor standards, and it has featured SA 8000 in its newsletter.

- The Japan Trade Union Confederation (JTUC, “Rengo”)

With 78 affiliates and 8 million members,¹⁰⁰^[18] the JTUC is the most influential labor union in Japan. The organization has a close relationship with the ILO and the International Confederation of Free Trade Unions (ICFTU). The JTUC has tried to protect worker’s rights during Japan’s economic recession. It has also made efforts to promote the interests of workers throughout Asia, sometimes even lobbying for workers rights in the United Nations, ILO, OECD, WTO and other international institutions.¹⁰¹^[19]

In “Actively promoting International Joint Activities for Peace, Human Rights and Fairness” (one of its so-called “action policies”), the JTUC described its efforts to promote respect for human rights, union rights, and democracy. “RENGO will strengthen in Asia its endeavor to consolidate these rights.”¹⁰²^[20]

- Japan Accreditation Board (JAB)

JAB accredits and registers industrial standards systems in Japan, including inspection companies. It also represents Japan in foreign bilateral and multilateral negotiations concerning mutual recognition of accreditation systems. JAB is a member of the IAF. SGS-ICS, Inc. of Japan is a CEPAA authorized auditor and is also registered by JAB. JAB will not promote SA 8000 without MITI’s support.

- Japanese Corporations

Japanese corporations are generally not familiar with labor standards issues. However, the boards of directors of Japanese companies historically have cooperated with labor unions to facilitate corporate management. Accordingly, labor unions may be able to help push business toward acceptance of labor standards, particularly if such standards are

portrayed as part of a sound risk management strategy. Indeed, due to the economic recession as well as recent business scandals, consumers are more conscious of corporate governance issues than ever before.

The government's new deregulation policies (which have pushed corporations to disclose their activities) and growing competition with foreign rivals in domestic markets may also push companies toward more concern over labor issues. Both of these factors have caused companies to accelerate their efforts to restructure their procurement systems. Japanese companies' traditional "Keiretsu" (intra-group transaction) system of doing business is beginning to breakdown as companies look to outside, often overseas, suppliers for cheap input sources.

Japanese corporations are not likely to be immediately enthusiastic about implementing SA 8000, particularly given the difficulties they face due to the economic recession. However as their foreign rivals begin adopting such labor standards in response to consumer demand, it will become increasingly important that Japanese corporations follow suit. SA 8000 provides a valuable risk management tool.

Industries that should be targeted are:

- 1) Major Trading Corporations (MTCs);
- 2) Retailers;
- 3) Sports product manufacturers;
- 4) Apparel manufacturers; and
- 5) Toy manufacturers.

- Third-Party Auditing Companies

Five third-party auditors are currently authorized by CEPAA to conduct SA 8000 verifications. Of these, SGS-ICS, BVQI, and DNV have Japanese offices. Because they will benefit from broad acceptance of SA 8000 in Japan, they will be willing to support CEPAA's marketing efforts.

- Japanese Consumers

A Marymount University survey found that 70 percent of respondents were inclined to pay an extra one dollar for a \$20 shirt—a five percent premium—if they were guaranteed that the shirt was not made in a sweatshop factory.¹⁰³^[21] Such consumer consciousness has not taken hold in Japan. Accordingly, media campaigns to educate the public about labor standards and SA 8000 will need to be implemented before SA 8000 will be able to become a marketing tool in Japan.

- Educational Institutions

Several Japanese universities conduct research on business ethics. Among these, Reitaku University and Sophia University are the most prominent. Reitaku has an institute for the

study of business morals. Sophia is a Catholic-based institution in Tokyo. It has an institute that studies social justice issues.

CEPAA should enlist both of these universities in its efforts to promote SA 8000 in Japan. Seminars should be held for students and the public in order to increase general public awareness of labor issues. Special seminars for the business community could also be convened.

V. International Negotiation Challenges

The Asian Countries and Human Rights

Asian countries generally believe that labor standards are being imposed on them by Western countries. Accordingly, the GOJ will be reluctant to be seen linking trade and labor issues because doing so could damage its diplomatic relationships with developing countries in the region. Nonetheless, Japan's support for improving labor standards around the world can help make labor standards not just a "Western" issue but a global issue. As one scholar has argued, "Japan could – if it chose – play a significant role in shaping leadership choices toward democratization and in reinforcing the trend toward democracy in Asia."¹⁰⁴^[22]

The World Trade Organization (WTO) and the Trade Agenda

The trade and labor issue is not going to go away anytime soon. The public is only growing more concerned about labor issues; the United States has officially proclaimed its strong interest in the establishment of a WTO working group on labor standards; and the International Confederation of Free Trade Unions (ICFTU), one of the world's most powerful labor voices, argues that "the promotion of labour rights must be linked to the development of trade if basic living standards are to be raised across the developing countries."¹⁰⁵^[23]

Nevertheless, because developing countries, including Asian countries, continue to oppose any linkage between labor standards and trade rules, there is still no clear path for even beginning to examine labor issues within the WTO. If labor standards were to make it to the WTO agenda, CEPAA could use the opportunity to promote SA 8000 around the world. However, CEPAA can immediately begin promoting SA 8000 as a way to address labor issues without the need to incorporate labor standards in trade agreements. SA 8000 could be treated under the GATT/WTO in the same way that ISO/IEC standards are treated.

Public Policy vs. Private Initiative

SA 8000 provides a means of encouraging private companies to voluntarily improve labor standards in their own factories. However, that does not mean that governments do not need to use their authority to protect labor standards. Local governments' need to develop their own labor standards, as well as their ability to enforce those standards. Indeed, as the power and influence of the private sector grows, it becomes increasingly important for government agencies to have efficient and effective means of safeguarding workers' rights.

Governments also play an important role in increasing the public's and the business community's general awareness of labor issues, and they can provide incentives for corporations to adopt verifiable labor standards systems. Government activism will be important in making SA 8000 an internationally recognized standard.

Competition with Other Codes of Conduct

Corporations around the world are establishing their own codes of conduct and using these codes as a marketing tool. In order to draw the business community's interest toward SA 8000, CEPAA will need to show businesses how they will benefit more from SA 8000 than from their own private codes. In order to get business interested in SA 8000, CEPAA will need to gain broad-based international recognition of the standard.

Relationship with International Organizations

Gaining international organizations' recognition of SA 8000 as an international certification system like the ISO standards will help in gaining broader acceptance of the standard. International organizations that already deal with labor issues in one way or another include the ILO, the United Nations Development Programme (UNDP), the World Bank (WB), and the Asian Development Bank (ADB). The UNDP has already discussed the benefits of SA 8000 in its Human Development Report. The ILO in its internal documents has suggested that private social auditing programs can help improve labor conditions around the world and has identified SA 8000 as a promising program.

Footnotes:

106^[1] Jai Sheen Mah, "ASEAN, Labour Standards and International Trade," *The ASEAN Economic Bulletin*, March 1998.

107^[2] World Standards Service Network, *1.1.1 Definition of a standard*.
http://www.wssn.net/WSSN/gen_inf.htm

108^[3] Ibid.

109^[4] The Ethical Trading Initiative (ETI), *Introducing the Ethical Trading Initiative*. <http://www.eti.org.uk/about/content.shtml>

110^[5] Ibid.

111^[6] Ethical Trading Initiative Members. <http://www.ethicaltrade.org/members/content.shtml>

112^[7] ETI Seminar Report 4, "Governance in China: What are the implications for ethical trading?" September 1999.

113^[11] One study found that, in the case of Denmark's Sbn Bank, "the process required a considerable expenditure of time, effort and resources. . . amounting to roughly UK 6000 yearly (covering data collection, printing and disseminating the statement, direct costs associated with dialogue circle meetings, etc)." Peter Pruzan, "The Ethical Dimensions of Banking: Sbn Bank, Denmark," *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting*, Edited by Simon Zadek, Peter Pruzan and Richard Evans, Earthscan Publications Ltd., London, 1997.

114^[12] Personal communication Maki Saito, December 3, 1999.

115^[13] Bruton, Henry, and David Fairris, "Work and Development," *The International Labour Review*, Vol. 138 (1999), No. 1.

116^[14] The CEPAA, *CEPAA Update*, July 1999.

117^[15] Ozay Mehmet, Errol Mendes and Robert Sinding, "Factors Affecting Labour Standards," *Towards a Fair Global Labour Market: Avoiding a New Slave Trade*, Routledge, New York and London, 1999.

118^[16] Roger Blanpain, "Review of the OECD Guidelines for Multinational Enterprises: Possible Revisions to the Chapter on Employment and Industrial Relations," April 1999, Paris.

119^[17] The United Nations Development Programme (UNDP), *The Human Development Report 1999*, Oxford University Press, New York, 1999.

120^[18] The Japan Trade Union Confederation (JTUC), *Path to the Birth of RENGO (1964-1986)*. <http://www.jtuc-rengo.org/htmls1/034Path.html>

121^[19] The JTUC, “Rengo’s Efforts to Develop Solidarity with Asian Labor Movements,” *Approach to Current Problems in Japan*. <http://www.jtuc-rengo.org/approach.html>

122^[20] Ibid. *Action Policy 6, Actively promoting International Joint Activities for Peace, Human Rights and Fairness*.
<http://www.jtuc-rengo.org/htmls1/016Act6.html>

123^[21] Marymount University Center for Ethical Concerns, *The Consumer and Sweatshops*, November 1999.
<http://www.marymount.edu/news/garmentstudy/overview.html>

124^[22] Arase, David, “Japanese Policy Toward Democracy and Human Rights in Asia,” *The Asian Survey*, XXXIV (11).

125^[23] Taylor, Robert, “EMPLOYMENT: Rights are ‘Vital to Trade,’” *The Financial Times*, November 19, 1999.
<http://www.ft.com/hippocampus/q2dfce2.htm>

DOMESTIC STRATEGY

The objectives of the domestic strategy are to:

- 1) market SA 8000 to the Japanese business community;
- 2) make SA 8000 a part of the GOJ’s trade and development assistance programs; and
- 3) put international labor standards on the GOJ’s trade and development policy agenda.

The United Kingdom’s Ethical Trading Initiative (ETI) provides a suitable model for introducing SA 8000 into Japan. ETI was established in 1998 to verify ethical procurement management in some of the United Kingdom’s larger corporations, including the Body Shop International, Levi Strauss & Co, and J. Sainsbury. Each company adopted a basic code that was developed and agreed to by the participants. Each company also agreed to undergo reviews of its procurement management system and to correct any unethical trading practices uncovered by the review. All the reviews and updates on companies’ progress are published by ETI.

ETI has non-profit status and its own administrative staff. However ETI received funding from the government for its first three-year program. The government also participates in ETI’s board meetings, as does the U.K. chapter of the Council on Economic Priorities.

ETI provides a good model for how CEPAA might introduce SA 8000 in Japan because:

- 1) The United Kingdom is a developed country, as is Japan.
- 2) U.K. corporations are major foreign investors, just as Japanese companies are.
- 3) ETI encompasses all business sectors, unlike the United States' Apparel Industry Partnership.

To accommodate Japan's unique economic, political, and social circumstances, CEPAA's strategy in Japan will need to be somewhat different from the ETI strategy. Japanese consumers, for example, are not yet as concerned with social responsibility as the United Kingdom's consumers. In the United Kingdom, it was consumers' demands that convinced the government and business community to initiate ETI. In Japan, consumers' lack of concern might become an obstacle.

The domestic strategy has three components:

- Research Strategy
- Political and Legislative Strategy
- Media Strategy

It is designed to be implemented over one year, following which an international strategy will be implemented (see next section). To facilitate the strategies, an Asian CEPAA office should be established in Tokyo.

I. Research Strategy

The objective of the research strategy is build a base of information to support and implement the political, legislative and media strategies. Research will be conducted on:

- 1) The relationship between labor standards and public policy (trade and development);
and
- 2) The relationship between corporate governance and public awareness of social responsibility.

Given that international labor standards are not well studied in Japan, this research will need to be carried out by well-respected scholars if it is to provide a credible basis for launching a national dialogue on the subject.

The following research institutions are all recommended. (Exhibit 7 lists the advantages of each of these institutions, as well as their contact information.)

Research on the Labor Standards and Public Policy in Asia

- International Development Center of Japan (IDCJ)

IDCJ was established in 1971 as Japan's first think tank. It specializes in the field of development and cooperation. Although six governmental agencies (MOFA, MITI, the Ministry of Transport, the Ministry of Construction, the Economic Planning Agency, and the Ministry of Agriculture, Forestry and Fisheries) finance IDCJ, the Center is an independent research institute. In fact, one of IDCJ's principles is that it remain "neutral from any interest, government or private."¹²⁶^[24]

IDCJ conducts research on interdisciplinary and integrated topics, which means it is well suited to study of the relationship between labor standards and public policies (trade and development). IDCJ also conducts international symposia. One of its recent symposia was "International Conference on Asian Transitional Economies: Challenges and Prospects for Reform and Transformation."¹²⁷^[25]

- Institute of Development Economics (IDE)

The Institute of Development Economics (IDE) is one of the largest social science research institutes in the Asian region. IDE is an affiliate of the Japan External Trading Organization (JETRO), so it has strong ties to MITI, and it is well funded. IDE is recognized for producing quality macroeconomic analysis, regional studies, and sector-based studies. It is one of the designated economic research centers of the Asia Pacific Economic Cooperation (APEC), and it engages in international exchanges among foreign think tanks.

- Sanwa Research Institute Corporation (SRIC)

SRIC is an affiliate of Sanwa Bank, which is one of Japan's largest financial institutions. Despite the fact that Sanwa Bank finances 50 percent of SRIC's budget, SRIC is relatively independent from the bank. SRIC is well known for its superior economic forecasting capabilities. It recently began participating in feasibility studies for Official Development Assistance (ODA) programs.

SRIC studies trade, international organizations, industrial policy, infrastructure, labor relations, education, environment, international economic policy, intellectual property, and official development assistance. Like IDCJ and IDE, SRIC has participated in development research. For example, SRIC recently worked with the Central Bank of Mongolia on research concerning policy formulation to promote Mongolia's economic development.¹²⁸^[26]

- Pacific-Asia Resource Center (PARC)

A non-profit organization, PARC has become involved in investigations of labor conditions in overseas factories managed by Japanese businesses. PARC's resources are not as large as those of the research institutes listed above. As a result, however, PARC is somewhat more independent and neutral. Moreover, as a NGO, PARC has more flexibility in developing its own research agenda.

Research on Corporate Governance and Public Awareness in Japan

- Asahi Cultural Foundation (ACF)

ACF is a partner of the Council on Economic Priorities (CEP)—CEPAA's parent body. Each year, ACF reviews Japanese corporations' conduct using CEP's social responsibility scoring system. ACF is an affiliate of the Asahi Shimbun, one of the largest newspaper publishers in Japan. Ms. Mitsuko Shimomura, a former Asahi Journal editor, currently chairs ACF. (The journal was dissolved in 1993, but during its existence it often published articles on social causes.)

- Asahi Shimbun

Asahi Shimbun conducts research for feature articles. The paper is well known for its left-of-center political position, and its editorials are often critical of government policies. The paper also supports labor union causes.

- Nikkei Shimbun

Nikkei Shimbun is the largest economic newspaper in Japan. Its broad coverage of social and economic events is highly respected. Nikkei often conducts polls concerning the public's support for the government.

II. Political Strategy

The objective of the political and legislative strategies is to build support within Japan for using international labor standards generally and SA 8000 specifically in establishing a Japanese version of the United Kingdom's ETI. The strategies include the following components:

- 1) Coalition building
- 2) Education
- 3) Fund raising
- 4) Workshops
- 5) Legislative action

Coalition Building

Building a coalition that represents a broad array of interests will help in getting international labor standards on the GOJ's trade and development policy agenda. After labor issues are on the government's agenda, SA 8000 can be put forth as the most favorable solution to the problem of reconciling free trade with labor measures.

The following stakeholders should be involved in the coalition:

- 1) Political Parties
- 2) Government Agencies
- 3) Labor Unions
- 4) Universities
- 5) Non-Governmental Organizations (NGOs)
- 6) Business Associations

(See Exhibit 12 for a more detailed list.)

- Political Parties

Both majority and opposition parties should be mobilized. At present, coalition groups including the Liberal Democratic Party (LDP), the Komei Party (KP), and the Liberal Party (LP) control the Diet. Each of the parties has different characteristics that can be useful for promoting the concept of labor standards and SA 8000.

- The LDP is backed by major economic organizations, such as the Keidanren, and it currently controls the administration. Accordingly, the party is very powerful; it will be important to gain LDP support for SA 8000. The LDP's association with the Keidanren provides a means of introducing SA 8000 to the LDP.
- The KP is supported by the Soka Gakkai (Value-Creation Society), one of the largest newly developed religious groups in Japan. The Soka Gakkai finances a variety of programs in Japan and overseas.
- The LP grew out of the New Frontier Party. Its party leader, Mr. Ichiro Ozawa, is committed to deregulating social and economic structures in Japan. In his recently published book, he notes that Japan could benefit from allowing freer trade.

The Democratic Party of Japan (DPJ) is influential even though it is not part of the coalition that controls the Diet. Mr. Yukio Hatoyama was elected as president of the DPJ in 1999. His family has long been involved in politics, but Hatoyama himself was a professor at Sensyu University prior to throwing his hat into the political arena. He holds a Ph.D. degree from Stanford University. Given that the DPJ is committed to improving civil rights, it is likely to be open to the idea of international labor standards and the SA 8000 system.

- Government Agencies

Government agency participation in the coalition will help persuade the business community to become involved in establishing an ETI-like program in Japan. MOFA, MITI and JICA will be particularly important, but MOL and JBIC should also be invited to join. Government participation will also be important because the government could provide financing for developing an ETI-like program.

- Labor Unions

The Japanese Trade Union Confederation (JTUC or “Rengo”) has regained strength through its efforts to protect workers rights during Japan’s economic recession. JTUC is a member of the International Confederation of Free Trade Unions (ICFTU).

- Universities

Japanese universities’ research on business ethics lags behind such research at U.S. and European universities. Nevertheless, a few colleges could be helpful in promoting the concept of labor standards in Japan.

- Reitaku University is well known for its Institute for the Study of Morals, which conducts research on human morals in economic activities. Institute researchers often contribute articles to the Journal of Business Ethics.
- Sophia University is known for its study of international affairs generally, and it is home to the Institute of Social Justice, which works to promote social justice and humanitarian goals on the international level. Ms. Sadako Ogata, the United Nations High Commissioner for Refugees (UNHCR), was once a professor at Sophia, and she maintains a relationship with the school.

Mobilizing Japanese students on labor issues is one means of quickly raising the general public’s awareness of these issues. Reitaku and Sophia Universities should be targeted first. Universities can also promote labor standards issues by holding forums or lectures on the topic. CEPAA might explore the possibility of giving a university lecture or organizing a series of lectures in cooperation with faculty members.

Other than the Reitaku and Sophia, the following universities and colleges should be targeted:

Tokyo Area:

University of Tokyo, Waseda University, Keio University, Hitotsubashi University, Tsuda College, Ochanomizu Women’s College, Tokyo Christian Women’s College, Nihon Women’s College, Gakusyuin University, Aoyoma Gakuin University, and International Christian University (ICU).

Kyoto/Osaka Area:

Kyoto University, Doshisha University, Ritsumeikan University, Ryukoku University, Kwansai Gakuin University, Osaka University, and Kobe University.

- Non-Governmental Organizations (NGOs)

Japanese consumer groups have some power to affect political decisions. It was pressure from consumer groups, for example, that convinced the Ministry of Agriculture, Fisheries and Forestry (MAFF) to require labeling for genetically modified foods. Accordingly, consumer groups should be included in CEPAA’s coalition in Japan.

Although Japanese NGOs, are not very influential, some are involved in overseas development assistance programs. The Association of Medical Doctors of Asia (AMDA) and the Japan International Volunteer Center (JIVC) frequently participate in ODA's programs. Their know-how in developing countries should be fully utilized to the coalition's advantage.

The coalition may also want to seek out the assistance of international NGOs, such as Oxfam and Care International. Their capacity to manage projects in developing countries is stronger than those of the Japanese NGOs.

- Business Associations

The Keidanren has expressed its interest in SA 8000 and should also be asked to endorse it and perhaps sponsor some of CEPAA's promotional activities. In December 1999, Keidanren representatives visited CEPAA to learn about SA 8000.¹²⁹^[27]

The Japan Chamber of Commerce (JCC) represents small and medium size companies. The JCC assisted in organizing CEPAA's 1999 meeting in New York for Japanese businessmen.

Education

Educational activities will need to be organized to help the Japanese public, as well as Japanese policymakers, learn about international labor standards. Toward this end, seminars should be held at universities, with most concentrated in Tokyo where the largest number of stakeholders live.

Fund Raising

In order to establish an ongoing labor standards efforts, a neutral administrative body will be needed (this body can be modeled after ETI's). The coalition should ask the GOJ to finance this body for some initial start up period—just the United Kingdom's government funded ETI for its first three years.

Religious groups and foundations in Japan might also be a source of funding. The Nippon Foundation (the former Sasakawa Peace Foundation), the Soka Gakkai Society and the Toyota Foundation are possible financial sources. (See Exhibit 9 for a list of foundations.) Corporations should also be asked to contribute.

Workshops

The coalition should ask representatives of government agencies to make presentations at CEPAA's four-day workshops that introduce SA 8000 to specific companies. According

to CEPAA Executive Director Eileen Kaufman, it is possible that CEPAA will hold an SA 8000 introductory training course in Tokyo in July 2000.¹³⁰^[28]

Legislative Actions

In 1998, the Japanese Diet passed a law prohibiting child pornography and prostitutes. This case should be used as a precedent for looking at labor standards issues. Although the Japanese labor law protects worker's rights in Japan, it does not require Japanese companies to be responsible for labor standards in their overseas factories. Legally obligating Japanese businesses to be responsible for labor standards in all their factories will make Japanese businesses eager to learn about auditing systems such as SA 8000.

III. Media Strategy

The objectives of the media strategy are to educate the public on the importance of labor standards, to persuade the GOJ to put labor standards issues on its policy agenda, and to introduce SA 8000 as a solution to the conflict between trade and labor.

Public Relations Consulting Firms

Public relations firms can be expensive, but they provide an efficient means of reaching target audiences. Recommended PR agencies are listed below. (See Exhibit 6 for contact information).

- Fleishman-Hillard Japan, Inc.

Fleishman-Hillard is one of the largest PR consulting firms in the United States and the fourth largest agency worldwide. FH Japan was established in 1997; its president once worked for Honda Motors' government relations office in Washington, DC. (The author worked at FH during the summer of 1999.)

- Cosmo Public Relations Corporation

Cosmo is a leading PR agency in Japan. The president of the corporation graduated from a U.S. college and worked for McKenzie & Company, a major U.S. management consulting firm, prior to assuming her current position. Cosmo previously developed a PR strategy for improving public awareness on health issues.

- Burson-Marsteller Tokyo, Inc.

Burson-Marsteller (BM) is the oldest PR agency in the United States. The company's Japanese branch has been open for 25 years.

- Dentsu Public Relations Co., Ltd.
-

With some 200 employees, Dentsu is the largest PR agency in Japan. The company is an affiliate of Dentsu, Inc., the largest advertisement agency in Japan.

Setting up a Public Forum

As a first step, a public forum on international labor standards should be organized. Academic figures, representatives from business, and governmental officials should all be invited. The Keidanren, Japanese labor unions, international organizations (ADB, WB, ILO, OECD), and mass media companies (Asahi, Japan Times, Nikkei) should be asked to sponsor the forum. (See Exhibit 13 for a draft plan of the forum).

Mass Media

Newspaper, television, and magazine contacts should be cultivated.

- Newspapers

- 1) The Asahi Shimbun (The Asahi Newspaper, Inc.)
- 2) The Mainichi Shimbun (The Mainichi Newspaper, Inc.)
- 3) The Nihon Keizai Shimbun (The Japan Economic Newspaper, Inc.)
- 4) The Yomiuri Shimbun (The Yomiuri Newspaper, Inc.)
- 5) The Sankei Shimbun (The Industrial Economic News, Inc.)
- 6) The Japan Times, Inc.
- 7) The Financial Times, Inc.
- 8) The New York Times, Inc.

Asahi, *Mainichi*, *Yomiuri*, *Sankei*, and *Nihon Keizai* are national newspapers, and each has its own English newspaper. The *Japan Times* is the oldest English newspaper in Japan. The *Financial Times* and the *New York Times* will cover the Japanese economic and social events to report to European countries and the United States.

- Television

Television is the most important element of the media strategy because video footage of laborers working in poor conditions is the most effective means of conveying to the public the importance of labor standards.

Japan has five large television stations.

- The Nippon Hoso Kyokai, (NHK) is a public broadcasting service. Ms. Yumiko Nakajima, a social documentary producer at NHK, should be approached about the possibility of developing programming on the issue of trade and labor standards. Given her interest in social justice issues, she is likely to be willing to at least explore the idea.
- The Tokyo Broadcasting System (TBS) is affiliated with *Mainichi Shimbun* and is well known for its documentary programming. TBS's "Hodo Tokusyu" (Special

Reports) covers a wide range of issues. The relationship between trade and labor standards is an appropriate topic for the program.

- TV Asahi (TVA) is affiliated with *Asahi Shimbun*. TVA's daily news program "News Station" covers a variety of social issues and gets high ratings.
- The Nippon Hoso-mou (Nippon Television Network) (NTN), an affiliate of *Yomiuri Shimbun*, and Fuji Television (a part of *Sankei Shimbun*), are also influential in the Japanese television media.

See Exhibit 14 for more information about news programs that might cover trade and labor issues.

- Magazines
- *Sekai (The World)*. This monthly magazine covers social, economic and political issues. It targets people with higher education who have an interest in social causes. *Sekai's* circulation is fairly small, but the magazine would put a story on SA 8000 in the hands of the right readers.
- *AERA*. Asahi Shimbun publishes the *AERA* weekly, a large circulation magazine with lots of pictures. Although it targets general readers, *AERA's* coverage is oriented toward social and economic issues.
- *The Weekly Economist*. This magazine is published by Mainichi Shimbun. It is different from the English language *Economist* that is published in the United Kingdom. Its target audience is general readers with higher education. Compared to *Sekai*, this publication covers more business and industry-related stories. It is an appropriate place to introduce SA 8000 to the business community.
- *Shukan Asahi (The Weekly Asahi)*. This weekly magazine is also an *Asahi Shimbun* publication. The magazine covers general news including cultural and social stories, but it is not good at dealing with social issues. Nevertheless, a story should be pitched to this magazine because its circulation is large.
- *The Sunday Mainichi*. This publication is one of the few Japanese publications that has already done a story on SA 8000. (The story ran in 1996.) The magazine is similar to *Shukan Asahi*. It is a *Mainich Shimbun* publication
- *Nikkei Business*. *Nikkei Business* is one of the most popular business magazines in Japan. Although it began as a monthly, it is now published weekly. The magazine covers a variety of business issues, and it prints opinion pieces from some of Japan's top executives.
- Books

CEPAA consultant Maki Saito will soon publish a book on corporate responsibility in Japan. The marketing campaign for her book should be used to heighten awareness of labor standards issues. *Towards A Fair Global Labour Market: Avoiding a new slave trade*,¹³¹^[29] a new book by Canadian scholars, might also help in promoting a public dialogue on the relationship between trade and labor standards. Its publishers should be contacted to see if it might be possible to translate the book into Japanese.

- Celebrities

Celebrities can help attract attention to labor standards issues. Their presence on television programs, in Tokyo forums, and at universities lectures will help draw public and media attention to labor standards issues.

Three possible people are listed below:

- 1) Ms. Misako Konno

Konno is an actress and the current Global Goodwill Ambassador of the United Nations Development programme (UNDP). She frequently visits developing countries to draw public attention to development issues. Her connection with the UNDP could help promote recognition of SA 8000 within the organization.

- 2) Mr. Takehito Nakata

Nakata is an honorable Ambassador of the United Nations Volunteers (UNV). His son, Atsuhito Nakata, was shot to death in Cambodia in 1994 when he was working as a UN volunteer assisting with the administration of the country's elections. Since his son's death, Nakata has worked to promote the principles of the United Nations and assist people who get involved in development programs.

- 3) Ms. Ayako Sono

Sono is chair of the Nippon Foundation, one of the largest foundations in Japan. She is a Christian, a graduated of Sacred Heart Women's University in Tokyo, and a well-known writer.

INTERNATIONAL STRATEGY

The objective of the international strategy is to put international pressure on the GOJ to address labor standards and promote SA 8000 to Japanese businesses. The strategy also aims to gain widespread recognition of SA 8000 within the international community because such recognition will make the standard more appealing to businesses in Japan and around the world.

The strategy targets foreign government officials and major international organizations. Some activities may be carried out in specific Asian countries, however most activities will be conducted in Japan because all the relevant international organizations have offices in Japan.

The international strategy will parallel the plan for the UNDP's Asia-Africa Network for Artisan Development campaign,^{132^[30]} which is aimed at developing awareness of artisan products in Asian and African countries and promoting trade in these products worldwide.^{133^[31]} Specifically, the international strategy will include both a political strategy and a media strategy.

I. Political Strategies

The objective of the political strategy is to advance the domestic strategy by creating a force for change in the international political arena. Possible actions include:

- 1) Coalition building
- 2) Cooperation with international organizations

Coalition Building

The following international organizations have already addressed the issue of labor standards and should be included in the coalition. (See Exhibit 8 for these organizations' contact information.)

- The Organization for Economic Cooperation and Development (OECD)

The Japanese office of the OECD provides information on current OECD activities and OECD economic and political data. It is located in Akasaka and maintains a library that is open to the public.

- The International Labour Organization (ILO)
-

The Tokyo office of the ILO is housed in the United Nations University (UNU) building. While the ILO's main office in the Asia-Pacific region is based in Bangkok, Thailand, the current head of that office is Japanese. The close relationship between the ILO's Tokyo and Bangkok offices will help in gaining ILO assistance for promoting SA 8000 in Japan.

- The United Nations Development Programme (UNDP)

The UNDP's Tokyo office is also located in the UNU building.

- The Asian Development Bank (ADB)

The ADB has close links with the GOJ. Although the ADB's Tokyo office was established only in 1997, ADB presidents over the past 10 years have all been Japanese. CEPAA participated in the November 1999 ADB meeting in Manila.

- The World Bank (WB)

The World Bank's interests are similar to those of the ADB. By building contacts with the Japanese office of the WB, CEPAA may be able to influence future projects coordinated by the WB in Asia. Japan is the largest donor to the WB.

- Labor Unions and NGOs in the Asian Region

CEPAA has already held workshops in Asia to teach labor unions and NGOs about SA 8000. These unions and NGOs can play an important role in pushing the GOJ to address labor issues.

- Representatives of the Asian country government

Enhancing support for the Japanese initiative among Asian governments will help push the GOJ to address labor issues.

Cooperating with International Organizations

The UNDP, ILO, and ADB are already implementing several social policy programs aimed at enhancing labor standards. The project team should be careful to recognize and learn from these programs' achievements.

II. Media Strategy

The international media strategy is designed to complement the domestic media strategy and will focus on developing informational media pieces. If possible, all of these pieces should be developed in cooperation with international organizations because such co-sponsorship will help legitimize and draw attention to the pieces. Similarly, media events supported by the international organizations will draw more attention than events sponsored by Japanese interest groups alone.

Specific informational pieces that should be developed include:

- Leaflets, booklets, newsletters, and brochures

These informational materials concerning labor standards and SA 8000 can be broadly circulated in business communities worldwide. Such documents should be published in multiple languages.

- Video

As part of its Asia-Africa Network for Artisan Development campaign, the UNDP has created a 20-minute film on artisans, their way of life and the ecologically friendly products they produce. The film will be broadcast via international media, such as BBC Television, CNN, and the Discovery Channel. CEPAA should consider making its own short film about labor standards and SA 8000. The film could be used in broadcasts, as well as at workshops and lectures. Collaboration with international organizations that already have film making expertise could help defray costs, as well as build stronger ties between such organizations and CEPAA.

NEGOTIATION STRATEGY

The objectives of the negotiation strategy are to:

- 1) persuade Japanese businesses to use SA 8000 in their commercial transactions,
- 2) get agreement that labor standards issues should be put on the Japanese trade and development policy agenda, and
- 3) promote the use of SA 8000 by Japanese businesses and their suppliers in Asia.

A CEPAA office should be established in Tokyo to supervise the negotiations (among other things). CEPAA should first negotiate with Japanese companies. Then, the Keidanren should be asked both to begin promoting SA 8000 and to join with CEPAA in negotiating with the GOJ. Finally, CEPAA should support negotiations between the Japanese corporations and their suppliers.

The negotiation strategy is designed to address the interests, possible actions, and objective criteria of each party (see Exhibits 11 and 12).

Short-term Preferred Outcomes

CEPAA's short-term goal is to publicize the concept of labor standard issues and market SA 8000 to Japanese companies. Building a coalition of supporters will facilitate progress toward this goal.

Long-term Preferred Outcomes

CEPAA's long-run goal is to influence the GOJ to push Japanese companies to meet labor standards requirements. Increased public awareness of labor standards issues will push the government toward such action. The formation of an ETI-like partnership between the government, businesses, and civil society would be an ideal result.

Domestic Negotiation

In order to convince domestic government authorities and business representatives to promote and/or adopt SA 8000, the following steps should be taken:

1. Gain strong support from the Keidanren. With Keidanren support for SA 8000, Japanese corporations will be encouraged to adopt the standard for their commercial transactions.
2. Build a coalition that includes the Keidanren, academics, research institutes, labor unions, and NGOs.

3. Expand the coalition to include the media and GOJ agencies such as MOFA, MITI and JICA.
4. Support negotiations between Japanese corporations and their suppliers in Asia.
5. Educate the Diet members.
6. Educate the general public through various media.

International Negotiation

International efforts should be planned to support CEPAA's domestic actions. International organizations should be kept informed of CEPAA's efforts in Japan and should be encouraged to develop cooperative programs with Japanese government and corporate entities. Specific actions should be to:

1. Keep international organizations informed of initiatives in Japan and Japanese initiatives to improve labor standards overseas.
2. Encourage Japanese cooperation with international organization programs.
3. Introduce the Japanese initiative to labor unions and NGOs in Asia and solicit their ideas and support for collaborative projects.

(See exhibit 16 for sample questions and answers concerning the negotiation.)

Footnotes:

134^[24] The International Development Center of Japan (IDCJ), *IDCJ's principles*.
<http://www.nira.go.jp/tt-home/idch/e3.html>

135^[25] Ibid. *International Exchange Activities*.

136^[26] The Sanwa Research Institute Corporation (SRIC), *Partial Project Records: Project Assistance*.
<http://www.sric.co.jp/eng/projects/>

137^[27] Personal communication with Maki Saito, December 3, 1999.

138^[28] Personal communication with Eileen Kaufman, February 7, 2000.

139^[29] Ozay Mehmet, Errol Mendes and Robert Sinding, *Towards a Fair Global Labour Market: Avoiding a new slave Trade*, Routledge, New York and London, 1999.

140^[30] The MOFA, *Asia / Africa Cooperation Programme*.
http://www.mofa.go.jp/region/africa/ticad2/list98/privatesec/2_1_57.html

141^[31] The UNDP program is planned for the years 1999 through 2002, and it encompasses a wide range of actions, including an international media campaign, annual workshops in individual countries, database building, and study tours. International organizations, NGOs, and national governments (including Japan) have all offered their support to it.
