Consequences of Non-compliance with USMCA Labor Provisions:

Potential Effects on Exporting Firms

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Abstract

This paper aims to analyze the consequences that firms may face when they are not in compliance with U.S. FTAs' labor provisions. The paper reviews key labor provisions in all U.S. FTAs as well as the submissions filed by the United States against member countries. We find that except for the USMCA, the labor provisions in all previous U.S. FTAs have not been enforceable in practice due to lengthy dispute settlements with ambiguous language. The USMCA, however, contains labor provisions and a dispute settlement mechanism with a clear language and a new response mechanism, which addresses disputes expeditiously. The dispute settlement mechanism permits the United States government to file a complaint directly against a facility allegedly failing to comply with its labor obligations under that agreement. Consequences of the failure may include suspension of preferential tariffs, imposition of penalties, and denial of entry of goods or services produced by the firm. To illustrate this, the paper discusses two recent cases filed by the United States against two firms operating in Mexico. The submissions were filed under the USMCA's U.S.-Mexico Facility-Specific Rapid Response Mechanism. The analysis of these cases show that the agreement does not have the shortcomings of past U.S. FTAs. Therefore, firms operating in Mexico and exporting to the United States under the USMCA preferences face substantial risks of losing their benefits if they fail to comply with the labor provisions of the agreement.

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Introduction

In general, the empirical literature on the impact of labor provisions in global free trade agreements (FTAs) has focused on their impact on trade and investment, enforcement, workers' conditions, and workers' rights. Most of the literature on the impact of labor provisions in FTAs on trade and investment has developed around the notion that countries engage in a "race-to-the bottom" strategy. That is the notion that countries compete by lowering their respective labor standards—or maintain lax enforcement of labor provisions— in order to increase the countries' competitiveness and thereby increase exports and inflows of foreign direct investment (FDI). That empirical evidence is mixed but most of the research provides support against the notion that countries lower their labor provisions to maintain or gain comparative advantage to either export more, attract more FDI, or both. One strand of empirical literature that provides evidence against this notion includes Kucerna (2002) and Davies and Voy (2009). In contrast, Davies and Vadlamannati (2017) find support of the race-to-the bottom argument. As to whether enforcement of labor provisions in FTAs raises workers conditions, there is no definite conclusion empirically either. For instance, Kamata (2014) finds that regional trade agreements (RTAs) have a positive effect on labor earnings, but they may reduce trade. While Siroën and Andrade (2016) find that labor provisions in free trade agreements (FTAs) have no significant effects on workers' rights; and Raess et al. (2018) find that labor rights are protected in trade agreements because of the power of labor unions, governments favoring workers' rights, and the availability of skilled labor.

Regarding the United States, the empirical evidence on the impact of labor provisions of U.S. Free Trade Agreements (U.S. FTAs)[1] on trade seem to either have no effect DiCaprio (2004) or increase it, Brown et al. (2011), and Weller (2009). In testing the "race-to-the bottom" argument for the United States the empirical evidence is inconclusive. For instance, contrary to this argument, two studies for the United States provide evidence against it, Daude et al. (2003) and Ronconi (2012). In contrast, Olney (2013), finds support for such a critique; and Ronconi (2012) finds that FDI increases have a positive effect on enforcement of labor provisions, on inspections, and inspection activities.

Like the general empirical literature, the evidence on the effects of labor provisions in U.S. FTAs on workers' conditions is also mixed. One strand of research suggests that labor provisions in U.S. FTAs have improved workers' conditions in U.S. trading partners, Elliott and Freeman (2003), Moonhawk (2012), Dewan and Ronconi (2018), and Ebert (2018). On the other hand, Kolben (2017) reports that enforcement of such provisions has not succeeded in improving workers' conditions. WOLA (2009) and GAO (2014) provide evidence of weak enforcement. Finally, Elliott (2004), Berik and Van Rodgers (2010, and Lenoz and Arsht (2018) find that there is some mixed evidence, i.e., some provisions in U.S. FTAs improve workers conditions, while others do not.

This paper aims to analyze the risks firms face when they are not in compliance with U.S. FTAs' labor provisions. It does so by considering labor and dispute settlement provisions in all U.S. FTAs to determine how effective such provisions have been enforced. The paper reviews key labor provisions in all U.S. FTAs as well as the submissions filed by the United States against member countries. It attempts to provide answers to the questions: How have labor provisions in U.S. FTAs changed over time? Have the U.S. FTAs labor provisions been enforceable? Have the U.S. submissions filed been effective in enforcing labor provisions? Do the labor provisions in the United States-Mexico-Canada Agreement (USMCA) represent risks for firms exporting to the United States? If so, what kind of risks?

[1] The term U.S. Free Trade Agreement (U.S. FTAs) includes U.S. Free Trade Agreements, U.S. Trade Agreements, and U.S. Trade Promotion Agreements.

The paper's focus is on the labor provisions and enforcement mechanism of the USMCA, which indicate major improvements relative to those of previous U.S. FTAS. As we will show, the review notes that U.S. submissions filed under previous U.S. FTAs labor provisions and dispute mechanisms have been ineffective in their enforcement. This is primarily due to labor provisions and enforcement mechanisms that are ambiguous, which in turn allow for a lengthy dispute settlement process. In contrast, the USMCA contains labor provisions and a dispute settlement mechanism that are enforceable with unambiguous language, and a rapid response mechanism, which can impose penalties or remedies when a trading partner fails to comply with its labor obligations. The dispute settlement mechanism permits the United States government to file a complaint directly against a facility allegedly failing to comply with the USMCA labor provisions. This highlights the risks firms face when they fail to enforce the labor provisions under the USMCA, which may consist of suspension of preferential tariff treatment, imposition of penalties, and the denial of entry of goods or services produced by the firm. To illustrate this, the paper discusses two recent cases filed by the United States under the USMCA's U.S.-Mexico Facility-Specific Rapid Response Mechanism. These cases show that firms exporting to the United States under the USMCA face substantial risks of losing their benefits if they fail to comply with the labor provisions of the agreement. Those risks were nonexistent under previous U.S. FTAs.

This paper is organized as follows: section 1 reviews labor provisions in U.S. FTAs from 1985 to 2020 identifying important shortcomings in their enforcement and effectiveness. Section 2 discusses the USMCA labor provisions; section 3 describes the USMCA's Facility-Specific Rapid Response Mechanism, and section 4 deals with two recent submissions filed by the United States government against two firms operating in Mexico: General Motors and Tridomex, under the Facility-Specific Rapid Response Mechanism. The last section presents some conclusions.

Labor Provisions and Enforcement in U.S. Free Trade Agreements, 1985–2020

We now turn to the discussion of labor provisions, dispute settlement, and enforcement mechanism of U.S. FTAs from the first U.S. FTA implemented in 1985 to the USMCA implemented in July 2020. Also, in this section we provide a discussion of complaints or submissions filed under all U.S. FTAs labor provisions by the United States. It shows that U.S. FTAs labor provisions and enforcement mechanisms have changed over time with modifications aimed to make the dispute settlement more effective, faster, and enforceable. This process culminated with the USMCA's labor provisions and enforcement mechanism in which key shortcomings of previous U.S. FTAs are no longer present.

Labor Provisions in U.S. FTAs from 1985 to 2020

The following chronological review of U.S. FTAs focuses on: (1) Labor Provisions, (2) Enforcement mechanisms, and (3) Non-compliance remedies. It attempts to provide answers to the questions: How have labor provisions changed over time? Were they enforceable? Have there been any submissions filed under the labor provisions of U.S. FTAs? What were the results of the disputes? And how does the USMCA compare to previous FTAs in such terms? This section closely follows Bieszczat (2008), Bolle (2016), Chew and Posthuma (2002), and Elliot and Freeman (2003).

Given that the changes in U.S. FTAs' labor provisions and dispute settlement have changed over time, a useful way to organize the discussion is to group all FTAs taking into consideration how similar their labor provisions, dispute settlement mechanisms, and enforcement are. Thus, we have 6 groups as illustrated in table 1.

Table 1. U.S. Free Trade Agreements

U.S. Free Trade Agreements	Year FTA Entered into Force
Group 1	
U.S.-Israel	1985
U.S.-Canada	1988
Group 2	
NAFTA	1994
Group 3	
U.S.-Jordan	2001
Group 4	
U.S.-Chile	2004
U.S.-Singapore	2004
U.S. Australia	2005
U.S.-Bahrain	2006
U.S.-Morocco	2006
U.S.-Oman	2009
U.S.-CAFTA-DR	2006–07, 2009
Group 5	
U.S.-Peru	2009
U.S.-Colombia	2012
U.S.-Korea	2012
U.S.-Panama	2012
Group 6	
USMCA	2020

Note: The term U.S. Free Trade Agreement (FTAs) includes U.S. Free Trade Agreements, Trade Agreements, and Trade Promotion Agreements.

Group 1 includes the first two U.S. FTAs—those with Israel in 1985 and Canada in 1988. These agreements did not include labor provisions or dispute settlement mechanisms. Bolle (2016) notes that this situation started to change after 1993, when the United States began FTAs negotiations with less developed countries, noting that trade had both costs and benefits. The benefits included relatively higher economic growth and productivity and access to lower priced goods. The costs were mostly in import competing sectors facing downward pressure on wages and job losses. Bolle (2016) also noted that for developing countries, trade imposed pressures to become a low-cost producer that led to lower working conditions and worker rights.

The second group includes the North American Free Trade Agreement (NAFTA), which entered into force in 1994 and is the first U.S. trade agreement with labor provisions and dispute settlement mechanisms. The agreement included the North American Agreement on Labor Cooperation (NAALC)—a side agreement not included in the main text. Elliot and Freeman (2003) noted that NAFTA's NAALC provided a mechanism to address labor issues in which enforcement allowed for imposition of fines. As of 2002, several investigations and consultations had occurred under the NAALC but none of them reached the formation of an expert's committee or panel (Hufbauer et al. 2002). Some characteristics of the NAALC as outlined by Bolle (2016) include:

- NAFTA countries agree to enforce their own labor laws and standards.[2]
- Under the NAALC, only three provisions were enforceable with sanctions if a Party's "persistent pattern of failure[3] ... to effectively enforce its occupational safety and health, child labor, and minimum wage..." Here such failure is trade related and covered by mutually recognized labor laws.[4]

The objective of the NAALC was to resolve issues in a cooperative manner through ministerial consultations in numerous areas, including freedom of association and collective bargaining. The dispute procedures were different for commercial operations related to trade and investment and labor disputes. Dispute resolution procedures applied to a country's "persistent pattern of failure" in trade-related cases to enforce its own laws.[5] Issues related to freedom of association and the right to organize, were limited to ministerial consultations.

In the third group, the U.S.-Jordan FTA's labor standards are included in the main text of the agreement in which violations are treated equally as those of trade and investment. However, the labor language is weak in enforcing the agreement's labor standards. In addition, the dispute settlement is so vague that it risks abuse by leaving too much discretion to individual governments, (Elliot and Freeman 2003). Under the U.S.-Jordan agreement, labor laws are defined as U.S. internationally recognized worker rights, Bolle (2016).

Group 4 includes 7 U.S. FTAs with 12 countries including Chile, Singapore, Australia, Bahrain, Morocco, Oman, and the 6 CAFTA DR countries (Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and the Dominican Republic). These agreements include only one enforceable labor provision: each country

[2] These labor laws and standards were not uniform and differed across Canada, the United States and Mexico. Elliot and Freeman (2003) indicated that NAALC labor provisions create labor standards that are inconsistent with the International Labor Organization (ILO) core labor standards, see ILO's Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998).

[3] This sentence is ambiguous, as it requires a "persistent pattern of failure," which implies that one instance of violation does not constitute a failure to enforce the Agreement's labor provisions. This sentence was deleted in the subsequent agreement, USMCA, see the section on USMCA below.

[4] NAFTA's side agreement North American Agreement on Labor Cooperation (NAALC), Article 29.

[5] DiCarpio (2004) lists the 11 labor rights under the NAALC include (1) Freedom of association and protection of the right to organize, (2) The right to bargain collectively, (3) The right to strike, (4) Prohibition of forced labor, (5) *Labor protections for children and young persons, (6) *Minimum employment standards, (7) Elimination of employment discrimination, (8) Equal pay for women and men, (9) *Prevention of occupational injuries and illnesses, (10) Compensation in cases of occupational injuries and illnesses, and (11) Protection of migrant workers. Only three of these labor provisions with an (*) are enforceable and can eventually result in a panel ruling, which could recommend sanctions.

"shall not fail to effectively enforce its labor laws ..." Bolle (2016). There is no requirement that those laws be consistent with internationally agreed core labor standards, Elliot and Freeman (2003). Bolle (2016) and Samet (2011) also note that the trade agreements in this group share many of the procedures for commercial and labor disputes. Further, Bolle (2016) indicates that the procedures for labor disputes place limits on monetary penalties, but not for commercial disputes. Finally, the "last recourse" of action for both types of disputes is the suspension of benefits. Notably, the CAFTA-DR labor provisions, referring to enforcement of labor laws, states that each country "shall not fail to effectively enforce its labor laws, through a sustained or recurring course of action or inaction ..."[6] Here, the language "sustained or recurring" implies that one instance of failure to enforce a Party's labor's laws does not constitute a violation of the CAFTA-DRs labor provisions.[7]

Group 5 comprises 4 U.S. FTAs with Peru, Colombia, Panama, and South Korea. On May 10, 2007, Congress and the Administration agreed to a Bipartisan Trade Deal to include provisions in the then pending 4 FTAs in this group. Bolle (2016) and Samet (2011) noted that such provision include:

- a fully enforceable commitment that Parties to U.S. FTAs would adopt and maintain in their laws and practices the ILO core labor standards from the ILO Declaration and its Follow Up (1998);[8]
- a fully enforceable commitment prohibiting U.S. FTA member countries from lowering their labor standards;
- new limitations on "prosecutorial" and "enforcement" discretion i.e., countries cannot defend failure to enforce laws related to the ILO's five basic core labor standards on the basis of resource limitations or decisions to prioritize other enforcement issues; and
- the same dispute settlement mechanisms or penalties available for other FTA obligations, such as commercial interests, will apply to labor disputes.

These four provisions were incorporated into all four agreements in practically identical form, Bolle (2016). The resolution of disputes may involve monetary assessments with no dollar limits and suspension of benefits may be imposed until the non-conformity is eliminated.

Finally, group 6 deals with the United States-Mexico-Canada Agreement (USMCA), which entered into force on July 1, 2020. The USMCA replaced NAFTA and its side agreements including the NAALC.[9] The USMCA establishes new and updated labor provisions, dispute settlement, and enforcement mechanism. The new provisions include protection of workers' rights and its enforceability, among others. As we discuss below in the sections of USMCA Labor Provisions and U.S.-Mexico Facility-Specific Raid Response Mechanism, the USMCA addresses issues such as vagueness in language and the lengthy

[6] USTR, CAFTA-DR, Labor Chapter 16, Article 16.2.
[7] This is further discussed in the section U.S.-Guatemala Labor Dispute below.
[8] The International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998) established labor rights that are accepted and ratified by most countries and are accepted as the core labor standards. They include (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labor; (c) the effective abolition of child labor, a prohibition on the worst forms of child labor, and other labor protections for children and minors; (d) the elimination of discrimination in respect of employment and occupation; and (e) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.
[9] NAFTA's second side agreement on environment is the North American Agreement on Environmental Cooperation (NAAEC).

dispute settlement mechanism, among others. The following section discusses U.S. submissions filed under various U.S. FTAs labor provisions.

U.S. Submissions Filed under U.S. FTAs Labor Provisions

This section focuses on U.S. submissions filed against member countries under U.S. FTAs' labor provisions. The objective here is to find out whether enforcement of labor provisions occurred, or if penalties were imposed when a member country failed to enforce its labor provisions.

Submissions or complaints are filed in the Office of Trade and Labor Affairs (OTLA) of the U.S. Department of Labor (DOL).[10] When a complaint or submission is filed in which a Party alleges violations of a FTA labor provisions, OTLA receives and reviews it. If the submission is accepted, OTLA conducts a review and issues a public report with its findings and recommendations, generally within 6 months. OTLA may recommend that the United States request bilateral consultations, after which if not successful, the United States may invoke the dispute settlement mechanism and request the formation of an arbitral panel.[11] The U.S. Department of Labor coordinates with the U.S. Trade Representative (USTR) and U.S. Department of State (DOS) on enforcement matters.

The labor submissions reviewed by OTLA are shown in table 2. The submissions have been filed by the United States alleging violations by a country member of a FTA's labor provisions. The submissions involved several countries including Mexico, Guatemala, Peru, Bahrain, the Dominican Republic, Honduras, and Colombia. To date, except for the submission against Guatemala, none of these disputes has resulted in formal consultation between the USTR and a foreign government that led to invoking a dispute resolution mechanism or the formation of an arbitral panel.

[10] OTLA is located within the U.S. Department of Labor's Bureau of International Labor Affairs.
[11] U.S. Department of Labor, Bureau of International Labor Affairs, Submissions under the Labor Provisions of Free Trade Agreements, "The Submission Process."

Table 2. U.S. Labor Submissions Reviewed by OTLA, 1994-2020

Country	Date Filed	Number of Submissions	Status of Petitions
Mexico	1994-2015	25	Reports issued 25; ministerial agreements 14
Guatemala	2008	1	Panel decision in 2017
Peru	2010, 2015	2	Reports issued in 2012 and 2016
Bahrain	2011	1	Consultations in 2014
Dominican Republic	2011	1	Report issued in 2013
Honduras	2012	1	Report issued in 2015; Monitoring and Action Plan adopted in 2015
Colombia	2016	1	Report issued in 2017; consultations in 2017

Source: U.S. Department of Labor, Cimino-Isaacs (2020). Updated by the author.
Notes: Country refers to the country against which a petition was filed. Mexico's submissions are those filed under NAFTA's NAALC. The submissions under the USMCA provisions are reported in the next section.

Under the NAALC, OTLA received and accepted 25 submissions against Mexico and issued 25 reports. For Mexico, none of the disputes reached the formation of an expert's committee or panel. Further, OTLA has issued 5 reports involving 4 countries other than Mexico. Some cases involved ministerial consultations. Notably, the Guatemala submission is the only dispute that led to the first formal consultations requested by the United States, and it is the only case that proceeded through the dispute settlement mechanism to the formation of an arbitral panel. As table 2 shows, the settlement of cases is long and, in most instances, it takes years to come to a final resolution. The U.S.-Guatemalan dispute started in 2008 and finalized in 2017, when an arbitral panel issued its final report. This case is discussed next.

U.S.-Guatemala Labor Dispute

In 2008, the AFL-CIO and six Guatemalan worker organizations filed a complaint under CAFTA-DR alleging that Guatemala failed to effectively enforce its labor laws with respect to freedom of association, rights to organize and bargain collectively, and acceptable conditions of work.[12] After reviewing the submission, DOL issued a public report in 2009 that found significant weaknesses in Guatemala's labor law enforcement and made recommendations for improvement. In 2010, after Guatemala's actions were insufficient to address the issues noted in the report, the United States requested consultations with Guatemala under the CAFTA-DR. After the consultations failed, the United States requested the establishment of an arbitral panel in August 2011. The Parties suspended the panel proceedings while they negotiated an 18-point Labor Enforcement Plan in April 2013. The panel resumed its proceedings in September 2014 after Guatemala failed to fully implement the Enforcement Plan.[13]

[12] Public Submission the Office of Trade & Labor Affairs (OTLA) under Chapters 16 (Labor) and 20 (Dispute Settlement) of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA).
[13] Guatemala Submission under CAFTA-DR.

On June 26, 2017, the arbitral panel released its final report, in which the panel ruled against the United States.[14] The panel found that Guatemala failed to effectively enforce its labor laws, particularly by failing to enforce labor court orders for anti-union dismissals and to take enforcement actions in response to worker complaints.[15] Further, the panel found that, while Guatemala failed to enforce certain laws, the evidence did not prove it was "sustained or recurring" and "in a manner affecting trade," and thus did not violate CAFTA-DR provisions.[16] Under CAFTA-DR, the panel decision is final; there is no appeal process. Here, the panel's findings highlighted the importance of vague language in the agreement that allows for failure in the enforcement of labor provisions without violation of the trade agreement.

Summary

In summary, this section showed that labor provisions in U.S. FTAs have changed over time from not being included to include commitments not just to enforce a country's own domestic labor laws, but also to adopt and enforce core principles of the International Labor Organization (ILO). The section on submissions filed by the United States shows that except for Guatemala, none of the disputes have moved from formal consultation—between the USTR and a foreign government—to dispute resolution with the formation of an arbitral panel. There have been no penalties imposed for failing to enforce member's labor laws. In fact, the only arbitral panel formed found, in its final report, that Guatemala failed to enforce its labor laws but there was no violation of CAFTA-DR's labor provisions. This suggests that some FTAs' labor provisions have vague or loose language without a well-defined terminology. For instance, the CAFTA-DR, under which the submission against Guatemala was filed, included the language "sustained or recurring." Further, NAFTA's NAALC includes the language "persistent pattern of failure" in trade related cases. Altogether, this suggests that in some cases a Partner country may fail to enforce its labor laws without violating a U.S FTA labor provision.[17] The review also shows that the dispute settlement mechanism under which submissions are filed takes years to come to a resolution. The Guatemala case took almost 10 years to resolve. In the next section, we show that the issues of vague and loose language, non-conformity with ILO (1998) labor rights, and the lengthy process of the dispute settlement mechanism are addressed in the USMCA labor and dispute settlement provisions. The USMCA is the latest U.S. FTA agreement, which entered into force in 2020.

[14] Arbitral Panel Established Pursuant to Chapter Twenty, Final Report of the Panel, June 14, 2017.
[15] Guatemala Submission under CAFTA-DR.
[16] Arbitral Panel Established Pursuant to Chapter Twenty, Final Report of the Panel, June 14, 2017.
[17] As shown in the next section USMCA prevents this from happen.

USMCA Labor Provisions

In addition to an overview of the labor provisions of the USMCA, we show that the agreement addresses some of the issues highlighted in the previous section including ambiguity in the language, lengthy dispute settlement mechanism, and labor provisions that do not conform to ILO core labor standards, such as those in NAFTA.

The Labor chapter of the USMCA[18] requires the Parties to adopt and maintain statues and regulations, and workers' rights as stated in the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work,[19] in addition to acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health. New labor provisions, included for the first time in a U.S. FTA, prohibit the importation of goods produced by forced labor, and add provisions associated with violence against workers exercising their labor rights, protection of migrant workers, and discrimination in the workplace. The Agreement commits Mexico to adopt new legislation to protect workers' rights to unionize and bargain collectively, prohibit interference by employers in union matters, provide for free union elections, and provide for independent labor courts for the adjudication of labor disputes.[20] To that end, Mexico enacted new legislation with its Labor Reform on May 1, 2019 (Reforma Laboral de Mexico).[21] USMCA labor provisions are fully enforceable under the agreement's dispute settlement mechanism, which includes a Facility-Specific Rapid Response Mechanism to address protection of association and collective bargaining rights at the facility level. The new mechanism provides for the suspension of the USMCA tariff benefits or the imposition of other penalties.[22]

Further, the USMCA Implementing Act[23] mandates the establishment of an Interagency Labor Committee (ILC) for monitoring an enforcement of the labor obligations, the implementation and maintenance of Mexico Labor Reform, and to request enforcement action when a member country is not in compliance with its labor obligation. The ILC is co-chaired by the U.S. Trade Representative and the Secretary of the Department of Labor, including representatives of other agencies.[24] The USMCA Implementation Act, through the ILC, established the Independent Mexico Labor Expert Board to

[18] USTR. Chapter 23 of USMCA "Agreement between the United States of America, the United Mexican States, and Canada 7/1/20 Text." Note that under NAFTA the labor provisions were not part of the main text but was a side agreement.
[19] Core labor standards (ILO) 1998. NAFTA's side agreement, the North American Agreement on Labor Cooperation (NAALC) contained 11 "guiding principles" pertaining to worker rights and provisions on technical assistance, capacity building, and separate dispute procedures. See the section on NAFTA above.
[20] Chapter 23 Labor, Annex 23-A, Worker Representation in Collective Bargaining in Mexico.
[21] In February 20017, Mexico amended its Constitution to reform the labor justice system. The reforms abolished the conciliation and arbitration boards (CABs) and created new institutions including new federal and state labor courts, local conciliation bodies, and an independent Centro Federal de Conciliación y Registro Laboral (FCCLR). On May 1, 2019, the Mexican government amended the Federal Labor Law to enact the legislation for these reforms and a four-year implementation plan. Mexico's labor obligations under the USMCA, which contains labor chapter Annex 23-A requires Mexico to recognize the right to collective bargaining, among other provisions.
[22] See the section U.S.-Mexico Facility-Specific Rapid Response Mechanism below for more information.
[23] Sec. 711 of the USMCA Implementation Act. The "United States-Mexico-Canada Agreement Implementation Act," Public Law 116-113, 116th Congress, Jan 29, 2020, was signed into law by the President on January 29, 2020.
[24] 85 Fed. Reg. 26315–26316 (May 1, 2020).

monitor and evaluate the implementation and maintenance of Mexico's labor reform, and he country's compliance with its labor obligations.[25] The Board has delivered two interim reports to the ILC and Congress, the first on December 12, 2019 and the second on July 7, 2021. The Implementing legislation also calls for the Department of Labor to post up to five attachés to the U.S. Embassy and/or consulates in Mexico, of which three attaché positions have been established. The attachés will monitor the implementation of the USMCA labor commitments.

The USMCA original agreement, signed in 2018, was amended by the "Protocol of Amendment to the Agreement between the United States of America, the United Mexican States, and Canada (Protocol of Amendments)" of 2019.[26] Some amendments included in the Protocol of Amendments are:

- the removal of a requirement that acts of violence against workers need to be "sustained or requiring course of action or inaction."[27] This prevents the situation in which a country fails to enforce its labor laws but does not violate the FTA labor provisions because the failure was not sustained.[28]
- a revision to footnote text, "in a manner affecting trade and investment," that shifts the responsibility for demonstrating a labor violation's impact on trade and investment to the Party subject to a dispute. In previous agreements, that responsibility was of the party alleging the failure.[29]
- the establishment of dispute settlement panels even if a party fails to contribute to the panel process. This allows the formation of panels without the cooperation of all parties. Previously, the formation of a panel required the participation of all Parties allowing for a Party to be able to block the formation of a panel by not participating in the process.
- the establishment of the "Facility-Specific Rapid Response Labor Mechanism" for the purpose of ensuring remediation of a Denial of Rights[30] for workers at a Covered Facility[31] that includes the ability to impose sanctions if the panel finds that a firm has not done enough to correct an issue. [32] This Rapid Response Mechanism substantially reduces the time it takes to reach a

[25] Sec. 731 of the USMCA Implementation Act.
[26] The "Protocol of Amendment to the Agreement between the United Sttes of America, the United Mexican States, and Canada," negotiated by U.S. Congress and USTR then approved by Mexico and Canada, was signed in Mexico City on December 10, 2019.
[27] See Protocol of Amendments, 4. In Chapter 23 (Labor), E, p. 6.
[28] This is like the phase in the CAFTA-DR's "sustained or recurring," see the section "Guatemala Labor Dispute" above.
[29] See Protocol of Amendments, 4. In Chapter 23 (Labor) p. 5.
[30] Denial of Rights (Article 31-A.2) means that workers at a Covered Facility are being denied the right of free association and collective bargaining.
[31] Covered Facility (Article 31-A.15) is a facility in the territory of a Party that (i) produces a good or supplies a service traded between the Parties; or (ii) produces a good or supplies a service that competes in the territory of a Party with a good or a service of the other Party and is a facility in a Priority Sector. Priority Sector means a sector that produces manufactured goods, supplies services, or involves mining, Article 31-A.15.
[32] See Protocol of Amendments, 7. F Annex 31-A Facility-Specific Rapid Response Labor Mechanism, p. 12.

resolution from the time a complaint is filed.[33] As of February 7, 2022, two separate submissions have been filed against Mexico under the Rapid Response Mechanism.[34]

The following section describes the Dispute Settlement Mechanism and the Facility-Specific Rapid Response Labor Mechanism.

U.S.-Mexico Facility-Specific Rapid Response Labor Mechanism

In addition to the functions of the ILC mentioned earlier, another responsibility of the Committee is to receive and review submissions under the USMCA Labor Chapter and U.S.-Mexico Facility-Specific Rapid Response Labor Mechanism.[35] The Rapid Response Labor Mechanism is the first of its kind and allows the United States to take enforcement actions against individual factories operating in Mexico allegedly failing to comply with domestic freedom of association and collective bargaining laws or Denial of Right.

The U.S.-Mexico Facility-Specific Rapid Response Labor Mechanism demonstrates that the risks exporting firms operating in Mexico face—regardless of ownership, either domestic or foreign—can result in the suspension of benefits in a short period of time, if firms fail to comply with the labor provisions of Chapter 23. To illustrate this, two recent cases are discussed in the next section in which remediation was reached in a very short period of time.

The purpose of the Facility-Specific Rapid Response Labor Mechanism (the "Mechanism") is to ensure remediation of a Denial of Rights for workers at a Covered Facility, not to restrict trade. The Mechanism has the ability to impose remedies and ensure that they are lifted immediately once a Denial of Rights is remediated.[36] One may get the idea that only Denial of Rights will invoke this Rapid Response Mechanism. However, the Expansion of Claims article (Article 31-A.12)[37] at the end of the Annex A in chapter 31 Dispute Mechanism, establishes that trade should be in goods produced in compliance with the labor chapter 23, in particular Labor Rights article (Article 23.3) or enforcement of labor laws article (Article 23.5); and if there is a breach in a Party's obligations under these articles, as determined by a panel, the Rapid Response Mechanism may be invoked. Therefore, the Rapid Response Mechanism may be invoked if there a breach in the obligations, as determined by a panel, of the entire labor chapter 23.

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[33] This Mechanism addresses the issue discussed in the previous section in which the United States filed a complaint against Guatemala under the CAFTA-DR that took almost 10 years to conclude, see the section "Guatemala Labor Dispute" above. In contrast, the resolution period under the USMCA in 2 recent cases was between 90 and 140 days, see the section "Recent Filings under the Fast Response Mechanism" below.

[34] The section "Recent Filings under the Fast Response Mechanism" below discusses the submissions filed against two facilities located in Mexico, Tridonex and General Motors.

[35] DOL, Bureau of International Labor Affairs, "Labor Rights and the United States-Mexico-Canada Agreement USMCA," February 22, 2022.

[36] Annex 31-A, Article 31-A.1 (2).

[37] Expansion of Claims (Article 31-A.12) notes that trade should be in goods produced in compliance with the labor chapter 23; if one the Parties is found to have breached its obligations under Article 23.3 (Labor Rights) or Article 23.5 (enforcement of Labor Laws) as determined by a panel established under Article 31.6 (Establishment of a Panel). The complaint Partly in that case may use this Mechanism with regard to the relevant law or laws at issue in that dispute for a period of two years or until the conclusion of the next joint review under Article 34.7 (Review and Term Extension).

That is in the cases of not only of denial of the right of free association and collective bargaining but of the elimination of all forms of forced or compulsory labor, the effective abolition of child labor, prohibition of the worst forms of child labor, the elimination of discrimination in respect of employment and occupation,[38] minimum wages, hours of work, and occupational safety and health.[39]

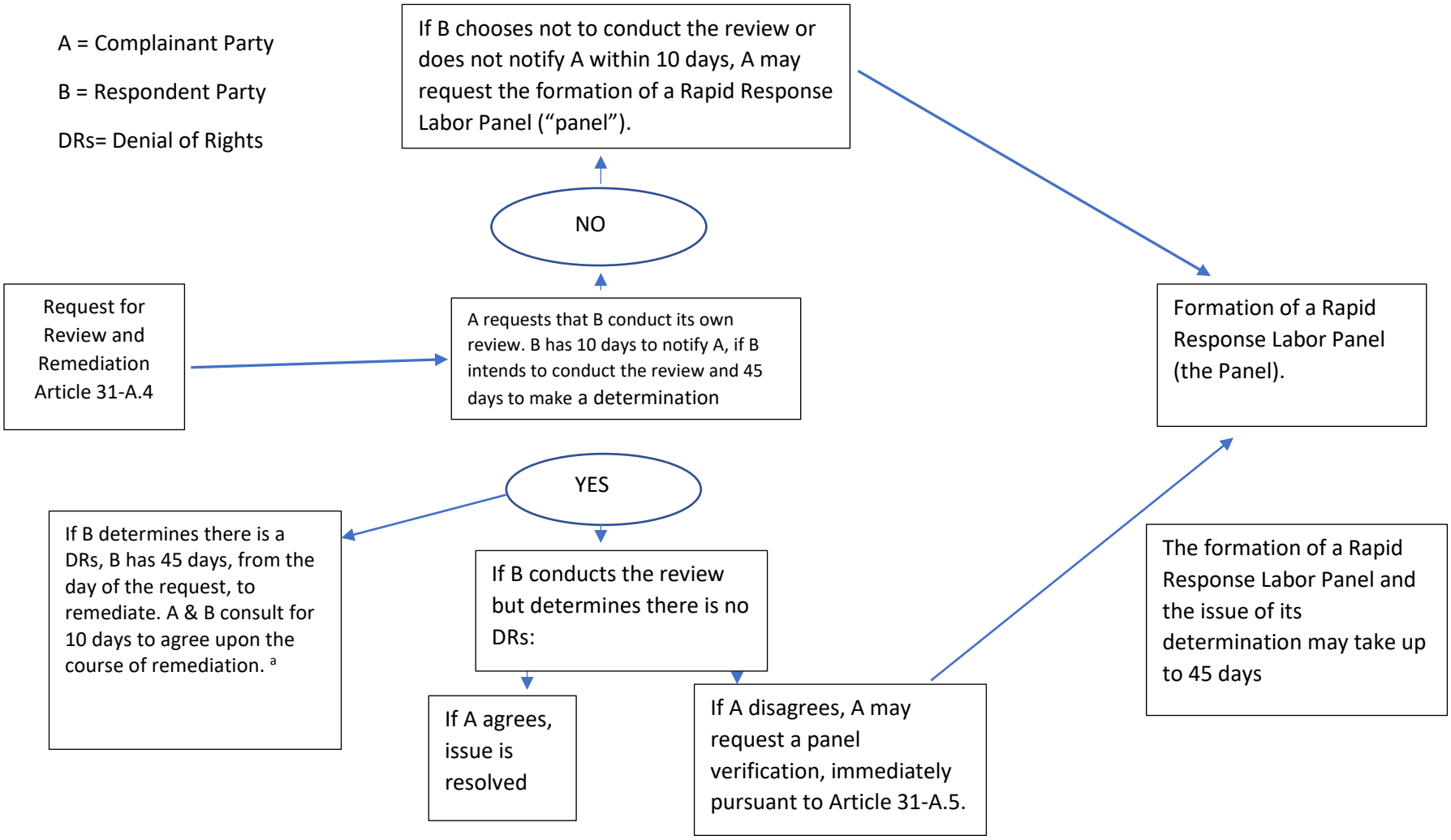
The Facility-Specific Rapid Response Labor Mechanism between the United States and Mexico is a dispute settlement mechanism that provides for expedited enforcement of workers' free association and collective bargaining rights at the factory level.[40] Assuming that the Department of Labor found sufficient evidence in support of a submission, Figure 1 shows the dispute mechanism process step-by-step:

- The first step in the Mechanism is for a complainant country to submit a request to the Respondent country to conduct its own review to determine whether there is a denial of rights and attempt to remediate any issues it finds. The Respondent has 10 days to notify the Complainant country if it intends to conduct the review and has 45 days to make a determination.
- If the Respondent agrees to conduct its own review, then:
    - if the Respondent finds that there is a Denial of Rights, both Parties consult to agree on the course of remediation,[41] or
    - If the Respondent finds there is no Denial of Rights, then:
        - If the Complainant country agrees the issue is resolved, or
        - If the Complainant country disagrees, it may request the formation of a Rapid Response Labor Panel. The panel would determine if there were a Denial of Rights and the penalties.
- Alternatively, if the Respondent decides not to conduct the review or does not notify the Complainant country within 10 days of receiving the request, the complainant country may request the formation of a Rapid Response Labor Panel. Here again, the panel would determine if there were a Denial of Rights and the penalties.

The procedures for "Requesting the Establishment of a Rapid Response Labor Panel," which also follows a pre-determined timeframe, are described in Article 31-A.5. It indicates that if the Complainant Party continues to believe that there is a Denial of Rights at a Cover Facility:

[38] Article 23.9: Discrimination in the Workplace establishes "The Parties recognize the goal of eliminating discrimination in employment and occupation and support the goal of promoting equality of women in the workplace. Accordingly, each Party shall implement policies that it considers appropriate to protect workers against employment discrimination on the basis of sex (including with regard to sexual harassment), pregnancy, sexual orientation, gender identity, and caregiving responsibilities; provide job-protected leave for birth or adoption of a child and care of family members; and protect against wage discrimination.
[39] This refers to acceptable conditions of work according to the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998).
[40] USTR, "Chapter 31 Annex A: Facility-Specific Rapid-Response Labor Mechanism," USMCA, Chapter 31 Dispute Settlement, Annex 31-A United Stated-Mexico-Facility-Specific Rapid Response Labor Mechanism.
[41] As discussed in the next section, two submissions, one against General Motors Mexico and another against Tridonex also from Mexico, reached this step in which both companies agreed the course of premeditation.

Figure 1. United States-Mexico Facility-Specific Rapid Response Labor Mechanism



[a] If the remediation occurs by the date agreed by A and B, then no panel request by A will occur. This occurred in the cases of Tridonex-Matamoros and General Motors-Silao, discussed below.

- The complainant Party may file a petition with the Secretariat. The Secretariat then has 3 business days to establish a panel (Request for Establishment of Rapid Response Labor Panel).
- Further, the established panel has 5 business days after being constituted to confirm the petition (Confirmation of Petition), that is the panel issues a request for verification to the respondent Party.
- After the Confirmation of Petition, the panel issues a request for verification (Verification).
- Next, the Panel makes a determination within 30 days as to whether there is a Denial of Rights after conducting a Verification or after it was constituted if there was no Verification. If the respondent Party so requests, the panel will include a recommendation on a course of remediation if the panel determines there is a Denial of Rights. The panel will also, to the extent possible, identify the person or persons responsible for the Denial of Rights. The panel's determination shall be in writing and shall be made public.
- After receipt of a determination by a panel that there has been a Denial of Rights, the complainant Party may impose remedies after providing written notice to the respondent Party at least 5 business days in advance.
- Remedies may include suspension of preferential tariff treatment for goods manufactured at the Covered Facility, the imposition of penalties on goods manufactured at or services provided by the Covered Facility, or the denial of entry of such goods, depending on the severity of the Denial of Rights (Article 31-A.10).
- When the Parties reach agreement that the Denial of Rights has been remediated, the complainant Party shall remove all remedies immediately.

Recent Petitions Filed under the U.S.-Mexico Facility-Specific Rapid Response Labor Mechanism

The USMCA has the strongest labor provisions of any U.S. trade agreement.[42] In addition, the Facility-Specific Rapid Response Labor Mechanism[43] allows the U.S. Government to take expedited enforcement actions against individual factories that appear to be denying Mexican workers the right of freedom of association and collective bargaining under Mexican law. Petitions and information alleging a failure to comply with the labor obligations under the USMCA Labor Chapter or denial of rights at a covered facility are filed with the U.S. Department of Labor.[44]

The dispute settlement enforcement process is as follows: First a petition is filed with the Labor Committee for Monitoring and Enforcement (ILC). Once the petition is filed, the ILC has 30 days to determine if there is sufficient credible evidence of a denial of rights enabling the good faith invocation of enforcement mechanisms. Next, if the ILC determination is affirmative, the United States submits a request that Mexico conduct its own review whether there is a Denial of Rights and attempt to

[42] Department of Labor, Bureau of International Labor Affairs, "Labor Rights and the United States-Mexico-Canada Agreement (USMCA)."
[43] United States-Mexico Facility-Specific Rapid Response Labor Mechanism, Annex A Chapter 31.
[44] Department of Labor, Bureau of International Labor Affairs, "Labor Rights and the United States-Mexico-Canada Agreement (USMCA)."

remediate any issues it finds. Mexico has 10 days to agree to conduct a review and, if it agrees, 45 days to remediate (figure 1). After the review, if the United States and Mexico are not able to agree that the issue has been resolved, the United States may request the establishment of a Rapid Response Labor Panel to determine whether there has been a denial of collective bargaining rights as illustrated in figure 1. The next section discusses two cases filed by the United States against Mexico under the Facility-Specific Rapid Response Labor Mechanism.[45]

General Motors, Silao, Mexico

Invoking the USMCA's Rapid Response Labor Mechanism, on May 10, 2021, the United States requested that Mexico conduct a review of whether a Denial of Rights was occurring to workers at the General Motors de México (General Motors Mexico) facility in Silao, State of Guanajuato, Mexico.[46] The request noted that "significant concerns arise from events preceding, during, and surrounding an April 2021 vote for approval of a collective bargaining agreement (CBA) between General Motors de México" and the "Miguel Trujillo López" union.[47] The request noted that the United States understood that the approval process and vote, scheduled for April 5, 2021, was suspended by the Secretaría de Trabajo y Previsión Social[48] due to its concerns about irregularities, including the destruction of ballots. Further, the request noted that if Mexico were to determine that there was a Denial of Rights to workers at the General Motors de México facility in Silao, the United States further requested that Mexico attempt to remediate within 45 days of the request.[49] In addition, the U.S. representative directed the Secretary of the Treasury to suspend the final settlement of customs accounts related to entries of goods from General Motors' Silao facility.[50]

On July 8, 2021, the U.S. representative announced a remediation agreement reached with Mexico that addressed a denial of workers' right of free association and collective bargaining that Mexico found to have occurred for workers at a General Motors facility in Silao, Mexico.[51] The course of remediation's end date was September 20, 2021. The course of remediation noted that Mexico would, among other things:

- Ensure that the new vote to approve the collective bargaining agreement (CBA) negotiated by the old CTM union was held at the facility by August 20, 2021.
- Have present federal inspectors from Mexico's Labor Ministry to prevent and address any intimidation and coercion from occuring

[45] Department of Labor, Bureau of International Labor Affairs, "USMCA Cases."
[46] USTR. "United States Seeks Mexico's Review of Alleged Worker's Rights Denial at Auto Manufacturing Facility," press release, May 12, 2021, and USTR. The United Stated request a review of denial of rights at of free Association and collective bargaining. May 10, 2021.
[47] The Miguel Trujillo López" union is part of the Confederation of Mexican Workers union (CTM).
[48] Secretariat of Labor and Social Welfare (STPS) is Mexico's Ministry of Labor.
[49] USTR, The United Stated request a review of denial of rights and of free Association and collective bargaining. May 10, 2021.
[50] USTR, " USMCA RRM Letter to Treasury for Posting," May 12, 2021.
[51] USTR, "United States and Mexico Announce Course of Remediation for Workers' Rights Denial at Auto Manufacturing Facility in Silao," press release, July 8, 2021.

- Permit the presence of international observers from the International Labor Organization (ILO) at the facility.
- Investigate and sanction anyone responsible for events that led to the suspension of the April vote and any other violation of law in connection with the August vote; and
- General Motors Mexico would issue a statement of neutrality and zero-tolerance policy for retaliation.[52]

In a second vote to approve the existing collective bargaining agreement (CBA) negotiated by the old Confederation of Mexican Workers union (CTM), the CBA was thrown out in August 14-18, 2021, in a legitimation vote required by the Mexican Labor Law Reform. According to Mexican law, the rejection of the CBA allowed a process for workers to select a union to negotiate a new CBA. Referring to the vote in which the existing CBA was rejected, on September 22, 2021, USTR and DOL announced the successful conclusion of the first course of remediation under the USMCA's Rapid Response Labor Mechanism.[53] A Day earlier, USTR directed the Secretary of the Treasury to resume liquidation of entries of goods from General Motor's Silao facility.[54]

Although the course of remediation concluded in September 2021, the United States and Mexico continued monitoring the labor conditions in the facility leading up to the February 1–2, 2022 vote to elect a union to represent workers in bargaining with the General Motors de México facility in Silao. On February 3, 2022, workers at the General Motors Mexico facility elected an independent labor union by a wide margin. The new union, the National Independent Union for Workers in the Automotive Industry (SINTIA), beat three rivals, including Mexico's largest labor organization, CTM, that held the contract for 25 years. About 90 percent of eligible workers cast their votes for SINTIA. On February 3, 2022, U.S. Trade Representative noted "The USMCA's tools help protect collective bargaining rights and freedom of association for workers. The next, and equally critical, stage of the process will be good faith bargaining between General Motors and the new union."[55]

Tridonex, Matamoros, Mexico

On May 10, 2021, the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), the Service Employees International Union (SEIU), Public Citizen's Global Trade Watch, and the "Sindicato Nacional Independiente de Trabajadores de Industrias y Servicios "Movimiento 20/32" [National Independent Union of Industry and Service Workers – 20/32 Movement] (SNITIS), filed a petition under the Rapid Response Mechanism with the ILC, against Tridonex, S. de R.L. de C.V. (Tridonex), located in Matamoros, Tamaulipas, Mexico. The submission alleged that workers at the Tridonex automotive parts

[52] USTR, "Fact Sheet: Biden Administration Reaches Agreement with Mexico and GM Sialo Rapid Response Action and Delivers Results for Workers," July 8, 2021.
[53] USTR, "Ambassador Tai, Secretary Walsh Applaud Successful First Course of Remediation under USMCA's Rapid Response Mechanism," press release, September 22, 2021.
[54] USTR, Letter to the Secretary of the Treasury, September 21, 2021.
[55] USTR, "Statement from Ambassador Katherine Tai on February 1-2 Vote by Workers in Silao, Mexico," Press Release, February 3, 2022.

facility were being denied the right of free association and collective bargaining.[56] The ILC had 30 days to review the petition and determine if there was sufficient credible evidence of denial of rights in support of the claim.

On June 9, 2021, in response to the petition filed on May 10, the ILC determined that there was sufficient credible evidence of a denial of rights, which enabled the invocation of enforcement mechanism. On the same day, the Office of the U.S. Trade Representative and the U.S. Department of Labor announced they had agreed to pursue a complaint under the USMCA's Rapid Response Mechanism against Tridonex, an auto plant in Mexico, for alleged workers' rights violations.[57] Next, the USTR submitted a request to Mexico that Mexico conduct a review as to whether workers at the Tridonex automotive parts facility were being denied the right of free association and collective bargaining.[58] Mexico had 10 days to agree to conduct a review and 45 days from that day to remediate, if Mexico determined that there were Denial of Rights to workers at the Tridonex facility in Matamoros.[59]

This was the second time the United States used the USMCA's Rapid Response Labor Mechanism to enforce the agreement's labor provisions.

On June 19, 2021, Mexico agreed to review the U.S. complaint filed under the USMCA dispute settlement mechanism against Tridonex for alleged labor rights violations, the Mexican Secretariat of Economy announced.[60] The findings of the review, conducted by the Secretaría de Economía and the Secretaría de Trabajo y Previsión Social,[61] would be shared with U.S. government by July 24, 2021, after which a reparation course must be agreed with the counterparts of the U.S. Government, if the review determined that there was such denial of workers' rights.

On August 10, 2021, USTR announced it had reached an agreement with Tridonex, S. de R.L. de C.V., a subsidiary of Cardone Industries, a Philadelphia-based auto parts manufacturer that supplies the U.S. market. The agreement provides severance, backpay, and a commitment to neutrality in future union elections.[62] Tridonex agreed to:

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[56] Government of Mexico, Secretaria de Economia, "Comprometidos con el correcto funcionamiento del T-MEC, se annuncial acuerdso respect a peticion laboral de empresa de autopartes." Comunicado, August 10, 2021, Mexico City.

[57] USTR, "United States Seeks Mexico's Review of Alleged Freedom of Association Violations at Mexican Automotive Parts Factory," June 09, 2021

[58] USTR, "United States Seeks Mexico's Review of Alleged Freedom of Association Violations at Mexican Automotive Parts Factory," Press Release, June 9, 2021; USTR "Tridonex Request for Review 2021-06-09."

[59] USMCA Article 31-A.4.2. "The respondent Party shall have 10 days to notify the complainant Party as to whether it intends to conduct a review."

[60] Secretaría de Economía, "México está comprometido con el T-MEC, admite solicitud de revisión por parte de EE.UU. sobre empresa autopartista en Matamoros, Tamaulipas," Junio 19, 2021.

[61] Secretariat of Labor and Social Welfare (STPS) or Secretaría de Trabajo y Previsión Social (STPS); and Secretariat of Economy or Secretaría de Economía.

[62] USTR, "United States Reaches Agreement with Mexican Auto Parts Company to Protect Workers' Rights," press release, August 10, 2021; Secretaría de Economía, "Comprometidos con el correcto funcionamiento del T-MEC, se anuncian acuerdos respecto a petición laboral de empresa de autopartes," comunicado conjunto, Mexico City, August 10, 202. DOL, Bureau of International Labor Affairs, "USMCA Cases," August 18, 2022.

- Provide severance and 6 months of backpay, totaling a minimum of 9 months of pay per worker and in many cases much more, to at least 154 workers who were dismissed from the plant, for a total backpay amount of more than $600,000.
- Support the right of its workers to determine their union representation without coercion, including by protecting its workers from intimidation and harassment and welcoming election observers in the plant leading up to and during any vote.
- Provide training to all Tridonex workers on their rights to collective bargaining and freedom of association.
- Remain neutral in any election for union representation at its facility.
- Maintain and strengthen safety protocols to protect its workers from COVID-19 and financially support any employees who are unable to report to work due to COVID-19 exposure or infection.
- Revise its procedures and provide training to its managers on fair workforce reduction procedures; and
- Maintain and staff an employee hotline phone number to receive and respond to complaints of violations of workers' rights in the facility.

In addition to these commitments made by Tridonex, the government of Mexico agreed to help facilitate workers' rights training for Tridonex employees, monitor any union representation election at the facility, and investigate any claims of workers' rights violations reported by employees at the plant."[63]

This section illustrates the risks that firms located in Mexico and export to the United States under the USMCA provisions will face if they fail to comply with its labor provisions. Noncompliance may result in loss of their benefits in a short period of time. The disputes discussed here took less than 90 days to reach an agreement to remediate and about 140 days from the time a petition was filed to implementing the remediation agreement. The USMCA has changed the traditional compliance rules of labor provisions and enforcement mechanism under NAFTA and all other FTAs, which were laxed, ineffective, and slow to a new highly effective process with the rapid response mechanism. The enforcement mechanism and dispute settlement process are unique and found only in the USMCA among all U.S. FTAs. The cases discussed here suggest that firms face real risks of suspension of benefits such as preferential tariff, market access, and others, which can be revoked expeditiously when noncompliance has been removed.

Conclusions

This paper highlights the potential consequences faced by firms operating in Mexico—regardless of ownership— that export to the United States under the USMCA provisions and fail to comply with the labor provisions of the agreement. The consequences of noncompliance are substantial as the firms'

[63] USTR, "United States Reaches Agreement with Mexican Auto Parts Company to Protect Workers' Rights," press release, August 10, 2021, and USTR, Annex Action Plan, August 10, 2021.

goods and services may be subject to the suspension of preferential tariff treatment, the imposition of penalties, or denial of entry into to the United States, if firms are not a complainant country with the labor provisions of the agreement. This was illustrated in a recent case filed by the United States under the USMCA Facility-Specific Rapid Response Mechanism in which a firm operating in Mexico and exporting to the United States under USMCA preferences lost its preferential tariff treatment temporarily. Its preferential treatment was reinstated as soon as the failure to comply was remediated.

The paper reviews the labor provisions and dispute settlement of all U.S. FTAs to date. The review shows that the failure of enforcement of the labor provision in U.S. FTAs has been primarily due to lax or ambiguous language and lengthy dispute settlement mechanisms. The paper shows that the labor provisions and dispute settlement mechanism of the USMCA are effective improvements over those of all previous U.S. FTAs. The effectiveness of the rapid response mechanism was illustrated by the short time it took to resolve the disputes of two recent submissions filed by the United States against two firms operating in Mexico. Remediation in those two cases took between 90 and 140 days. Therefore, the USMCA dispute settlement mechanism imposes serious consequences for noncomplainant firms.

The Agreement is likely to increase wages and working conditions of workers at exporting facilities in Mexico, as the two submissions discussed ended with new independent labor Unions, which will negotiate new labor contracts. The extent to which wages in Mexico would increase is not discussed in this paper but may be considered for further research. One direction to follow is the framework developed by Riker (2020). Riker (2020) models the effect of adopting the ILO core labor standards on trade and wages. He quantifies the economic effects of policies intended to harmonize labor standards across countries within a collective bargaining framework. More specifically, the author analyzes the effects of increasing labor standards in developing countries and quantifies the effects on wages, international trade flows, employment, and prices. He shows that under certain conditions, collective bargaining that increases labor standards in a developing country increases its wages but reduce its employment. Further research can be undertaken by estimating the effects of collective bargaining, as in the cases discussed, using data for Mexico and Riker (2020)’s framework.

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