

TESTIMONY OF LEWIS KARESH
ASSISTANT UNITED STATES TRADE REPRESENTATIVE FOR LABOR
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

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UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS

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Good morning. Chairman Menendez, Ranking Member Corker, and Members of the Committee, thank you for another opportunity to testify before this committee concerning labor issues in Bangladesh. Since your last hearing on Bangladesh in June 2013, President Obama, the Government of Bangladesh, and various stakeholders have taken several important actions related to worker rights and safety in Bangladesh. I would like to discuss these developments with you this morning.

As we discussed last June, the November 2012 Tazreen Fashions garment factory fire and the April 2013 Rana Plaza building collapse resulted in nearly 1,300 deaths. These tragedies focused international attention on worker rights and safety in Bangladesh's ready-made-garment sector – concerns that the United States government had already been raising with Bangladesh in the context of a country practice review of worker rights in Bangladesh under the Generalized System of Preferences (GSP) program.

GSP is a U.S. trade preference program under which beneficiary developing countries are afforded duty-free access to the U.S. market for thousands of products. The statute governing the GSP program lists several criteria, including some related to worker rights,¹ which beneficiary countries must meet in order to maintain eligibility for benefits.

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."

The GSP review of Bangladesh was initiated based on a petition that the AFL-CIO submitted 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 alleged 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.

The Administration engaged intensively with the government of Bangladesh, the AFL-CIO as the petitioner, and other stakeholders to examine the range of worker rights issues addressed in the petition. Beginning in late 2012, USTR, in consultation with the other agencies in the GSP Subcommittee, including the Departments of State and Labor, grew increasingly concerned that the overall worker rights situation in Bangladesh was deteriorating. The GSP Subcommittee concluded that the situation warranted consideration of possible withdrawal, suspension, or limitation of Bangladesh's trade benefits under GSP. To inform the public and stakeholders of the GSP Subcommittee's assessment, USTR issued a Federal Register notice requesting comments from the public and held a public hearing in March 2013 in which both the government of Bangladesh and the AFL-CIO participated. The Rana Plaza building collapse just one month later, in April 2013, demonstrated the deadly implications of the failure to address the underlying issues of worker safety and worker rights, especially in the garment sector.

On June 27, 2013, President Obama issued a [proclamation](#) suspending Bangladesh's GSP trade benefits based on the Bangladesh government's failure to meet the GSP statutory eligibility criterion of "taking steps to afford internationally-recognized worker rights to workers in the country." At the time of the President's decision, the United States provided the government of Bangladesh with a [GSP "Action Plan"](#) listing specific actions that Bangladesh should take to provide a basis for reinstatement of GSP benefits. The Action Plan specifically calls for improving labor, fire, and building standards, removing obstacles to freedom of association and collective bargaining, and reforming labor laws.

As my colleagues on the panel note in their testimony, following the President's decision on GSP and the release of the Action Plan, the Administration worked closely with the European Union (EU), other key stakeholders, including the International Labor Organization (ILO), major international garment brands and retailers, unions, NGOs and the international donor community to ensure a coordinated and comprehensive effort to press for and support reforms by the government of Bangladesh. For example, we worked closely with the EU, the ILO, and the government of Bangladesh on a "Sustainability Compact," that complements the GSP Action Plan in many key areas. The Sustainability Compact is an important public commitment by the government of Bangladesh to undertake specific reforms and actions—with support from the US, EU, and ILO—to improve worker rights and safety.

We told Bangladeshi officials that we would review their progress in addressing the Action Plan in late 2013. Since then, USTR, the Department of State, including the U.S. Embassy in Dhaka, and the Department of Labor, and have engaged intensively with the government of Bangladesh and other stakeholders to press for progress on the Action Plan. In November 2013, the government of Bangladesh submitted a paper summarizing its actions to date. The AFL-CIO also submitted a paper with its assessment of progress on the Action Plan. Both documents are available for public viewing via the www.regulations.gov [website](#).

The Administration concluded its review of these submissions in late 2013 and recently conveyed its conclusions to the government of Bangladesh. In sum, we found that while Bangladesh has made some progress on implementing the Action Plan, further action is needed.

On the positive side, we noted the following progress:

- The government of Bangladesh has worked closely with the ILO and others to develop a plan for substantially increasing the number and quality of labor, fire and building inspections, especially in the ready-made garment sector;
- The government of Bangladesh has facilitated registration of new trade unions, dropped questionable criminal charges against two labor activists, removed obstacles to the operation of two prominent labor-focused non-governmental organizations, and is working with the ILO to improve transparency regarding inspections, union registrations, and the handling of unfair labor practice cases;

- The government of Bangladesh also has committed to fund two programs to improve industrial relations and raise awareness of workers' rights in the shrimp processing sector.

Areas where additional work is needed:

- Implementation of the plans to improve labor, fire and building inspections which have only just begun. It remains to be seen how effective those inspections will be in identifying and addressing problems such as those that caused the April 2013 Rana Plaza factory collapse and the November 2012 Tazreen factory fire.
- Making significant changes to the labor law to address shortcomings related to the right to strike and requirements for union formation. In addition, no action has been taken to date to bring the EPZ law into conformity with international standards, which has been an issue of concern in GSP reviews dating back to the early 1990s.
- Additional actions to establish that harassment and intimidation of labor activists has ended, to implement a system to respond effectively to complaints of unfair labor practices, to implement fines and penalties, and to establish and maintain a public database and hotline.

My colleague, Eric Biel, from the Department of Labor will address some of the substance of the GSP Subcommittee's assessment in more detail in his testimony.

In late January, we communicated to the government of Bangladesh our conclusion that Bangladesh has not made sufficient progress on the GSP Action Plan to warrant reinstatement of GSP benefits at that time and that we intend to conduct the next such review in May 2014.

Mr. Chairman, I should also note at this point that legal authorization for the GSP program expired on July 31, 2013. As long as the program is without authorization we will not be in a position to recommend to the President any changes to country eligibility for the program. The GSP program is an important tool in the U.S. Government's efforts to help developing countries to use trade to overcome poverty and advance economic development. GSP also supports U.S. jobs by lowering costs for U.S. businesses that use GSP imports as inputs in manufacturing. The Administration supports renewal of the program and wants to work with Congress to accomplish this.

In terms of our broader economic engagement with Bangladesh, in late January, the United States-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA) entered into force. We envision the TICFA as the key coordinating mechanism for bilateral, government-to-government efforts on the GSP Action Plan. As agreed by the government of Bangladesh in the meeting following the TICFA signing in late November 2013, we plan to create a TICFA Working Group on GSP/Labor Affairs to provide an on-going, formal mechanism for our two countries to address labor concerns. We plan to hold the first TICFA Council meeting in Dhaka later this spring.

In conclusion, we are committed to encouraging Bangladesh to make the reforms on worker rights and safety that are set out in the GSP Action Plan to provide a basis for reinstatement of GSP benefits. We will continue to work closely with the government of Bangladesh, the EU, the ILO, the private sector, workers, NGOs, and others to ensure that the benefits of trade and development are widely shared in Bangladesh. Many of the issues Bangladesh faces will require sustained and focused support from a variety of actors. However, if Bangladesh succeeds in addressing these issues and creates a more sustainable industry that affords basic worker rights and protects workers' safety, it will greatly enhance its economic development and can stand as a model for other countries facing similar challenges.