



NO MORE BUSINESS AS USUAL

WHY WE NEED TRADE JUSTICE, NOT MORE FREE TRADE

The world is in the midst of the worst economic crisis since the Great Depression of the 1930s. Millions of jobs have already been destroyed and millions more are under threat. The International Labour Organisation predicts that a further 60 million workers could be made unemployed as a result of the worldwide recession and that over 230 million more people could be forced into extreme poverty. Even in the world's richest countries, there will be more than 57 million people out of work by the end of 2010.

This crisis and its human consequences are a direct result of the free market model of globalisation that has been pursued by the World Trade Organisation (WTO), World Bank and International Monetary Fund (IMF) as well as the rich country governments that control them. Multinational corporations have seen their profits rise astronomically thanks to the new freedoms they have won under this system of globalisation. Ordinary people have seen their livelihoods and public services threatened, and hundreds of millions have been condemned to poverty.

“Free trade has allowed Central America to be converted into a region offering cheap labour...What is happening is in the interests of the big European companies.”

Sandra Ramos, Working and Unemployed Women's Movement, Nicaragua

TURNING A CRISIS INTO A CATASTROPHE

The official response to the economic crisis has been monopolised by the exclusive, invitation-only forum of the G20. Despite widespread agreement that the economic crisis is the result of the imbalances caused by three decades of deregulated free market capitalism, the G20 has chosen to stick with precisely the same policies that caused the crash.

In fact, the crisis has been seized upon as an excuse to revive failed institutions such as the IMF and WTO, both of which have suffered crises of legitimacy in recent years. The G20's proposal to conclude the WTO's Doha Round of world trade talks by the end of 2010 poses a particular threat, as all predictions now show that the poorest countries will suffer considerable losses as a result of the proposed deal. There is a serious risk that the G20's return to 'business as usual' will condemn millions more people to jobless poverty at a time when unemployment is already rising sharply.

The UN has made efforts to create a more inclusive and far-reaching response to the crisis. Its summit in June 2009 was an attempt to bring all 192 countries together to take fair and effective decisions on the future of the world economy. But the UK and other rich country governments sought to weaken and then downplay the UN response to the crisis. British Prime Minister Gordon Brown did not even attend the UN summit, preferring instead to attend the elite club of the G8 in Italy the following month.



Mexican workers at a rally for better pay and improved conditions outside a factory in Juarez Photo: Fernando Molerres/Panos Pictures

FREE TRADE: A THREAT TO JOBS

War on Want's recent report *Trading Away Our Jobs* examines the legacy of three decades of free market policies on industrial employment across the world. Using studies and statistics collected together for the first time, the report shows how past trade liberalisations have caused massive job losses in both Africa and Latin America, two continents that bore the brunt of earlier free trade experiments.

In Africa, trade liberalisation policies led to huge numbers of job losses in a wide range of countries, including Kenya, Malawi, Côte d'Ivoire, Morocco, Zambia, Ghana and Zimbabwe. In Zambia, for example, the manufacturing sector was devastated, losing nearly half of its jobs during the trade liberalisation of the 1990s. Nor were these losses short-term adjustments, as the free market model would suggest. Today, the vast majority of Zambian workers are still forced to eke out a living in the informal economy, and 95% do not earn enough to rise above the US\$2 per day poverty threshold.

This pattern was repeated across the continent. Industrial employment in Ghana fell by 17% during the trade liberalisation of the 1980s – and by 22% for women. Real wages collapsed in Malawi by 73% in the five years to 1995. Kenya saw major job losses in textiles, leather and electrical machinery manufacturing, to name just a few of the sectors affected. And instead of increasing its share of world trade, as free market theory had promised, Africa saw its share of exports plummet by 70% as a result of trade liberalisation reforms.

Latin America experienced similar problems of unemployment, falling wages and deindustrialisation. During two decades of trade liberalisation, rising unemployment was seen in Argentina, Brazil, Colombia, Bolivia, Chile, Ecuador, Paraguay, Uruguay and Venezuela. In Brazil, free trade policies reduced net overall employment by 2.7 million jobs between 1990 and 1997. Women were especially hard hit, as their chance of becoming unemployed tripled. Brazil's manufacturing sector collapsed from 39% to 26% of GDP, crippling higher-value sectors such as industrial equipment and electronics that are vital to future development.

One of the main justifications of these trade liberalisations was to integrate developing countries into the global economy so they might take advantage of global markets to create growth and jobs. But overall employment decreased in the examples above, even allowing for new jobs created in export industries.

In Mexico, 2.1 million agricultural jobs were lost as a direct result of the North American Free Trade Agreement (NAFTA) with Canada and the USA. Rural workers migrated to poor quality jobs in the labour-intensive maquila sector, where real wages dropped by over 20% on 1980 levels. Many of those jobs subsequently disappeared as companies relocated their factories to China. By 2005, over 1,000 maquila factories had closed their doors, throwing hundreds of thousands more Mexicans out of work.

BUSINESS RULES, OK?

Faced with the repeated collapse of the Doha Round of WTO negotiations, the European Union (EU) has also turned to bilateral trade agreements – where it is easier to bully its trading partners – in order to obtain increased market access for its companies. In 2006, the European Union adopted a new trade strategy entitled *Global Europe - competing in the world*. The Global Europe strategy is explicitly designed to meet the interests of European companies, forcing open new markets for their exports, securing unrestricted access to the natural resources of the developing world and eliminating local laws that stand in the way of corporate expansion. Global Europe is the official trade policy of each one of the EU's 27 member states.

The EU's own sustainability impact assessments show that the Global Europe strategy will cause further job losses. The proposed EU trade agreement with the Mediterranean region threatens 3.4 million manufacturing jobs, 1.5 million of them in Egypt alone. The proposed economic partnership agreement with West Africa could cause “*the collapse of much of the manufacturing sector*”, according to the assessment prepared for the EU by PricewaterhouseCoopers. In South America, an EU-MERCOSUR deal will threaten virtually all areas of manufacturing, including a predicted 66% drop in employment in Paraguay's motor vehicles sector.

On top of this, the EU is aiming to use its new generation of bilateral trade deals to open up new areas of emerging economies – despite the fact that this expansion of trade rules into new issue areas was explicitly rejected by developing countries at the WTO. The EU's Global Europe strategy includes plans to further deregulate foreign investment and financial markets, to open up public services to private sector companies, and to provide European corporations with access to lucrative government contracts in the developing world. This drive for deregulation and privatisation parallels the approach taken within the EU itself, where public services are being progressively undermined by the internal market taking the place of public good.

European workers' rights are also under threat. In addition to the job losses predicted as a result of further liberalisation within the EU, the Global Europe strategy seeks to lower EU labour standards that have been won over decades of trade union struggle. Recent judgements at the European Court of Justice have put corporate interests before established rights to industrial action and collective bargaining. The European Commission has itself taken Luxembourg to court for insisting that foreign workers have equal rights under its national labour laws.

Activists demonstrate outside the European Commission in Brussels, where EU trade policy is created



POSITIVE ALTERNATIVES

Even before the current crisis, grassroots social movements of all kinds, including many of War on Want's partners, had risen in resistance to the free market policies of the WTO, World Bank and IMF. Trade unions, farmers' groups, environmental activists, indigenous peoples, migrant workers, women's groups, young people and students have all taken part in the worldwide movement for economic justice in place of free trade.

War on Want is campaigning as part of this global movement for a new system to replace the failed free market ideology that has caused the current economic crisis. We believe that this new system must be based on principles of public benefit not private profit, achieved through democratic control and a redistribution of the fruits of globalisation. Trade, finance and capital must be made to serve productive social purposes, with investment in public services paid for out of progressive tax systems. Corporate control of trade policy must be replaced by transparency and accountability to the peoples of the EU and the wider world.

The current crisis provides a unique opportunity to achieve these fundamental changes. A new European Parliament was elected in 2009 and the EU is now embarking on a major review of its trade policy as part of the preparation of its post-2010 strategy.

“G20 leaders must ensure that there is no return to ‘business as usual’...the underlying causes [of the economic crisis] lie in fundamental economic and governance imbalances that are the direct result of three decades of neo-liberal economic policies... Now is the time to learn the lessons of this crisis and build a more sustainable and just future.”

**Global Unions Declaration,
September 2009**



War on Want is campaigning for radical change in European trade policy

War on Want is calling for the Global Europe strategy of free trade and competitiveness to be replaced with a strategy that prioritises development, human rights and environmental sustainability. We are also calling for an immediate end to the Doha Round of WTO trade negotiations, in order to protect working people from further unemployment and poverty.

We call on all readers to support our campaign in the following ways:

- ▶ join War on Want and take action at www.waronwant.org
- ▶ spread this message in your workplace and beyond; further copies of this briefing are available from Dave Tucker, Trade Campaign Officer, email dtucker@waronwant.org
- ▶ contact your representatives in the European Parliament, urging them to press for a radical revision of EU trade policy; you can find the contact details of your local MEPs at www.europarl.europa.eu

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