

Free Trade instead of decent work? WTO and ‚Global Europe‘ as a danger for „Decent Work“

The WTO and its supporters appear to want to react to the ongoing financial, economic and climate crisis with more free trade and a completion of the Doha Round which has been in progress since 2001. What people in the north and south need, however, is meaningful and fairly-paid work and also social security for all. This work must be found as quickly as possible in jobs which are viable in the future and climate friendly. Decent work was set down as a central goal of the International Labour Organisation (ILO) in 1999. In this the ILO pursues four concerns: a) fundamental principles and rights at work and international work standards; b) improvement of income and employment opportunities; c) social security and social protection and d) social dialogue. Notionally the WTO, EU and the German Federal Government have pledged themselves to Decent Work. The actual experiences with liberalisation policies however say a completely different thing: again and again ‚free trade‘ has cost jobs. In addition it threatens to bring about even more unemployment in the future. A change of policy is necessary!

Employment consequences of liberalisation policies:

Whether in Germany, the EU or the WTO, advocates of free trade are championing an aggressive opening of markets and thus meeting the wishes of the export industries. Their argument: economic liberalisation leads to more jobs and better wages. These effects are not however in any way proven or capable of generalisation. Any number of counter-examples can be cited from many countries and experiences in recent years. The opening up of markets has contributed to a global increase in informalisation and casualisation. This context is acknowledged in a recently published study by WTO and ILO (WTO/ILO 2009). In this way in Latin America, for example, the proportion of legally protected employment relationships dropped and there were increases in contract work, temporary work, part-time work, casual employment and a strong growth in various forms of the informal economy. In Africa small scale rural livelihoods of women are particularly vulnerable; in contrast to the ideology of free trade, industrial countries like the EU or the USA have exported their subsidised agricultural products to local African markets and wiped out livelihoods in this way.

Even the growth of the global economy before the current economic crisis hardly brought an increase in prosperity to the 1.5 billion or so registered wage earners. The ratio of wages and salaries to the gross national product has shrunk in recent years in three quarters of countries. The increase in real wages in the industrial countries amounted to a maximum of 1% between 2001 and 2007. It was only in China and a few transition countries that growth of up to 10% was attained due to a very low base level. From a global perspective the thing which has grown is inequality.

Between 1997 and 2007 global unemployment increased swiftly from 141 million to 190 million people. Those casually employed increased in the same period from 1.34 to 1.49 billion. Around 1.2 billion people can hardly live from their work; they earn less than 2 dollars per day. Unemotionally, but very precisely, the World Bank names the liberalisation of trade as one of the central causes of this: „in times of liberalisation of trade (...) it can be assumed that the cutting of jobs advances more quickly than the creation of jobs. Globalisation can therefore be connected with higher rates of unemployment.“ (Martin Rama: Globalization and Workers in Developing Countries. World Bank, Washington DC 2003. Quoted by War on Want 2009).

Economic liberalisation often means the destruction of local businesses and an associated huge loss of jobs. The economies of the south are particularly hard hit by these developments where a large proportion of the profits which emerge from the liberalised export economy are creamed off by a few rich people or are expatriated. Openings of the market do not thus lead to an automatic gain in prosperity for all parts of the population.

The Study „Trading away our jobs“

In 2009 the study „Trading away our jobs“ by War on Want, a British partner organisation of EED & WEED, summarised the empirical findings on the actual effects of free trade agreements on the labour market. In this it is shown how the liberalisation of trade led to a huge loss of jobs in Africa and also in Latin America in past years - of all the places it was those

two continents which had to bear the main burden of the earlier experiments of so-called structural adjustment and other free trade policies. Systematic deindustrialisation, job losses and drops in wages are listed.

In sub-Saharan Africa the liberalisation of trade led to job losses in a long list of countries such as Kenya, Malawi, the Ivory Coast, Zimbabwe and Morocco. Zambia endured a doubling of unemployment. Tens of thousands of jobs disappeared in the formal sector. These were not in any way short term losses. Even today the overwhelming majority of Zambian workers have to battle away in the informal economy. 95% of them earn too little to lift their families above the poverty threshold of 2 US dollars per day. In Ghana the labour market in the industrial sector shrank by 17% in the first eight years of trade liberalisation; for women the figure was 22%.

In Latin America too, there has been a similar story of job losses in manufacturing as a consequence of trade liberalisation. During the nineties unemployment in Latin America increased from 7.6 million people to 18.1 million, almost exclusively because of the loss of existing jobs. In Brazil alone the labour market political balance of trade liberalisation from 1990 to 1997 showed a loss of 2.7 million jobs. At the same time in Mexico the NAFTA free trade agreement with Canada and the USA saw the rise of the maquila sector as an extended low wage workbench for the USA along the common border. The dark side of this was in the form of huge job losses in agriculture and in the manufacturing sector and a catastrophic drop in real wages. The purchasing power of the minimum wage fell to one fifth of its original value between 1976 and 2000.

In spite of these employment consequences of previous trade policies many politicians and companies are demanding a quick conclusion of the ongoing WTO-world trade round. The international association of trade unions ITUC has, however, calculated that the new measures demanded in developing countries within the framework of the Doha Round would endanger millions of jobs. The EU's assessment also suggests that a conclusion of the Doha Round in the form proposed at present would bring about considerable job losses in agricul-

ture, industry and in the service sector of the developing countries.

Outside the WTO, the EU is aiming for a series of bilateral trade agreements with its new trade strategy, in order to retain and extend market access for its companies. Here too the Sustainability Impact Assessments of the EU forecast severe job losses as a consequence of these bilateral agreements. It was predicted that the proposed Europe-Mediterranean free trade zone would lead to the collapse of the manufacturing sector soon after coming into force in Egypt, Morocco, Algeria and Tunisia and also to an extensive shrinking of the sector in Syria, Jordan and Lebanon. In total some 3.4 million manufacturing jobs would be lost there. Similar results are predicted for the MERCOSUR-countries in the southern part of South America and for China and India.

However it is not just trading partners of the EU who will feel the effects. The EU analyses show that the liberalisation of trade will also lead to „large scale redundancies“ and a worsening in working conditions internally too. In order to balance out these negative effects the EU has set up a globalisation adjustment fund. This should enable people who lose their jobs due to liberalisation to be compensated. However the scope and level of investment of this fund make it a completely inadequate consolation for an incorrect policy.

Summary: The German and European trade policy clearly places economic group interests above the interests of employees or indeed unemployed people. In the WTO and increasingly at a bilateral level the policy continues to operate on the „illusion of competitiveness“ (Nobel Economic Prize Winner Paul Krugman). Empirical analyses of the employment consequences of this policy show that this is not just dangerous in terms of development and environment policy but also does not constitute a way out of unemployment and social uncertainty. A fundamental, new reflection on German, European and international trade policy is therefore necessary in order to finally give priority to decent work, social human rights and climate protection!

Links & Literature

www.weed-online.org

www.eed.de/welthandel

War on Want 2009: Trading away our Jobs. How free trade threatens employment around the world. 34 p., Reference via www.weed-online.org or www.waronwant.org

WTO/ILO 2009: Globalization and Informal Jobs in Developing Countries. Genf. www.ilo.org

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