

ISSUE BRIEF

International Affairs and Monetary Policy

Eliminating child labor, ending sweatshop labor, reforming international financial institutions and protecting workers' rights benefit workers in the United States as well as workers in developing countries. The 108th Congress will consider key international initiatives that will affect workers here and abroad. The United States has always shaped the work of international institutions and continues to play a lead role in guiding their policies. Congress should reform the World Bank and the International Monetary Fund (IMF), ensure that international labor programs have adequate funding and increase international aid in a way that will strengthen democracy and workers' rights, not undermine them.

The AFL-CIO has long been involved in promoting core international labor standards. The AFL-CIO operates an international institution—the Solidarity Center—and engages Congress, the administration and international organizations such as the International Labor Organization (ILO) to promote and implement this agenda. The Solidarity Center maintains 26 offices around the world and conducts programs in 61 countries. Major broad program initiatives include those designed to eliminate the worst forms of child labor, address the problems of HIV and AIDS through workplace education, eliminate discrimination in the workplace, promote core labor standards and eliminate sweatshop environments in labor intensive industries.

The International Labor Affairs Bureau (ILAB) represents the Department of Labor on a host of international economic, labor and trade issues and must be fully funded. ILAB undertakes key initiatives on issues such as international child labor, education for child laborers, basic worker standards and HIV and AIDS education. It promotes the U.S. government's efforts to reduce child labor around the world in conjunction with the ILO and to provide child laborers with basic educational opportunities. ILAB also supports the promotion of the ILO's Declaration on the Fundamental Principles and Rights at Work, which affirms the universal right of all people to organize and bargain collectively, to refuse forced labor, to reject child labor and to work free from discrimination. In the past, ILAB has been targeted for severe budget cuts. The administration proposed in fiscal year (FY) 2002 to cut ILAB's funding in half. Ensuring that ILAB receives full funding is essential to carrying out this agenda.

The IMF and the World Bank need reform. Since the 1960s, the World Bank and the IMF have provided assistance to poor countries for development programs and the promotion of economic stability in the global economy. Since the 1980s, they have attached conditions to their loans that have changed the entire structure of developing countries' economies dramatically. These loan programs, called structural adjustment programs (SAPs), often "reform" countries in the wrong direction by privatizing public services, weakening labor laws and cutting social programs.

IMF and World Bank policies affect workers in a number of significant ways. They roll back workers' rights by requiring collective bargaining laws to be weakened in developing nations; reduce real wages by mandating wage freezes and wage cuts; and privatize and deregulate public services. In Ghana, for instance, a family making minimum wage had to spend almost half of its daily income for just three buckets of water after privatization, as described in *Responsible Reform of the World Bank*, presented in April 2002 by a U.S. Civil Society Coalition.

The IMF and World Bank make important policy decisions in secret. Congress often is locked out of IMF and World Bank decision making. Taxpayers do not have the right to know how U.S. representatives to the IMF and World Bank vote on loans financed by U.S. tax dollars.

IMF and World Bank policies can mire poor countries in unpayable debt. Poor countries especially in Africa owe more debt to the IMF and World Bank than any other single institution. This money could be better used to invest in schools and hospitals and to stimulate broad-based economic development.

Congress should condition future funding increases for the World Bank on a package of policy reforms that will improve outcomes for working and poor families abroad. These reforms include debt cancellation, increased transparency, respect for workers' rights and promoting environmental sustainability.

Congress should increase international development aid. The Bush administration's Millennium Challenge Account (MCA) proposal provides an important opportunity to help developing countries meet the United Nations millennium development goals on health, education and nutrition. However, Congress should not allow the MCA to repeat the mistakes of the World Bank and IMF. The MCA should be used to strengthen, rather than undermine, governments' capacities to deliver basic services, regulate markets and safeguard workers' rights. Funding for the MCA should be in addition to existing aid programs, not a tool for diverting resources from these programs.