
Research

INTERNATIONAL BUYERS REQUIREMENT UNDER WTO AGREEMENTS

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World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. It provides trade agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments Its goal is to help producers of goods and services, exporters, and importers conduct their business. WTO was established in January 1995. Initially 128 members of GATT became WTO members and today it has 162 members.

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It is a forum for trade negotiations, handling trade disputes and monitoring national trade policies. WTO has a binding system that covers the traditional areas of trade namely trade in goods; trade in services and intellectual property rights This article deals with International buyers requirements for social, security and environmental aspects.

International Buyers Standards

International buyer's compliance is essential for worldwide exporters to retain their market share. Beside the government regulations, exporters-cum-manufacturers will have to comply with individual buyers' code of conduct along with world conventions seeking compliance in the areas of Social, Environment and Security. All the standards are auditable by foreign buyers and any deviation in standards can lead to

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the cancellation of orders. e.g. Social Compliance, Child labor, forced labor, occupational health and safety, freedom of association and right to collective bargaining.

Most of these standards are covered by our local laws and regulation but their implementation and enforcement has been a problem. Non-compliance of these standards has led to the cancellation of order from international buyers.

An exporter-cum-manufacturer narrating an incident said that his foreign buyer during a visit to his industrial unit started checking matters and facilities related to the social compliance. At one place, the buyer stopped and suddenly pressed the fire alarm button and to his utter dismay instead of witnessing mass movement of workers towards 'exit', a gate-keeper of the factory showed up. On this the foreign buyer did not only expressed his displeasure but also cancelled the order¹

Some years ago, Nike Inc's² cancelled an order for the supply of soccer balls from a Pakistan based supplier of hand stitched soccer balls due to labor laws violations. Nike Inc's accused the local company of having soccer balls hand stitched inside private homes employing under age workers and unsafe working conditions. They also found evidence of workers harassment, wrongful termination and underpayment to workers.

Nike CEO and president said that the company had several meetings with local company executives to correct the problems but changes were not made.

In 1998, Pakistan, India, Malaysia and Thailand filed a case to WTO against United States for imposing a ban on the import of shrimps from these countries whereas it is importing these products from Caribbean countries which have similar conditions³

WTO Appellate Body's ruling in favor of Asian countries. It stated that under WTO rules governments have every right to protect human, animal or plant life and health and to take measures to conserve exhaustible resources but laws should be discriminatory.. The US

lost the case because it applied its import measures in a discriminatory manner; it then revised its measures to introduce flexibilities in favor of developing countries.

WTO Standards

The WTO standards have basically three categories, Social, Environment and Security.

SA 8000 and WRAP (Worldwide Responsible apparel Production) are auditable standards and are based on:

- Universal Declaration of Human Rights
- UN Convention on The Rights Of The Child
- 11 Conventions Of The International Labor Organization (ILO)

SA 8000 was developed by the council on economic priorities accreditation agency (CEPAA) known today as social accountability international (SAI). It is universally applicable to every type of organization, regardless of its size, geographic location or industry sector. (Ref.4)

Moreover all organizations are required to establish a social performance team (SPT) to implement all elements of SA8000. The team should have representation of both workers and management. It should maintain records of non-conformances related to SA8000, their root causes, the corrective and preventive actions taken and implementation results.

SA 8000 stipulates the following requirements:

Social Standards

Child Labour

No Engagement In The Use Of Child Labor Or If Minimum Age Law Applies. A Minimum of 15 Years (Or 14 Years under Certain Condition) Is To Be Followed

Unless The Law Stipulates Higher Age or Mandatory Schooling of Young Workers

Forced Labour

No engagement in forced labor whatsoever and no lodging of deposits or identity papers upon employment.

Occupation Health and Safety

Safe & Healthy Working Environment and Risk Prevention by Minimizing the Hazards, Health & Safety Training, Sanitary Facilities, Access To Drinkable Water and access to emergency or accident Facilities.

- Freedom of association & right to collective bargaining
- The Right To Form & Join Trade Unions
- The Right To Bargain Collectively
- No Discrimination Of Union Members
- Free Access For Union Representatives To Their Members At The Work Place
- Right to Engage in Collective Bargaining If deemed necessary, To Agree Or Settle Personnel Issues Fairly.

Discrimination

- The company shall not engage in or support discrimination based on race, cast, national origin religion, disability, gender, sexual orientation, union membership or political affiliation in hiring, compensation, termination and retirement.
- The company shall not allow behavior including gestures, language and physical contact.
- Disciplinary practices hours of work remuneration management system.

Disciplinary Practices

- The company shall not engage in corporal punishment, mental or verbal abuse.

Work Hours

The company shall comply with applicable laws & industry standards on working hours the normal work week shall not on a regular basis exceed 48 hours. Personal shall be provided with at least one day off in every seven day period. The company shall comply with applicable laws & industry standards on working hours all overtime work shall be reimbursed at a premium overtime under no circumstances shall exceed 12 hours per employee per week

Compensation

The company shall ensure that wages paid for a standard working week shall meet at least legal minimum requirement or at industry standard no deductions for disciplinary purposes wages & benefits are detailed clearly & regularly compensation are in monetary form (as cash or checks).

Environmental Standards

They refer to surroundings in which an organization operates including air, water, land natural resources flora fauna, humans and their interrelation extends from small organization to global system

Environmental Aspects

Element of organization activities for products or services that can interact with the environment or can have a significant environmental impact

Environmental Impact

Any change to the environment whether adverse or beneficial wholly or partially resulting from an organizations activities to products or services.

National Environment Quality Standard- NEQS (Ref.)

Waste Water 32 Parameters

Air Emissions 16 Parameters

Noise 75 DB

NEQS -Waste Water

Ph value

BOD-Biochemical Oxygen Demand

COD-Chemical Oxygen Demand

TSS-Total Suspended Solids

TDS-Total Dissolved Solids

Grease and Oil

Heavy Metals

NEQS-Air Emissions

Sulphur Dioxide

Nitrogen Oxide (Generators)

Carbon Monoxide

Oxides of Nitrogen

Smoke

Particulate Matter (Boilers & Furnaces)

Some Environmental Issues Related To Industries

Waste Water Discharge Air Emissions Noise Heat Safety
Measures Emergency preparedness Solid Waste Management
Depletion of Resource – Energy Usage

SECURITY COMPLIANCE(C-TPAT) PROCEDURAL SECURITY

Designated security arrangements for cargo (inward & outward loading) procedure to control the outgoing goods. Procedure for container sealing procedure of reporting timely movement of incoming & outgoing freight

- Security Compliance

Custom Trade Partnership against Terrorism(C-TPAT)

- Procedural Security

Secured storage area, reporting procedure for any abnormalities in cargo movement procedure for container search storage access & transport tracking system procedure to interact with law enforcement agencies

- Personnel Security

Pre-Employment Screening Recruitment Policy Employee Data / Record Personnel Security Education & Training

- Security Awareness
- Security Compliance

Manufacturers will maintain facility security procedures to guard against the introduction of non –manifested cargo into outbound shipments (e.g drug’s explosives bio hazards & /or other contraband)

- Physical Security

Facility insurance monitoring system proper locking system security alarm system aggregated area for cargo security devices for private parking communication system for internal security proper lighting facility

They are both a performance and management system standards. They contain predetermined performance requirements (Criteria) and requirements for management system. The assessment consists of two elements:

-Performance evaluation based on criteria.

-Evaluation of the management system which is a tool to achieve the performance targets.

Most of these standards are covered by our local laws and regulation but their Implementation and enforcement is a problem in the least developed and the developing countries. As mentioned earlier, all the standards are auditable by foreign buyers and any deviation in standards can lead to cancellation of orders.

The question is, how many exporters/manufacturers are prepared and are in a position to respond in a befitting manner to technicalities and requirements. Besides, who would be funding them to meet these conditions, which include health, security, safety, environment, insurance cover, etc., to make them fully compliant and eligible and certified exporters to the West? Undoubtedly, there are much purposeful compliances that are meant to ensure that an Entrepreneur should not forget his social obligation towards the society and should look after the well-being of labor and their children. But again it has to be pointed out that many of the social compliances are being asked by different government agencies and international buyers also want them to be met as per their terms and conditions. This result in incurring double cost and on adding them together the cost of production of an exporter or manufacturer is increased.

There are over half a dozen known social compliances codes being presently asked by different world bodies and individual buyers from the United States and the European Union. It could easily be claimed that SA8000, Social Audits, Social Compliance, and custom trade partnership against terrorism (C-TPAT) are issues. Both are certified by such world agencies like societal de Surveillance etc. on heavy charges. But even then individual buyers impose their own codes of conduct for such issues. It is interesting to know that even individual buyers from the West hire the services of these world agencies for monitoring their laid down codes of conduct. Now the question is as to why an exporter or an industrial unit should first go for certification from these agencies and once again get the sale job done on the demand of individual buyers.

When we look into the conditions and codes laid down under the SA8000 (Social Accountability) they mostly govern labor laws, such as child labor, age of worker, health and safety. It also wants to ensure safety of a society as a whole. Therefore, exporting industries are required to install treatment plants for the disposal of injurious waste. The code also seeks adequate illumination at workplace, clean and airy. The toilets should be clean and in sufficient number, workers are provided clean drinking water, etc.

However, most of these conditions are also governed by local laws and they also lay down conditions of age limit. But the

most glaring difference between the world codes and local labor laws is with regard to age limit for an industrial worker. Local laws do not allow any person to become industrial worker who is below 18 years of age whereas world codes or those imposed by the individual buyers have put the restriction at 15 years. This means what a large number of our youth will remain unemployed for three years if local laws are followed. Moreover, local labor laws are not only complicated and difficult to interpret, but are ambiguous which results in a lot of many litigation and waste of time. It has been rightly said that nations producing more lawyers result in wastage of time and those producing more engineers achieve the development heights. A look at the local labor laws will tell you that to define 'child employment' under factories Act, about half a dozen clauses have been installed.

The C-TPAT (Custom Trade partnership against Terrorism) was introduced by the US after the 9/11 incident. It requires importers to ensure tighter security of cargo and enhanced security throughout the entire supply chain. In return, their goods and conveyances will be expeditiously processed into US. Its objective is to keep away terrorists and terrorist activities away from the US borders. The compliance of C-TPAT would mean that a company has entered into an "agreement to voluntarily participate in a customs-trade partnership against terrorism."

The ISO-1400 mainly deals with environmental issues. But the phony part of the matter and as being observed by the industry is that most of the effluent plants run by the government or municipalities are not operative or are of undersize capacity. Besides, there is a major flaw in the law which only allows the flow of affluent of the factory "into the river" and not "into sea water". The National Environmental Quality Standards (NEQS) has set the NO_x level for industrial gaseous emissions at $400\text{mg}/\text{nm}^3$, while in industrial countries like Germany the allowable NO_x levels are $560\text{mg}/\text{nm}^3$. As to how the industry of a developing nation could meet such standards which are even higher than advanced countries. It is being suggested that should allow private sector companies to set up affluent plants on the line of IPPs, which will not only save huge capital cost if taken up by individual industrial unit, but will also give a lot of relief to the industries which have to look after more important issues like quality control and dealing with buyers.

The exporters rightly demand that when they have to meet so many social compliances there remains no justification for following multi-fold system and conditions alongside with local laws. Citing an example, they argue that when there is a requirement of individual buyers from the US and the EU to give medical cover or insurance, therefore, as to why they should also pay to the Sindh Employees Social Security Institute (SESSI) that does not provide any medical facility to their workers. They further say that many a time critical injuries are referred to the government hospitals. Similarly, they confront that when they have to directly ensure individual Western buyer about gratuity and pension to workers then there remains no logic to give huge funds to the Employees Old Age Benefit Institute (EOBI), particularly when a very small percentage of workers are ultimate beneficiary of this system. They suggest that if these levies and taxes have to be at all collected then the government should collect them at source. This will not only ensure more collection, but will also eliminate corruption and save a lot of time.

While a lot has to be done at the national and individual level to meet social compliances by removing duplicate laws, there is also a need to educate and familiarize industrial workers with these codes.

It is not the question of why and how these multiple social compliances could be met by the exporters but the biggest problem is the cost. An exporter will need to meet local and international conventions and also those of an individual buyer's. (Ref.1). Apart from the cost factor, the exporters would be required to set up a full-fledged specialized department to ensure that all these multiple social compliances are met. It will also have to develop infrastructure to meet environmental compliances at a huge cost. In many cases more than once an exporter will be paying a cost for similar social compliance condition sought by different world agencies, individual buyers, country or local laws..

Recommendations

Develop truly implementable systems for social management safety & environment management security management. These

systems can only be developed and implemented if people are educated and benefits of these systems are known to all concerned.

A free consultancy service should be provided to the industries and a system to share cost with industries should be developed.

The existing laws have to be carefully examined and the reasons for non compliance should be looked into.

The industrial workers should be educated about benefits of compliances of existing laws about social and environment.

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