

Testimony of Lewis Karesh
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Office of the United States Trade Representative
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Good morning. Chairman Menendez, Ranking Member Corker, and Members of the Committee, thank you for the opportunity to testify at this hearing concerning labor issues in Bangladesh. As the recent tragedies involving building and fire safety demonstrate, this is a critical time for our government, U.S. companies, and American consumers to understand the challenges presented, and work with Bangladesh to ensure that workers' rights and safety are protected. Today, I would like to touch on our overall trade relationship with Bangladesh, but discuss in much greater detail our ongoing review of worker rights in Bangladesh, under one of our trade preference programs, the Generalized System of Preferences (GSP).

The United States and Bangladesh have a strong and growing trade relationship. The United States is a key market for Bangladesh, importing nearly \$5 billion in goods from Bangladesh in 2012. We are also the largest single-country market for Bangladesh's chief export, apparel products. The United States engages with Bangladesh on trade and investment-related matters in bilateral and multilateral settings, including at the World Trade Organization (WTO). In an effort to bolster our engagement in these areas, the U.S. Government has proposed a Trade and Investment Cooperation Framework Agreement (TICFA), which would provide a regular mechanism for dialogue and cooperation. We would like to complete the agreement with Bangladesh soon and are awaiting a response to our proposal.

As a least-developed beneficiary developing country under the U.S. GSP trade preference program, Bangladesh is eligible to export duty-free nearly 5,000 otherwise-dutiable products to the United States. In 2012, the United States imported nearly \$35 million in products from Bangladesh under GSP, across almost 150 different Harmonized Tariff Schedule (HTS) categories. Leading GSP-covered imports from Bangladesh include tobacco, ceramics, plastic products, sporting equipment, and non-apparel textiles such as national flags and rugs. However, because most apparel products are excluded from the GSP program by statute, GSP imports represented less than one percent of total U.S. imports from Bangladesh last year.

The statute governing the GSP program lists several eligibility criteria, including some related to worker rights,¹ which beneficiaries must meet in order to maintain their benefits. USTR, based on the advice of the GSP Subcommittee of the inter-agency Trade Policy Staff Committee, accepted for review a GSP country practice petition filed by the AFL-CIO in 2007 alleging serious shortcomings in the government of Bangladesh's recognition of worker rights. The AFL-CIO petition described a wide array of worker rights issues in Bangladesh, including serious obstacles to freedom of association and collective bargaining, especially in Export Processing Zones (EPZs), the ready-made garment and the shrimp processing sectors. The petition and subsequent updates also allege a pattern of harassment and violence against trade unionists and non-governmental organizations (NGOs) working on labor rights issues, and a neglect of worker protections in the areas of fire safety and health.

¹ Section 502(b)(2)(G) of the Trade Act of 1974, as amended, ("the Trade Act") provides that the President "shall not designate any country a beneficiary developing country" under GSP if "such country has not taken or is not taking steps to afford internationally recognized worker rights in the country (including any designated zone in that country)." Section 507(4) of the Trade Act provides a definition of "internationally recognized worker rights," which includes "the right of association", "the right to organize and bargain collectively", and "acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health."

We have taken, and continue to take, these allegations seriously. From the moment we accepted the AFL-CIO petition – and indeed prior to accepting the petition because many of the issues have been long-standing – USTR has worked to address these issues. We worked with the petitioners, other U.S. government agencies, the government of Bangladesh, and stakeholders in Bangladesh to achieve progress and resolve the concerns that the petition raised. While we have seen progress in some areas over time, the situation in other areas has deteriorated, particularly in the past year. U.S. officials have been explicit with the GOB concerning the specific actions they should take to allow greater freedom of association, including to enable workers to form and operate unions of their choosing and for labor NGO’s to assist them, and to ensure workers have safe factories in which to work. Parallel to these efforts, as is also our practice, the GSP Subcommittee continued to invite public comments on the petition on several occasions and has held four public hearings on the case, most recently on March 28, 2013.

Despite our many efforts with Bangladesh, beginning in late 2012 the USTR-led GSP Subcommittee grew increasingly concerned that the worker rights situation in Bangladesh was in fact deteriorating and concluded that the situation warranted consideration of possible withdrawal, suspension, or limitation of Bangladesh’s trade benefits under GSP. Consequently, on January 8, 2013, USTR published a notice in the *Federal Register* seeking comments on the possible withdrawal, suspension or limitation of Bangladesh’s GSP benefits. The primary purpose of the notice was to make stakeholders aware of the seriousness of our concerns and the need for action by the government of Bangladesh.² At the same time, we communicated our concerns to senior officials of the government of

² The government of Bangladesh (opposing any change to its GSP benefits) and the AFL-CIO (supporting suspension) were among the 30 individuals and organizations that submitted comments.

Bangladesh that we would be making a decision on next steps in the GSP review by mid-2013, that the country's GSP trade benefits were at stake, and that we would be looking for evidence of substantive progress by the government in improving the worker rights situation.

As noted, on March 28, 2013, the GSP Subcommittee held a public hearing on the Bangladesh review at which Bangladeshi officials, representatives of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the Bangladesh Export Processing Zone Authority (BEPZA), and the AFL-CIO testified. The Bangladesh officials and the BGMEA cited a number of measures they had taken or committed to undertake to address the worker rights and worker safety concerns that the U.S. Government had raised.

The AFL-CIO testified that while the government of Bangladesh and the Bangladesh garment industry had begun to address fire safety issues, little had been done to address the core worker rights issues cited in the original petition and subsequent updates.

The Rana Plaza building collapse in April demonstrated the deadly implications of the failure to address the underlying issues of worker safety and worker rights, especially in the garment sector.

In response to widespread criticism following the Rana Plaza collapse, the government of Bangladesh has announced several initiatives, mostly related to building and fire safety. At the same time, many U.S. and European apparel brands have committed to additional initiatives designed to improve compliance with fire and safety standards among their Bangladeshi suppliers. In addition, the European Union (EU) announced that it is considering a review of Bangladesh's benefits under its own trade preference program.

The Administration has also intensified its engagement with the government of Bangladesh and other stakeholders. In particular, the three agencies represented at this hearing—USTR, State, and Labor—have each been using the particular venues and contacts we have with the government to stress the importance of seizing this moment to make concrete and lasting change. The GSP review has given us a much better understanding of the range of labor issues workers face in Bangladesh as well as a specific mechanism to engage their government. The Administration will announce a decision on the petition by the end of June; and all options remain under consideration, including possible suspension, limitation, or withdrawal of Bangladesh’s GSP benefits.

Based on our experience from the GSP review, let me provide you with a few observations on the challenges related to ensuring worker rights and safety in Bangladesh.

First, the issues are broad, but interrelated. One of the most tragic aspects of the Rana Plaza disaster was that workers were allegedly coerced into returning to work in a building with known structural risks. Had these workers been able to effectively organize themselves, it is possible that they would have felt less intimidated. An important tool to ensure worker safety is the voice of the workers themselves, which comes from their ability to freely associate.

Second, the challenges facing Bangladesh require both short- and long-term action. The government can take several steps now to strengthen freedom of association, including ensuring that labor activists are able to operate freely and to support the development of independent unions that effectively represent their workers. At the same time, the government needs to devote resources to

developing its own capacity to regulate and enforce labor laws and building and fire safety codes. This is a longer term endeavor that will require sustained focus.

Third, all stakeholders involved in Bangladesh have a responsibility to work together to address labor issues effectively and sustainably. The government has a primary responsibility to ensure enforcement of its laws and to create an environment in which workers can exercise their rights and work in safe and healthy factories. But factory owners, workers, international buyers, and consumers each have a responsibility and role to play as well. There are a large number of initiatives underway to address these challenges; we welcome these as a strong sign both of stakeholders' recognition that change is necessary, as well as their willingness to be a positive part of that change. It will be critical that these initiatives work in tandem and not at cross purposes.

Finally, the United States, through our trade relationship and trade programs, and through our diplomatic and development policies, has an important interest in seeing Bangladesh succeed in addressing the labor challenges it faces and continuing to grow and prosper economically. The Administration is committed to working with the government of Bangladesh and other stakeholders to achieve these goals.

Thank you again for this opportunity to testify, and I would be pleased to take your questions.