FIGHTING GLOBAL POVERTY

Trading Away Our Jobs

How free trade threatens employment around the world

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Methodological note

This report is based on studies and data relating to the nexus between trade policy and employment from a wide variety of sources, including ILO statistics, academic papers, economic journals and the sustainability impact assessments of the European Commission. Much of the data has not been collected together before in this way, and presents a uniquely broad-ranging comparison of the effects of free trade policies. Where possible, data has been disaggregated by gender in order to highlight the differing impacts of trade policies and job losses on women and men.

Preface

The right to decent work is a fundamental right and the only way to achieve long-term freedom from poverty. Yet many hundreds of millions of working women and men across the world have been denied the opportunity of decent work and secure employment as a result of the free trade policies which have been at the heart of globalisation over the past 30 years.

The current economic downturn threatens to deepen the crisis still further. The ILO estimates that over 50 million workers could lose their jobs and up to 200 million more people could be forced into extreme poverty as a result of the global recession. In this situation, it is more important than ever to ask what can be done to secure existing jobs and to create new employment opportunities.

This new report brings together, for the first time, both historical and projected data on the employment impacts of trade liberalisation. It analyses studies of past trade liberalisations in Africa and Latin America, as well as impact assessments for the current round of world trade talks and the new wave of bilateral EU trade deals. The report finds that trade agreements and policies which are designed to open up import markets have led to the collapse of entire industries and the loss of millions of jobs across the world.

War on Want has played a major role in the global movement for trade justice for many years. In active partnership with grassroots organisations, trade unions, farmers' groups and other networks, we have challenged the free trade agenda of multinational corporations and their government supporters, both at the WTO and in the bilateral negotiations being pursued by the EU.

This report forms part of War on Want's campaign for trade justice. The aim of the campaign is to expose the devastating impact of free trade agreements on jobs and workers' rights in order to challenge an international trading system which has failed the majority of the world's people. War on Want believes the time has come for a radically different system based on justice, equity and respect for workers' rights.

John Hilary

John Hilary
Executive Director, War on Want

Executive summary

The world is facing an economic crisis on a scale unseen since the Great Depression. Hundreds of millions of people stand to lose their jobs and their livelihoods as a result of the current recession, adding to the hundreds of millions who have already lost their livelihoods to the free market model of globalisation. Yet still politicians continue to proclaim their faith in the principles of free trade as the means to pull the global economy out of recession and create employment opportunities for the future.

This report examines the empirical evidence of the impact of free trade agreements on jobs. Using studies and statistics collated here for the first time, the report shows how past trade liberalisations caused huge job losses in both Africa and Latin America, the two continents that bore the brunt of early experiments in structural adjustment and other free trade policies. Findings from those experiments reveal a pattern of deindustrialisation, job losses and falling wages whose impact continues to be felt to this day, condemning whole generations to unemployment and poverty and stifling hopes for sustainable development.

In sub-Saharan Africa, trade liberalisation led to job losses across a wide range of countries, including Kenya, Malawi, Côte d'Ivoire, Zimbabwe and Morocco. Zambia saw unemployment double as the formal sector lost tens of thousands of jobs. Nor were these short-term losses: even today the vast majority of Zambian workers are forced to eke out a living in the informal economy, and 95% do not earn enough to lift themselves and their families above the $2 a day poverty threshold. Industrial employment in Ghana fell by 17% during the first eight years of trade liberalisation reforms, and by 22% for women.

Latin America experienced a similar loss of industrial and manufacturing jobs as a result of trade liberalisation. Unemployment in Latin America increased from 7.6 million to 18.1 million over the 1990s, almost entirely through the loss of existing jobs. Trade liberalisation in Brazil alone reduced net employment by 2.7 million jobs between 1990 and 1997. In Mexico, the trade liberalisations which saw the rise of the maquila sector brought huge job losses in the agricultural and manufacturing sectors, as well as a catastrophic decline in the value of wages. In real terms, the minimum wage dropped to just one fifth of its 1976 value by 2000.

Despite this evidence of the impact of previous trade liberalisations, some politicians are still calling for the swift conclusion of the Doha round of negotiations at the World Trade Organisation (WTO). Yet the International Trade Union Confederation (ITUC) has calculated that millions of jobs are at risk in developing countries as a result of the new trade liberalisation which the Doha round would require. Even the EU's own assessment predicts that a conclusion to the Doha round along the lines currently proposed will cause significant job losses across the agricultural, industrial and service sectors of the developing world.

Faced with the repeated collapse of the WTO negotiations, the EU has turned to bilateral trade negotiations in order to obtain increased market access for its companies. The EU's 'Global Europe' strategy, strongly supported by the UK government, aims for an even higher level of trade liberalisation and deregulation than has been proposed at the WTO. Here, too, the EU's own official impact assessments predict huge job losses as a consequence of its bilateral trade negotiations. The proposed creation of a Euro-Mediterranean Free Trade Area is predicted to cause the near collapse of the manufacturing sectors of Egypt, Morocco, Algeria and Tunisia and massive contractions in Syria, Jordan and Lebanon, with the loss of 3.4 million industrial jobs. Similar problems are forecast for the MERCOSUR countries, and also for China and India.

It is not only the EU's trading partners that stand to be affected by trade liberalisation. The EU's impact assessments have shown that trade liberalisation will cause "large-scale redundancies" in the EU itself, as well as a decline in employment terms and conditions. In order to offset these negative impacts, the EU has set up a globalisation adjustment fund to compensate workers who lose their jobs to trade liberalisation. This type of social safety net looks set to become increasingly important in developed countries, where at least 42 million people are predicted to be out of work by 2010.

Free trade is no answer to the current economic crisis. At a time when unemployment levels are already rising sharply as a result of the global recession, further trade liberalisation will only exacerbate the threat to jobs. The free market approach undermines the possibility of decent work and of achieving sustainable development. War on Want believes that states must retain the policy space and levers of control in order to govern markets, manage international trade and provide decent work for all.

1. The free trade threat to jobs

After 30 years of free market fundamentalism, the global economy is entering its deepest crisis since the Great Depression of the 1930s. The dominant ideology among the power brokers that have shaped globalisation has suffered a series of devastating blows, culminating in a global recession which is predicted to defy fiscal stimulus packages and condemn hundreds of millions more people to extreme poverty. Despite this, politicians continue to proclaim their faith in the principles of free trade as the means to pull the global economy out of recession and create employment opportunities for the future.

This report examines the empirical evidence of the impact of free trade agreements on jobs. All sides in the debate agree that employment is critical for people trying to escape from poverty, yet the goal of achieving meaningful work for all is still a long way off. Over 190 million people worldwide are registered as fully unemployed, but this figure fails to hint at the true extent of the problem facing those trying to work their way out of poverty. Low-paying jobs leave 1.2 billion workers – four in 10 of the world's total – below the $2 a day poverty line, while in sub-Saharan Africa and South Asia 80% of all workers fall into this category of the 'working poor'.[1]

In addition, over half of all workers are currently in vulnerable employment, excluded from the possibility of security through waged or salaried jobs. The risk remains especially high for women in the poorest regions of the world: roughly 85% of all women workers in sub-Saharan Africa and South Asia are in vulnerable employment. Youth unemployment is another particular problem, with 76 million young people now registered as unemployed.[2]

Free market economists have commonly argued that liberalising (opening up) economies and removing barriers to the free flow of goods and services is the key to achieving economic growth, and that this in turn is a prerequisite for attempts to tackle poverty and to create jobs. Yet 30 years of this liberalisation have failed to create enough employment, nor even the growth

Workers in Latin America are among the millions worldwide who have been put out of work by trade liberalisation
Picture: Mark Henley/Panos Pictures

that was promised. For most of the world, economic growth was much slower in the 1980s and 1990s, when the pace of globalisation quickened, than in the 1960s and 1970s.[3]

Moreover, much economic growth has been 'jobless growth'. Between 1997 and 2007, while world output increased by 4.2% per year, world employment increased by only 1.6% per year, despite high unemployment levels.[4] So while the global economy may have grown overall, the gains from that growth have been highly concentrated. The number of people unemployed and the number in unstable, insecure jobs has actually increased – from 141 million to 190 million (1993 to 2007) and from 1,338 million to 1,485 million (1997 to 2007) respectively.[5] Workers in the manufacturing sectors of developing countries in particular have seen their wages fall, their jobs disappear and their unions suppressed in the global race to the bottom.

The current crisis is set to exacerbate this trend even further. The International Labour Organisation (ILO) has estimated that a further 200 million workers could fall into extreme poverty as a result of the global recession, almost half of them in south Asia. The number of women out of work could rise by 30% over 2007 levels, according to the ILO, compounding the fact that women are already more likely to have lower earnings and less social protection and are therefore in a weaker position to weather crises.

The Organisation for Economic Development and Cooperation (OECD) has predicted an increase of eight million unemployed in the world's rich countries, raising the jobless total within the OECD to 42 million by 2010. Even this may be an underestimate, given that over 1.5 million jobs were lost in the USA alone during the last three months of 2008.[6]

In the light of empirical evidence now emerging as to the long-term effects of trade liberalisation, even staunch defenders of free trade are having to acknowledge its negative impact on employment. World Bank economists have admitted that "during periods of trade liberalization... job destruction rates can be expected to proceed at a much faster pace than job creation. Globalization could therefore be associated with higher unemployment rates."[7]

This report does not dwell on the successful development experience of the 'Asian tigers', given that they deliberately eschewed orthodox neoliberal liberalisation strategies. Japan, the Republic of Korea, Taiwan, China, India and Vietnam all used 'infant industry' protection policies, following the historical example of almost all industrialised countries from 18th century Britain onwards. The Japanese and Korean auto and Korean steel industries emerged following import protection; China's economic take-off occurred behind average tariffs of 30%; while Vietnam used high tariffs, import quotas, import monopolies and state trading. East Asian trade success has been based on infant industry protection and export promotion, including export subsidies, rather than the liberalisation of import regimes.[8]

This report examines instead how past trade liberalisations in Africa and Latin America have led to massive job losses and deindustrialisation. It also examines the impact assessments of current trade negotiations that would extend the ideology of free trade even further, undermining workers' rights and job security within Europe as well as the rest of the world. The report finds a clear pattern in the data: both historical experience and official projections show that trade liberalisation and massive job losses go hand in hand.

2. Trade liberalisations in Africa

African countries were exposed to the most extreme experiments in structural adjustment from the 1980s onwards. Caught between enormous debts and dependency on aid from the developed world, they were forced to submit to policy prescriptions imposed on them by international financial institutions like the IMF and World Bank, including sweeping trade liberalisation. Billed as short, sharp 'shock therapy', these policies have left a legacy of poverty and unemployment to this day, as the jobs that were supposed to follow liberalisation have not materialised.[9]

With formal employment in short supply and little support from government, many millions of people are forced to take any job they can to make ends meet. Over 80% of working people in sub-Saharan Africa do not earn enough to lift themselves and their families above the $2 a day poverty threshold, and more than half of all African workers live in desperate poverty on less than $1.25 a day.[10]

There are also more working poor in Africa than a decade ago: despite positive economic growth in the continent, there are now 50 million more workers earning less than $2 a day than in 1997. The vast majority of these women and men work in the informal economy and are underemployed. A full 77.4% of workers in sub-Saharan Africa are in positions of vulnerable employment, with only one in four in waged and salaried employment. Women are particularly at risk: around 85% of all women workers in sub-Saharan Africa are in vulnerable employment, and many more are trapped as unpaid family workers with no income at all.[11]

All this is a far cry from the euphoria and promises following the wave of independence across Africa in the 1950s and 1960s. Although progress was made early on in improving the employment opportunities of African citizens, many countries were quickly drawn into Cold War political struggles that left them with enormous debts and a legacy of repression that crippled development efforts. The structural adjustment programmes, including trade liberalisation, that many African countries were forced to adopt as a condition of loans from the IMF and World Bank plunged the continent even deeper into economic misery.

While GDP per capita had increased before 1980 in Africa – by an average of 2.0% per year from 1950 to 1973 and 1.2% per year from 1973 to 1980 – over the two decades following the imposition of structural adjustment programmes, it decreased by 0.1% per year for the continent as a whole. Three quarters of the countries in sub-Saharan Africa that underwent economic restructuring experienced declining per capita incomes in the 1980s.[12]

Data on employment in Africa in the 1980s is limited, but paints a bleak picture. Growth in formal sector employment slowed massively – from 2.8% per year from 1975 to 1980 to 1% per year in the 1980s – and actually declined in some countries.[13] Formal employment levels fell significantly in Côte d'Ivoire, Gambia, Niger, Swaziland and Zambia, while in Malawi, Mauritius, the Seychelles and Zimbabwe the increase was much less than the growth in the labour force.[14] Opportunities for women and young people in most African labour markets were particularly limited, leaving women more likely than men to be in vulnerable employment, and young people more likely than adults to be unemployed.

2.1 Trade liberalisation and the manufacturing sector in Africa

In the manufacturing sector, employment decreased by 0.5% per year from 1981 to 1990 and real wages fell sharply throughout the 1980s. The share of manufacturing in the economy stagnated or declined in 18 of the 24 countries that underwent adjustment between 1982 and 1988.[15] Limited job opportunities in the formal sector increased unemployment and underemployment rates, and forced huge numbers into the informal sector. According to the ILO's analysis of the African experience in the 1980s, "the general trend towards a growing prevalence of unemployment in the region is undeniable", with increases in urban unemployment rates during the 1980s in Zimbabwe, Nigeria, Madagascar, Mauritius, Liberia, Côte d'Ivoire, Senegal, Kenya, Togo, Niger and the Seychelles.[16]

The number of unemployed and vulnerable workers was swollen still further as people migrated from rural areas to find (non-existent) work in the cities. Many of these people were also driven from their lands by the effects of structural adjustment, which stipulated the removal of guaranteed minimum prices, marketing boards and government extension services that supported farmers. Combined with the opening up of international markets that pay wildly variable prices based on factors well beyond the reach of farmers in developing countries, these reforms made it extremely difficult to earn a living from farming. As well as fuelling poverty and the growth of slums, liberalisation has led to downward pressure on labour standards as desperate people are forced to accept any type of available work.

In many African countries, rapid and across-the-board trade liberalisation led to a pattern of deindustrialisation and huge job losses in the 1980s and 1990s.[17] There were catastrophic effects in Kenya, Malawi, Côte d'Ivoire, Morocco, Zambia, Ghana and Zimbabwe, to name but a few. In Kenya, full-scale trade liberalisation in 1993 caused job losses in textiles, wearing apparel, leather goods, furniture, electrical machinery and transport equipment, and a fall in total manufacturing employment.[18] Overall, manufacturing employment grew much faster in the 1970s, a decade of import-substituting industrialisation and significant government intervention in economic management, than in the 1980s and 1990s, the two 'lost decades' of IMF and World Bank structural adjustment programmes and trade liberalisation.[19]

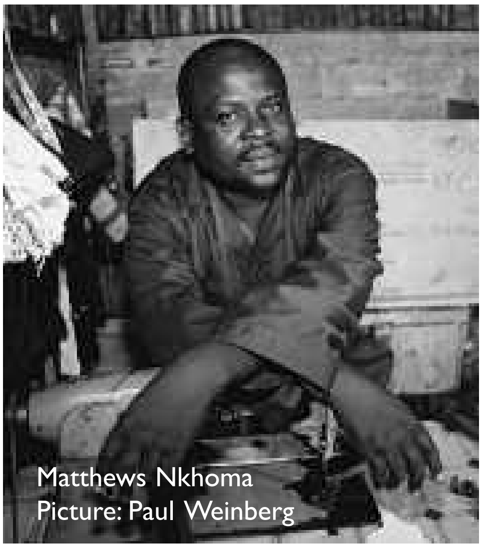
In Malawi, manufacturing production and employment actually increased for two years after the introduction of trade liberalisation in 1988. Thereafter, however, employment remained constant but production and real wages collapsed, the latter falling by 73% between 1990 and 1995.[20] The textiles, garments, soaps, detergents, oils and poultry sectors all contracted as a result of competition from foreign imports.[21] Deindustrialisation continued as manufacturing production slumped from a peak of over 20% of GDP in the early 1990s to just 10.7% in 2004.[22]

In Côte d'Ivoire, total employment in modern manufacturing increased during the investment boom of the second half of the 1970s from 54,182 to 89,206 people, but then decreased after the 1981 introduction of structural adjustment programmes to 78,932 in 1987. Sectors that saw their tariffs reduced after 1985 (e.g. food processing, textiles and garments) suffered declines in their share of total employment, while those that increased tariffs (e.g. wood processing and construction materials) increased their share.[23]

In Morocco, broad-based trade liberalisation initiated in 1983 caused a reduction in employment of nearly 6% in export-oriented firms, 8.9% in the beverages and tobacco sector, 4.3%

In Africa there are more working poor than a decade ago, and levels of unemployment are steadily increasing
Picture: Paul Weinberg/War on Want

Alliance for Zambia Informal Economy Associations (AZIEA)


Matthews Nkhoma
Picture: Paul Weinberg

In Zambia, War on Want works in partnership with AZIEA, a network set up to fight for the rights of workers in the informal economy such as market and street vendors. Many of these people, often skilled and educated, lost their jobs as a result of the trade liberalisation programmes of the 1980s and 1990s and have been forced to survive on the streets. Despite the fact that over 70% of Zambians work in the informal economy, they are subject to regular harassment from the authorities for not having the correct permits.

AZIEA provides training in legal, business and leadership skills, promotes the voice of street vendors in national policy making and development schemes, and builds links to trade unions in order to exchange experience and gain broader recognition among the labour movement. In 2004, AZIEA was welcomed into the Zambia Congress of Trade Unions as an associate member – an important recognition of the role played by informal economy associations in the struggle for workers' rights.[24]

"We are facing a very big challenge with the so-called 'investors'. Instead of bringing raw materials that could be inputs for our own manufacturing industries, they bring finished goods which they sell at a cheaper price. As tailors in the market, we cannot compete with the cheap clothes that they provide. Our machinery is not adequate and it makes our clothes look poorly finished by comparison. We have really lost out because of foreign investors."
Matthews Nkhoma, street tailor in Lubarma market, Lusaka, and chairman of the Lubarma Special Tailors' Association, an AZIEA affiliate

in the clothing sector and 2.9% in the textiles sector (a sector that employed 21% of the manufacturing labour force in 1985). The parastatal sector acted as a social safety net, employing workers displaced from other sectors. However, while employment in this sector increased, wages decreased.[25] Even this strategy proved impossible to follow in many African countries, as the public sector too came under attack from structural adjustment policies and governments were told to cut overheads and lay off large numbers of workers. Below, the experiences of Zambia, Ghana and Zimbabwe are examined in more detail.

2.2 Zambia

A first period of trade liberalisation began in the mid 1980s. The maximum tariff was reduced to 100% and most quotas on imports were removed. However, the process was halted after just two years when the social costs led to protests and unrest. A second period of trade liberalisation started in the early 1990s, and within five years the maximum tariff was slashed from 100% to just 25%.

Both periods of trade liberalisation resulted in major job losses. In five years following the first reforms, private sector employment fell by over a quarter (a net loss of over 62,000 jobs) and unemployment almost doubled from 354,000 to 695,000.[26] By 1991, more than one fifth of the labour force was fully unemployed.[27] Those who still had jobs suffered reductions in their real earnings. Average earnings in the formal sector dropped by 14% in the five years following trade liberalisation, and male earnings in the private sector fell by more than 20%.[28]

The second period of trade liberalisation was no less destructive. Formal employment fell by nearly a quarter in the 12 years following the reforms – a net loss of over 127,000 jobs.[29] Manufacturing was particularly devastated, as formal employment in the sector fell by almost a half from 75,400 to around 39,000.[30]

The formal sector thus became increasingly marginal, providing jobs for less than one in six of the labour force at the start of the reform period but for only half that number 12 years later.[31] Workers were pushed into the informal sector. The current situation, over 20 years since the start of trade liberalisation, remains bleak, with over 12% of workers completely unemployed. Those that do find work rarely find decent work: an estimated four in five workers are in the informal economy. Most shockingly, 95% of workers still do not earn enough to lift themselves and their families above the $2 a day poverty threshold, and 76% live on less than $1 a day.[32]

2.3 Ghana

Trade liberalisation in Ghana was initiated in 1983 and accelerated in 1986. The Ghanaian economy was immediately exposed to heavy competition from imports, and several domestic industries were devastated. Many of these were sectors that play a key role in the first stage of industrial development. For example, in the garments sector, the rapid influx of cheap and relatively high quality new clothes from Asia (and even cheaper donated clothing from developed countries) wiped out any local producer that was in direct competition.[33] In addition, production in the paper and printing, electrical machinery and iron and steel products sectors collapsed from 1986 to 1990. In particular, production fell by 24% in paper and printing, 49% in electrical machinery, and a massive 87% in iron and steel products. There is also evidence that the transport equipment sector was badly hit by import liberalisation.

With governments forbidden to intervene in the economy to protect and support key sectors, few industries were able to improve their technological performance and raise their international competitiveness sufficiently. Many closed down or quickly found themselves in serious trouble. Overall, manufacturing decreased from 11.5% of GDP to 9.2% between 1985 and 1990. Consequently, trade liberalisation had large and long-term negative effects on industrial employment. Over an eight-year period from the start of trade reforms, from 1984 to 1992, industrial employment dropped by 17% – a net loss of 115,000 jobs. Female employment dropped by 22%.[34]

2.4 Zimbabwe

Zimbabwe embarked on a process of trade liberalisation in 1990. Within four years foreign exchange controls were virtually abolished, import quotas were eliminated and the average tariff was reduced from 20% to 16%.[35]

Manufacturing production, employment and wages all declined rapidly as the business environment changed for companies competing with the new imports. The influx of imported final goods made many domestically oriented firms unprofitable. Industrial production was also hit by a severe drought in 1992, a sharp increase in interest rates and the cost of working capital associated with liberalisation of the financial sector (another part of the structural adjustment programme) and a large fall in real wages. The result was that an increase in manufacturing output of 39%, in the decade prior to reforms, turned into a contraction of 14% in the first three years after reforms. Together with the drought, liberalisation caused an 8% drop in the production of importable goods (principally manufactured goods), of which liberalisation alone was responsible for 5%.[36]

Workers suffered too, as annual employment growth slowed from 2.4% in the five years prior to reforms to 1.3% in the five years after reforms. Real earnings had increased by 1.2% per year in the five years prior to reforms but decreased by 9.9% per year in the five years after reforms. In manufacturing, employment fell by 11% in the six years after trade liberalisation. Wages in this sector fared even worse, falling by 29% in real terms. As formal sector employment contracted, lower paying and less secure informal sector jobs (e.g. part-time employment and market trading) increased. In the decade after reforms, more than 60% of all workers ended up in the informal sector.[37]

3. Trade liberalisations in Latin America

Neoliberal policies were first introduced in Latin America in the 1970s by military dictators, in the first instance by the US-backed Pinochet regime, following attacks on trade unions, urban civic associations and peasant organisations.[38] Subsequent debt crises in the early 1980s, generated by the indiscriminate pushing of loans by multinational banks onto developing countries as well as by a sudden increase in interest rates fuelled by large US budget deficits, forced countries to negotiate the conditions of their submission to the IMF and US banks. These conditions included the adoption of neoliberal economic policies – in particular, policies to reduce real wages, facilitating the exploitation of Latin American labour by local and international capital.[39]

Another wave of neoliberal reforms followed in the late 1980s and early 1990s – in Argentina, Peru, Brazil and Bolivia, for example – leading to mass popular revolts, social mobilisations, general strikes, land occupations and regional unrest. Most countries of the region reduced their tariffs and pursued free trade agreements and common markets with each other and/or with industrialised countries.[40] Perhaps the most notorious of these was the North American Free Trade Agreement (NAFTA), signed in 1993 between the USA, Canada and Mexico and described by one Mexican academic as part of a US strategy of "imperialist domination controlled by financial capital and the large US multinational corporations".[41]

Subsequently, the USA has signed further regional and bilateral trade agreements modelled on NAFTA with the Dominican Republic and Central America (DR-CAFTA), Chile, Colombia, Panama and Peru. It also continues to press for a Free Trade Area of the Americas (FTAA), a hemispheric agreement which would include all countries in the region except Cuba.

Nonetheless, neoliberal globalisation continues to be resisted. In addition to the ascendance of politically left parties across the region, social movements continue to challenge the neoliberal paradigm with increasing strength. These movements include the Landless Workers' Movement (MST) in Brazil, the Confederation of Indigenous Nationalities of Ecuador (CONAIE), the Zapatista movement in Mexico, the *cocaleros* and activists against water privatisation and gas pipeline investments

A copper smelting plant in Peru, one of the countries which has signed a bilateral trade agreement with the USA
Picture: Fernando Moleres/Panos Pictures

in Bolivia, Afro-Colombians resisting displacement caused by foreign investors and the *piquetero* eruptions of workers and the urban poor in the wake of Argentina's financial crisis.[42] They have been joined by significant pressure from national and regional trade union bodies, including the Trade Union Confederation of the Americas, as well as broad networks such as the Hemispheric Social Alliance.

3.1 Liberalisation and its impact on workers in Latin America

Trade liberalisation and other neoliberal reforms in Latin America have fallen far short of their promises and in most cases have been anti-developmental, deepening problems of poverty and unemployment. Analysis of the impact of trade liberalisation in 18 countries of Latin America and the Caribbean from 1970 to 1996 reveals the negative effects of tariff cuts on both overall and manufacturing employment.[43] For example, the cut in average tariffs from 32% in 1980-85 to 14% in 1991-95 caused a reduction in manufacturing employment of up to 5.8% across Latin America.[44]

During two decades of freer international trade and increased exposure to international capital, overall unemployment rates in the region increased.[45] In the 1990s, unemployment in Latin America increased from 7.6 million to 18.1 million, from 4.6% to 8.6% of the labour force, with almost all this increase related to the loss of existing jobs. Unemployment climbed throughout the decade in Argentina, Brazil and Colombia, and an upward trend was also observed in Bolivia, Chile, Ecuador, Paraguay, Uruguay and Venezuela.[46]

In addition, trade liberalisation led to sharp increases in income inequality. Trade liberalisation or devaluation resulted in higher wage inequality in Argentina, Chile, Costa Rica, Colombia, Mexico and Uruguay, except in the second liberalisation episode in Argentina, when wage inequality was stable but high.[47] In Latin America as a whole, according to one study, "the regional record as it now stands suggests that the 'normal' outcome is a sharp deterioration in income distribution, with no clear evidence that this shift is temporary in character".[48] The same author found that no example "of an outward-oriented Latin American country achieving an improvement in distribution through the combination of market outcomes and its own redistributive efforts has yet been identified".[49] As well as increased inequality, trade liberalisation was accompanied by deindustrialisation in Chile, Brazil, Argentina, Colombia, Venezuela, Uruguay, Jamaica, Guatemala, Peru, Panama, Paraguay, Barbados and Haiti.[50]

The imposition of IMF programmes in the region has been equally catastrophic. The design of IMF programmes hit workers especially hard, with nominal wage restraints combined with the inflationary effects of currency devaluation and the removal of price controls and other consumer subsidies, plus cuts in basic social services. Unsurprisingly then, analysis of the effects of IMF programmes in 18 Latin American countries in the period 1965-81 reveals a strong and consistently negative impact of the programmes on labour's share of national income.[51]

Nor are these effects consigned to the past. Persistently high unemployment and income inequality continue to be legacies of trade liberalisation and neoliberal reforms in Latin America. Between 1997 and 2002, the number of people in vulnerable employment grew by more than 4% each year, and although the rate of growth has slowed since then, a third of all workers are still in precarious job situations.[52] Women have been particularly exposed to vulnerable employment since "many of the jobs created in the service sector are insecure and probably yielding low wages with inferior working conditions".[53] The rest of this section examines the effects of trade liberalisation in Chile, Brazil and Mexico, including the effects of NAFTA.

3.2 Chile

Trade liberalisation from 1974 to 1979, which virtually eliminated non-tariff barriers and slashed tariffs from 105% to 10%, caused massive industrial job losses in Chile.[54] Table 1 shows the estimated short-term effect of tariff cuts on employment between 1975 and 1977 in six sectors facing competition from imports. In food, beverages, tobacco, textiles and leather products, tariff cuts caused the net loss of up to 57,000 jobs. In metallic and metallurgical industries, the net loss was up to 32,000 jobs. In total, these tariff cuts led to job cuts of up to 129,000, or a massive 27% of total employment in these sectors.[55] Workers in sectors with larger tariff cuts were also more likely to become unemployed and to be unemployed for longer.[56]

These adverse effects persisted well after the initial reforms, as industrial employment collapsed by 23-24% over just seven years. This was equivalent to a labour market contraction of 3.7-3.9% per year, in stark contrast to the increase of 2.9% per year which had been achieved in the 1960s. More fundamentally,

Table 1: Impact of trade liberalisation on employment in Chile, 1975-77

	Employment in 1975	Estimated short-term employment effect of tariff reduction
Food, beverages, tobacco, textiles and leather products	191,000	-57,000
Timber products, furniture and paper products	56,000	-15,000
Non-metallic mineral products	54,000	-13,000
Basic metallic industries	24,000	-3,000
Chemicals and products derived from oil, coal and rubber	39,000	-9,000
Metallic and metallurgical industries	109,000	-32,000
Total	473,000	-129,000

Source: S Edwards, *Trade Liberalization, Minimum Wages and Employment in the Short Run: Some Reflections based on the Chilean Experience,* UCLA Department of Economics, Los Angeles, 1982

trade liberalisation was associated with long-term deindustrialisation, with industrial employment dropping from 19.4% to 14.2% of total employment over the 11 years after reforms, and the industrial sector's share of GDP falling from 25.1% to 20.6% between 1974 and 1990.[57] A pattern of high overall unemployment also characterised the whole period, averaging 14.5% from 1974 to 1989. By comparison, it had been 6.1% from 1965 to 1970, and fell to 4.6% under the pro-labour Allende administration (1971-73).[58]

3.3 Brazil

Brazil started to open up its markets in 1990, including removing non-tariff barriers, reducing tariffs and creating the MERCOSUR customs union with Argentina, Paraguay and Uruguay in January 1995. Deterioration in the trade balance during 1995 and political pressure from sectors hurt by trade liberalisation led to a minor reversal of reforms before the liberalisation was stepped up again in the late 1990s.[59]

These reforms reduced net overall employment by 4.3%, or roughly 2.7 million jobs, between 1990 and 1997.[60] The inevitable consequence was a sharp rise in unemployment: the number of unemployed exploded from 2.3 million to 7.4 million through the 1990s, and the unemployment rate increased from 3.7% to 9.6%. For women, the chances of unemployment increased three and a half fold, while for men they more than doubled.[61] By contrast, in the decade before the trade reforms, the unemployment rate had dropped from 4.3% to 3.7%.

These reforms reduced net overall employment by 4.3%, or roughly 2.7 million jobs

Once again, liberalisation was associated with deindustrialisation in Brazil. Over the 1990s, the industrial sector collapsed from 39% to 26% of the country's GDP and employment was slashed by 7.3% in labour-intensive manufacturing and 15.7% in capital-intensive manufacturing.[62] It is notable that some of the heaviest impacts were in the higher value manufacturing sectors, which are vital to creating a sustainable and dynamic economy. For example, there was a drop in net employment of 23.5% in the automobiles, trucks and buses sector, 30.3% in industrial equipment and machinery, and a massive 40.8% in electronics (see table 2).

The total number of manufacturing jobs fell by 1.1 million, from 9.4 million in 1990 to 8.3 million in 1999. During the 1980s, employment in the manufacturing sector had increased by 2.6 million. In addition, real wages collapsed, falling by a third from 1994 to 2000, with noticeably larger cuts for men than women.[63]

Table 2: Impact of trade liberalisation on manufacturing employment in Brazil, 1990-97

	Change in employment (%)
Capital-intensive industries	
Electronics	-40.8
Industrial equipment & machinery	-30.3
Autos, trucks and buses	-23.5
Motor and vehicle parts	-15.4
Electric power equipment	-14.9
Textiles	-12.7
Plastics	-12.0
Petroleum	-11.7
Non-ferrous metals	-8.5
Pharmaceuticals	-7.9
Miscellaneous chemical products	-7.9
Rubber	-7.9
Steel	-7.2
Non-metal minerals	-2.1
Labour-intensive industries	
Clothing	-11.1
Miscellaneous metal products	-6.8
Paper	-1.8
Miscellaneous products	-1.5
Wood and furniture	2.1
Footwear	12.1

Source: M. Mesquita Moreira and S. Najberg, 'Trade Liberalisation in Brazil: Creating or Exporting Jobs?', *Journal of Development Studies* (2000)

3.4 Mexico

Mexico is a key example of the employment effects of trade liberalisation, having long been one of the keenest adherents to neoliberal ideology in the region. It followed a radical programme of trade liberalisation between 1985 and 1988, eliminating import licences in all but a few strategic sectors and reducing tariff rates on most products substantially. For example, in manufacturing, the maximum tariff fell from 100% to 20% and the average tariff fell from 23.5% to 11% between 1985 and 1988.[64]

The North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico intensified this process. Coming into effect in January 1994, NAFTA eliminated nearly all tariffs between the countries within 10 years.[65] Not only was the agreement based on full market access (despite a few concessions to Mexico's sensitive sectors), but Mexico also had to make bigger tariff cuts than the USA or Canada because it had higher tariffs initially. Many of the benefits Mexico could have gained from preferential access to the US market were eroded by tight 'rules of origin' that governed what could be labelled 'made in Mexico'.

On the other hand, NAFTA did not impose any restrictions on the use of agricultural subsidies. These are still used extensively by the USA, accounting for 37% by value of total agricultural output and wildly distorting relations with its trading partners. On top of this, the liberalisation of trade in services and new regulations aimed at 'deeper integration' in investment, intellectual property rights, government procurement and competition policy created the real possibility that the management of essential services would put profit before need, and left little room to use industrial policy as an instrument for development.

Real wages fell throughout the 1985-88 trade liberalisation period. According to the World Bank, an average tariff reduction of 20 percentage points reduced real wages by 5-6% on average, and by much more in the most affected industries.[66] Moreover, while wage inequality had been falling in the decades before 1985, following trade liberalisation it increased dramatically.[67]

The share of wages and salaries in Mexican GDP has also halved since 1976. Although neoliberal reforms were introduced properly in 1982, the scrapping of the traditional redistributive policies of the Partido Revolucionario Institucional (PRI) started as early as 1976.[68] Within just two presidential terms and one financial crisis (all during the period 1976-88) the share of wages and salaries in GDP fell from 40% to 26%. By 2000, its share was just 19.4%. This is reflected in the fact that while wages and productivity grew at a similar pace from 1950 to 1976, average wages stagnated between 1976 and 2000 as productivity increased by about 80%. This was "a clear case of a shift towards a 'winner (capital) takes all' new pattern of distribution".[69]

Measured over time, liberalisation had a clear impact on employment and wage growth. Growth in employment rates slumped from almost 5% per year in the pre-liberalisation period (1970-81) to under 1% per year afterwards (1981-2000). Wage growth was 3-4% per year in the pre-trade liberalisation period, but actually *negative* afterwards.[70] Essentially, real wages have fallen for many Mexicans since NAFTA.[71]

Much of the trade liberalisation agenda in Mexico hinged on the promise of new jobs coming from the USA. Although this did indeed see the birth of the assembly-style maquila sector, which imports raw materials and produces processed goods such as electronics and clothes for export, the jobs that were created were offset by vast job losses for agricultural workers. Employment in agriculture fell from 8.1 million in the early 1990s to around 6 million in the first quarter of 2006 – a loss of 2.1 million jobs. According to Sandra Polaski, former Special Representative for International Labor Affairs in the Clinton and George W Bush administrations, "agricultural trade liberalization linked to NAFTA is the single most significant factor in the loss of agricultural jobs in Mexico".[72] This is even more significant as, in common with the experience of trade liberalisation in Africa, it was not a process of industrialisation so much as fuelling slums and demand for cheap labour.

Moreover, many jobs in the labour-intensive maquila sector are based on notoriously bad conditions, low pay and labour rights violations. While employment in the sector increased rapidly between 1982 and 2000, real wages dropped by over 20%. Even more strikingly, these jobs were insecure and have rapidly vanished due to a substantial relocation of maquila firms to China since 2001, as a result of China joining the WTO and no longer facing key export quotas, the slowdown in the US economy and the ending of some of Mexico's trade preferences. In just 12 months from June 2001, a total of 545 maquila firms (one in seven) left Mexico. By the beginning of 2005, 1,000 firms had left.

In eight months from June 2001 to February 2002, 63,000 workers lost their jobs in the electric and electronic sector and another 53,000 lost their jobs in textiles, 9,000 in electrical machinery and 3,000 in sport articles and toys. In total, 160,000 maquila workers (one in eight) were laid off over this period so that, by the end of 2003, 300,000 people had lost their jobs.[73]

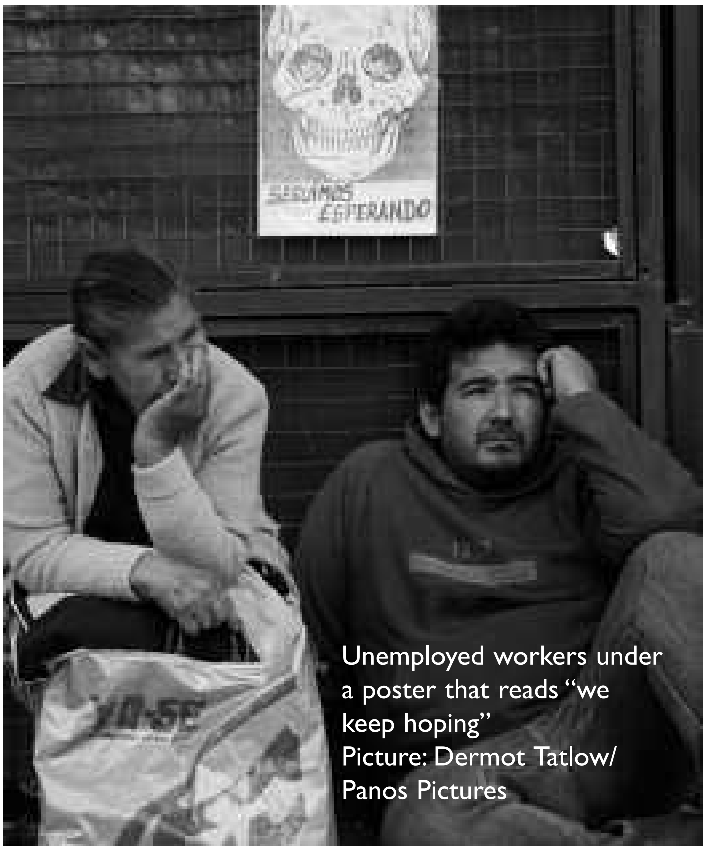
The rest of the manufacturing sector fared even worse. In non-maquila manufacturing, both employment and wages have fallen. Employment growth collapsed from nearly 4% per year pre-liberalisation to a loss of 1% per year from 1981-2000, with 140,000 job losses between January 1994 and June 2006. Nominal wage growth dropped from 2.4% per year to just 0.1% per year. In real terms, the average wage for blue-collar workers halved in value between 1981 and 1999. The minimum wage totally collapsed in real terms after liberalisation, dropping to just one fifth of its 1976 value by 2000.[74]

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

4. The Doha round of the WTO

Government ministers from the member states of the World Trade Organisation (WTO) held their biennial conference in the Qatari capital of Doha in November 2001. The ministerial conference took place in an atmosphere of high tension following the US-led invasion of Afghanistan, with razor wire and a visible military presence around the summit venue. After days and nights of intense meetings in which developing country representatives were subjected to extreme pressure by US and EU negotiators, ministers agreed to embark on a new set of multilateral trade negotiations: the Doha round.[75]

Trade ministers from developing countries wished the Doha round to address two key issues: the agricultural subsidy regimes of the EU and USA, and the unwanted consequences of agreements signed during the Uruguay round of multilateral trade negotiations (1986-94), which had opened up key sectors of their economies to foreign competition while at the same time restricting states' ability to intervene in support of industrial, agricultural or other public policies. In order to offset the widespread suspicion that negotiations would favour the corporate interests of the rich North just as the Uruguay round had, the WTO dubbed the new round the 'Doha Development Agenda'.



Unemployed workers under a poster that reads "we keep hoping"
Picture: Dermot Tatlow/ Panos Pictures

Despite this, the WTO quickly reverted to type and substituted a familiar 'market access' agenda in place of the new approach promised, and few commentators now pretend there is any development content left in the round. Negotiations have repeatedly collapsed as a result of continued pressure on developing countries to open up their industrial, agricultural and services markets to penetration by multinational corporations, while the EU and USA have been able to maintain farm subsidy levels effectively untouched.

The threat posed by the Doha round to employment has been highlighted by civil society organisations from early in the negotiations. In a joint statement entitled 'Stop the WTO negotiations! Save jobs!' published prior to the WTO's 2005 ministerial conference in Hong Kong, over 140 trade unions, global union federations, NGOs and campaigns groups from around the world pointed to the massive loss of jobs which had already resulted from WTO agreements on trade and investment, and called for a halt to the Doha round.[76]

4.1 ITUC calculations of job losses

Since then, further studies have revealed the potential level of job losses which would result from the Doha round. The International Trade Union Confederation (ITUC) has calculated that millions of workers in the industrial and manufacturing sectors are at risk of losing their jobs under the WTO proposals. In just nine developing countries (Argentina, Brazil, Colombia, Costa Rica, Indonesia, Mexico, Philippines, Tunisia and Uruguay) there are more than 7.5 million workers formally employed in industrial sectors facing large cuts in both bound and applied tariffs (see table 3). In Mexico 3.6 million jobs are at risk, 2.2 million in Brazil, with another 54,000 jobs under threat in Costa Rica.[77]

The scale of the job losses that would be caused by the conclusion of the Doha round was such that, prior to the collapse of talks in July 2008, national trade union federations in South Africa, Brazil, Argentina, Mexico, Costa Rica, Philippines and India issued a statement condemning the "massive job losses for workers in developing countries" that would result from the WTO's non-agricultural market access negotiations, and declaring: "we express our strong outrage at the extreme and anti-development demands made by the developed countries, and strongly urge our governments to reject the text as completely unacceptable as the basis for negotiation".[78]

Table 3: Formal employment in industrial sectors facing tariff cuts in nine developing countries

Mexico	3,562,800
Brazil	2,218,066
Indonesia	893,491
Argentina	325,136
Tunisia	188,518
Colombia	172,324
Philippines	39,000
Uruguay	58,200
Costa Rica	54,387

Note: The number of workers in formal employment in industrial sectors facing cuts in both bound and applied tariffs based on a Swiss formula with a coefficient of 30; source: *NAMA Tariff Simulations for Labour Intensive Non-Agricultural Sectors*, ITUC, 2006

In the five Latin American countries of Argentina, Brazil, Colombia, Mexico and Uruguay, the majority of jobs at risk are in textiles and apparel, leather and footwear, automobiles and furniture (see table 4). Mexico, in particular, faces cuts in bound and applied tariffs of 54% in the textiles/apparel and leather/footwear sectors, placing 1.2 million jobs at risk. Another 1.5 million jobs are under threat in these sectors in Argentina, Brazil, Colombia and Uruguay, from applied tariff cuts of 7-22%. A further 715,800 jobs could be lost in the furniture sector if applied tariffs are reduced by 5-13%. In the Brazilian automobiles sector, 321,000 jobs are at risk under proposed applied tariffs cuts of 21%.

4.2 EU impact assessment

These findings are echoed in a sustainability impact assessment (SIA) commissioned by the European Commission, which also predicts that the Doha round will cause significant job losses across the agricultural, industrial and service sectors of the developing world. Even South Africa – touted as one of the 'winners' of globalisation – is predicted to suffer a large number of job losses in textiles, leather and footwear, wood and paper products, petroleum, coal and mineral products, and chemical, rubber and plastic products.[79]

Free Trade Zone & General Services Employees Union (FTZ-GSEU)


Anton Marcus
Picture: FTZ-GSEU

War on Want works with the FTZ-GSEU in Sri Lanka, a trade union which has over 14,000 members and is affiliated to the ITUC and ITGLWF. The majority of its members are female garment workers working in sweatshop conditions in 'free trade zones' in Colombo. These women suffer routine abuses such as dismissal without notice, lack of safety equipment or chairs, and sometimes physical and sexual abuse. FTZ-GSEU concentrates on training, education, awareness raising and exchanges to help workers defend their rights, including how to defend people with complaints and how to appear at tribunals.

"From 1977, all the governments that came to power practised this same so-called free economic policy, so dependent on the outside. Now it seems that it is a total failure. They said that we will be able to get more job opportunities, new technology and more foreign income. So now after 35 years, we have lost more job opportunities than we have got. For instance, all our villages had handloom centres; 18,000 centres we had, but now almost all have gone. In one centre, maybe 50 to 100 people were working, but now almost all have gone – more than 1.5 million jobs."
Anton Marcus, joint secretary of the FTZ-GSEU

Table 4: Formal employment and tariff cuts in four industrial sectors in five Latin American countries

	Employment	Cut in bound tariff (%)	Cut in applied tariff (%)
Argentina			
Textiles & apparel	92,507	54	10-19
Leather & footwear	51,695	54	19
Automobiles	40,900	n/a	n/a
Furniture	27,208	54	9
Brazil			
Textiles & apparel	799,662	54	7
Leather & footwear	393,184	54	18
Automobiles	321,445	51	21
Furniture	294,324	52	13
Colombia			
Textiles & apparel	119,978	54-57	10-14
Leather & footwear	14,337	54	18-19
Automobiles	4,756	54	36
Furniture	12,954	54	9
Mexico			
Textiles & apparel	972,500	54	48-54
Leather & footwear	234,200	54	54
Automobiles	522,600	57	0
Furniture	379,900	54	5
Uruguay			
Textiles & apparel	10,892	54	19-22
Leather & footwear	3,846	53-54	19-20
Automobiles	919	53	0
Furniture	1,415	52	12

Note: Cuts in bound and applied tariffs based on a Swiss formula with a coefficient of 30; source: *NAMA Tariff Simulations for Labour Intensive Non-Agricultural Sectors*, ITUC, 2006

The same pattern extends to most of the rest of the South. The impact of the Doha round on employment in the rest of sub-Saharan Africa is expected to be particularly severe: in addition to an overall fall in demand for unskilled labour, job cuts are expected in textiles, apparel, leather and footwear, other manufactures, metals and metal products, motor vehicles and other transport equipment, electronic equipment and other machinery. The impact on Latin America is hardly less severe, with job losses in both textiles and apparel (except in Central America and the Caribbean), leather and footwear, other manufactures, chemical, rubber and plastic products, metals and metal products, electronic equipment and other machinery.[80]

More broadly, the negative effects of a WTO deal along the lines currently proposed would hit every region of the developing world. The SIA predicts further significant job losses across the agricultural and industrial sectors of South Asia, ASEAN, the Middle East and North Africa, as well as Russia and the former Soviet Union (see table 5).

Table 5: Impact of the WTO Doha round on employment in developing countries

	Sectors experiencing net job losses
South Africa	Textiles, leather & footwear, wood & paper products, petroleum, coal & mineral products, chemical, rubber & plastic products
East Africa	Textiles, leather & footwear, metals & metal products, motor vehicles & other transport equipment, electronic equipment, other machinery, communication, health, education & public services, recreational & other services
Rest of sub-Saharan Africa	Textiles, apparel, leather & footwear, other manufactures, metals & metal products, motor vehicles & other transport equipment, other machinery
Middle East & North Africa	Other crops, beverages & tobacco, textiles, apparel, leather & footwear
Russia & former Soviet Union	Sugar, textiles, apparel, leather & footwear, electronic equipment, other machinery
Brazil	Vegetable and fruits, other crops, textiles, leather & footwear, other manufactures, chemical, rubber & plastic products, metals & metal products, electronic equipment, other machinery
Mexico	Grains, oilseeds, textiles, apparel, leather & footwear, other manufactures
Argentina	Vegetable and fruits, other crops, textiles, apparel, leather & footwear, other manufactures, chemical, rubber & plastic products, metals & metal products, electronic equipment, other machinery
Rest of Latin America	Other crops, textiles, leather & footwear, other manufactures, chemical, rubber & plastic products, motor vehicles & other transport equipment, electronic equipment, other machinery
Central America & Caribbean	Other crops, leather & footwear, other manufactures, wood & paper products, petroleum, coal & mineral products, chemical, rubber & plastic products, metals & metal products
India	Processed foods, metals & metal products
Bangladesh	Leather and footwear
Rest of South Asia	Sugar, processed foods, wood & paper products, petroleum, coal & mineral products, chemical, rubber & plastic products, metals & metal products, motor vehicles & other transport equipment, electronic equipment, other machinery
China	Sugar
Indonesia	Other manufactures, metals & metal products, motor vehicles & other transport equipment
Vietnam	Livestock, forestry & fishery, sugar, beverages & tobacco, petroleum, coal & mineral products, motor vehicles & other transport equipment
Rest of ASEAN	Other crops, metals & metal products, motor vehicles & other transport equipment

Note: Sectors expected to suffer net job losses of more than 1%, according to the sustainability impact assessment of the Doha round commissioned by the European Commission. Source: C Kirkpatrick, C George and S Scrieciu, *Sustainability Impact Assessment of Proposed WTO Negotiations: Final Global Overview Trade SIA of the Doha Development Agenda*, IDPM, 2006

5. Global Europe

In 2006 the European Commission launched its new trade strategy, entitled *Global Europe: Competing in the world*. The strategy lays out a vision for the EU's international trade relations based on securing maximum access to global markets for European companies and (as discussed in the next chapter) opening up EU markets to foreign capital. This corporate-led approach is presented as a contribution to the EU's jobs strategy, to the extent that the European Commission has claimed that increasing the export of high-quality goods into third markets is "the only way to uphold EU levels of employment, wages and social protection".[81]

This primary interest in securing new business opportunities for EU corporations was reaffirmed in the Commission's market access strategy *Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters*, published in early 2007. Much is made of the need for an "activist" or "hard-nosed" approach to obtaining new market opportunities for European exporters and investors, in part because of the EU's failure to secure its full corporate ambitions through the multilateral negotiations of the WTO.[82]

This access is to be achieved by means of a new generation of bilateral or regional agreements with as many countries as possible. To this end, the EU has now launched negotiations with ASEAN, India, China, Republic of Korea, Central America and the Community of Andean Nations, in addition to ongoing negotiations with scores more countries in Africa, the Caribbean and Pacific, the Gulf Cooperation Council, Mediterranean states and MERCOSUR.[83]

Yet nowhere in these strategies are the potential negative developmental impacts of such agreements mentioned. In addition to the huge problems of job and revenue losses and the destruction of local industries caused by past trade liberalisations, the EU is pressing to open up new areas of services and public procurement that have been safeguarded by developing countries up to now. These new agreements also seek to create the most favorable business environment possible, by focusing on securing intellectual property rights for European businesses and liberalising investment and competition policies. If the EU gets it way, vital policy tools to foster future development by supporting local industries will be removed and the pattern of job losses and deindustrialisation will be locked in for decades to come.

The following section examines the predicted job losses resulting from some of these negotiations, using data from the European Commission's own sustainability impact assessments. It is apparent even from these reports commissioned by the EU itself that job losses in many of these countries will be severe and widespread across sectors and among both skilled and unskilled workers.

5.1 EU-Chile[84]

Negotiations on the EU-Chile Association Agreement started in April 2000 and were concluded in 2002. The trade provisions of the agreement entered into force on 1 February 2003 and were predicted to cause job losses right across the Chilean industrial and service sectors. In particular, both skilled and unskilled job losses were expected in refineries, steel, motor vehicles, electronics, other machinery, electricity, water and other manufactures, trade, transport and communications, and other services. Further unskilled job losses were expected in textiles, clothing, leather, wood pulp and paper, and business services.

5.2 EU-Mediterranean[85]

The objective of the EU-Mediterranean negotiations is to create a fully fledged Euro-Mediterranean Free Trade Area by 2010. If this is achieved, it is predicted to cause the near collapse of the manufacturing sectors of Egypt, Morocco, Algeria and Tunisia, and massive contractions in Syria, Jordan and Lebanon.[86] Table 6 shows the predicted impact on manufacturing production in the Mediterranean partner countries. Egypt registers falls of 69.6%, while in Morocco and Tunisia production falls by 64.1% and 65.0% respectively, with a similar fall expected in Algeria.

Major economic sectors are totally wiped out. In the food, beverages and tobacco sector, production is predicted to fall by 96.9% in Egypt, 98.5% in Morocco and 94.1% in Tunisia. In the textiles, clothing, leather and footwear sector, production falls by a staggering 99.7% in both Egypt and Tunisia.

Furthermore, these impact assessments state that the devastation of these sectors is predicted to continue for many years. In Egypt, Morocco and Tunisia, a massive drop in manufacturing production is expected in the first year, with continued declines over the next eight years. In Syria and Jordan, the situation is even worse, with a constant decline over a 14-year period.[87]

Table 6: Impact of the EU-Mediterranean FTA on manufacturing production (% change)

	Egypt	Syria & Jordan	Morocco	Tunisia	Turkey
Food, beverages & tobacco	-96.9	-37.9	-98.5	-94.1	-34.1
Textiles, clothing, leather & footwear	-99.7	-32.8	-73.2	-99.7	7.8
Wood, furniture, paper & printing	-95.3	-32.4	-85.8	-94.2	-2.5
Chemicals, petrol, rubber & plastic	-28.4	-24.4	-20.6	-39.4	-1.6
Pottery & glass etc	-36.1	-14.2	-9.2	-15.7	-0.4
Iron & steel & other metals	-62.2	-23.9	-32.7	-77.6	-4.3
Non electrical machinery	-90.6	-16.2	-78.3	1,100	-5.9
Electrical machinery	-85.4	-40.3	-55.4	-79.6	-2.6
Transport equipment	-62.4	-32.8	-52.1	-35.8	-9.3
Scientific & other equipment	-35.4	-24.9	-23.9	-12.4	-23.8
Manufacturing sector total	**-69.6**	**-29.6**	**-64.1**	**-65.0**	**-6.0**

Source: *SIA-EMFTA Consortium, Sustainability Impacts of the Euro-Mediterranean Free Trade Area: Final Report on Phase 2 of the SIA-EMFTA Project*, SIA-EMFTA Consortium, 2006

A metalworker at a factory in Cairo
Picture: Mark Henley/Panos Pictures

On the basis of the EU's own figures, the EU-Mediterranean FTA will cause the loss of almost 3.4 million manufacturing jobs in the partner countries.

The result of these severe contractions in output are massive job losses. On the basis of the EU's own figures, the EU-Mediterranean FTA will cause the loss of almost 3.4 million manufacturing jobs in the partner countries (see table 7). Egypt alone is expected to lose 1.5 million jobs. Morocco and Algeria are predicted to suffer 790,000 and 620,000 jobs losses, respectively. Even Turkey, one of the least affected countries, is predicted to lose 110,000 manufacturing jobs.

Table 7: Impact of the EU-Mediterranean FTA on manufacturing employment[88]

Projected net job losses	
Egypt	1,547,336
Morocco	794,216
Algeria	623,872
Tunisia	158,304
Syria	130,069
Turkey	111,650
Total	**3,365,447**

Job losses on this scale are not only a serious problem for the workers affected, but could compound existing tensions in Mediterranean countries that already have a young demographic and high unemployment. Yet the relentless pursuit of free trade agreements is also predicted to cause job losses and falling wages in the agricultural and service sectors of Mediterranean partner countries. In particular, large lay-offs are expected in the livestock sector in Egypt and in the sugar, meat and dairy sectors in Morocco, as well as in the Mashreq countries.[89] Smaller job losses are predicted in the transport, finance and telecommunications sectors, with Egypt and Tunisia particularly affected.

5.3 EU-MERCOSUR[90]

The sustainability impact assessment for the EU-MERCOSUR Association Agreement follows a similar pattern, predicting deindustrialisation in all countries except Venezuela. Table 8 shows the predicted falls in employment in virtually all areas of manufacturing employment. For example, in the motor vehicles sector, employment is expected to fall by 9.9% in Argentina, 28.6% in Brazil, 41.6% in Uruguay and 66.4% in Paraguay. Transport equipment is similarly affected (except in Argentina), while in the machinery sector, job losses of 15.4% in Argentina, 23.9% in Brazil, 38.0% in Uruguay and 57.3% in Paraguay are predicted. It is especially notable that workers' wages are expected to decline alongside the falls in employment.

Unemployment in these South American countries is already very high, standing at 8.9% in Brazil, 10.6% in Argentina and 12.2% in Uruguay. In particular, women and young people are much more likely to be unemployed. For example, in Brazil, 11.7% of women are unemployed compared to 6.8% of men, and youth unemployment is 18.1%. The loss of manufacturing jobs will make it even harder for these people to support themselves, as well as closing off routes into productive employment in the future. Far from creating decent work, these proposed agreements would seem to destroy the possibility of getting work at all.

Table 8: Impact of the EU-MERCOSUR agreement on manufacturing employment (% change)

	Argentina	**Brazil**	**Paraguay**	**Uruguay**	**Venezuela**
Textiles & clothing	-1.6	-6.1	-27.3	-15.7	-0.1
Wood pulp & paper	-1.9	-4.8	-20.9	-7.9	0.0
Chemicals	-0.3	-4.5	-19.8	-5.5	2.1
Metals	-3.8	-13.6	-18.0	-13.8	3.4
Motor vehicles	-9.9	-28.6	-66.4	-41.6	0.2
Transport equipment	3.9	-17.2	-63.0	-35.7	2.0
Machinery	-15.4	-23.9	-57.3	-38.0	3.1

Source: *Trade SIA of the Association Agreement under Negotiation between the European Community and Mercosur*, Trade SIA EU-Mercosur Partners, 2007

5.4 EU-India[91]

The European Union launched negotiations for an 'ambitious' and far-reaching free trade agreement in 2007, aiming to tap into an enormous and increasingly powerful market. India is commonly understood to be an economy 'on the up,' enthusiastically embracing the opportunities of globalisation and able to stand its ground against global players like the EU and USA. Yet it must be remembered that India has the highest number of people living in poverty in the world (792 million) and its economy is only 6% of the size of the EU's.[92]

Moreover, doubts have arisen as to the wisdom of entering such extensive liberalisation agreements, particularly as a global recession beckons. Furthermore, a free trade agreement would severely restrict the scope for the Indian government to continue with existing policies or put in place new measures to redress poverty and inequality – for example, by using government procurement to direct spending to marginalised groups and small businesses, or by obliging banks to provide credit to the rural and urban poor.[93]

The tension between India's desire to be a global economic leader and its obligations to fight poverty at home is increasingly evident in bilateral as well as multilateral talks. A free trade agreement with the EU threatens additional long-term job losses across the primary, manufacturing and service sectors in India, according to the EU's sustainability impact assessment. In manufacturing, long-term job losses are expected in processed foods, beverages and tobacco products, wood products, paper products and publishing, motor vehicles and parts, and transport equipment. In particular, in the sectors of paper products and publishing, as well as transport equipment, skilled and unskilled employment are predicted to fall by 6%.

This threat was explicitly recognised in a 2008 statement by Indian civil society, which called for an immediate halt to negotiations with the EU. The statement, signed by a variety of groups representing farmers, women, dalits, adivasi and trade unionists (including the ITUC affiliate AIUTUC) condemned the lack of transparency in the process and the fact that the Indian government has consulted only large corporate interests, keeping parliamentarians, state governments and Indian people "in the dark".[94]

An unemployed Chinese migrant
worker in Beijing
Picture: Mark Henley/Panos Pictures

5.5 EU-China[95]

The EU-China Partnership and Cooperation Agreement (PCA) is predicted to cause job losses in agriculture, machinery, chemicals, environmental goods and services, and financial services in China.[96] All are key sectors of the economy. In particular, the agriculture sector accounted for 44.8% of total employment in China in 2005, and a fall in employment in this sector is expected to cause a knock-on reduction in related industries. The machinery sector employs over 8.1 million people (more than one in every eight jobs in manufacturing), but the EU's sustainability impact assessment found that the PCA would reduce employment, wages and labour standards in this sector, with unskilled labour particularly affected.

The chemicals sector employed over 10 million people in 2004. Massive job losses followed WTO accession in 2001: Sinopec cut 150,000 jobs and PetroChina axed a similar number. The Chinese Chamber of Commerce of Metals, Minerals and Chemicals of Importers and Exporters has predicted that the PCA would cause a further 200,000 job losses.

It is unclear whether these jobs can be replaced elsewhere in China. Evidence is emerging that, as living standards rise in China, international investors are leaving in search of even cheaper labour in countries such as Vietnam.[97] China benefited greatly from the final phasing out of the Multi-Fibre Arrangement in January 2005, which had previously maintained quotas on Chinese exports while guaranteeing access for textiles and garments exports from a number of other developing countries. However, as in Mexico, it appears that this job creation is unstable and dependent on low labour standards.

5.6 Economic Partnership Agreement between EU and West Africa[98]

In the assessment commissioned by the EU from PricewaterhouseCoopers, the Economic Partnership Agreement (EPA) between the EU and West Africa could cause the "collapse of much of the manufacturing sector, which at the moment constitutes the backbone of the modern economy in the region and is the main employer in urban centres". Its collapse would weaken services (including financial services) linked to the production of manufactured goods, undermining attempts to diversify the economy, and increase the number of people struggling to survive in the informal sector.

The EPA is also expected to have a huge negative impact on farmers and agro-industry in West Africa. Heavily subsidised produce from the EU is predicted to flood the West African market, hitting producers of fruits, vegetables, poultry and beef. For example, poultry imports are predicted to increase by 18% under full liberalisation. This would reduce West African poultry production by the same amount and have a knock-on effect on people producing inputs for the sector. Potato, onion and beef imports are expected to increase by 15%, 16% and 17% respectively, again reducing production and employment.

6. Trade liberalisation and European jobs

The EU's strategy of opening new markets around the world for the benefit of European corporations is mirrored by the project of internal liberalisation that it has pursued with renewed vigour since 2000, in order to create a single market for goods and services within the EU. As Peter Mandelson, then EU Trade Commissioner, made clear just after the launch of the Global Europe strategy, this project is above all about 'harmonising' European standards downwards to converge with the even more pro-business US regulatory system, so that they cause less friction for European corporations: "the greater the consistency in rules and practices with our main partners, the better for EU business".[99]

This desire to adopt "an open and flexible approach to setting our rules" has been echoed by recent European Court of Justice judgements that affirm the rights of corporations over social and environmental considerations. In particular, the judgements in the Viking, Laval and Rüffert cases state that companies now have the right to import cheap labour in defiance of local trade union agreements, as well as undermining the right of workers to take collective action in defence of those agreements. In the 2008 Luxembourg case, the European Commission itself challenged a member state's application of its own labour laws, deeming it to be contrary to the interests of multinational corporations.[100]

As the EU seeks to subordinate its labour laws to the interests of large companies, it can be expected that basic rights to bargain collectively, to strike and even to unionise will continue to be eroded unless trade unions reassert them vigorously. In addition, many thousands of workers, particularly women workers from the new member states of Central and Eastern Europe, are already stuck in precarious work, with low wages and conditions and often without contracts. This number will be boosted as European companies seek to create the most flexible workforce possible in preference to organised labour. The rest of the chapter looks at how free trade policies will undermine the security and availability of work in Europe.

International call centres are one of the most well-known symbols of globalisation
Picture: Belinda Lawley/Panos Pictures

6.1 Impact of globalisation on EU employment

Labour's share of national income in Europe has declined sharply in the three decades since 1980, partly as a result of mass unemployment and the declining influence of trade unions under the impact of globalisation.[101] Unemployment in the EU rose to 7.6% in January 2009 – a total of 18.4 million people, up from 6.8% in the same month a year earlier. Within the Eurozone, the unemployment rate was 8.2% in January 2009. Spain registered the most substantial increase, with unemployment rising from 9.0% in January 2008 to 14.8% in January 2009.[102]

The EU unemployment rate remains considerably higher than in other industrialised countries. In 2007, when unemployment was 7.1% in the EU, the rate in the USA was 4.6% and in Japan 3.9%, against an OECD average of 5.6%.[103] Unemployment rates are particularly high for young people (more than one in seven of those aged under 25) and higher for women than men (see table 9).[104]

In the OECD countries generally, globalisation increases opportunities for companies to shift production overseas and thus increases their bargaining power over their workforces, in most of the manufacturing sector and in business services.[105] According to the IMF, the quadrupling of the number of workers competing in the global market since 1980 has led to more finished goods being imported into the OECD and more offshoring of intermediate goods production, decreasing labour's share of GDP in industrialised economies.[106] Similarly, the OECD's own analysis shows that "foreign competition reduces employment in the most exposed industries" in its 30 member countries.[107] Combined with the current downturn in global demand, this is already leading to huge job losses in industrialised countries: by 2010, the OECD predicts unemployment in its member countries to increase by over eight million, to 42.1 million.[108]

An unemployment office in Berlin struggles to meet the growing needs of the city's jobless population
Picture: Stefan Boness/Panos Pictures

Table 9: Unemployment rates in the EU, 2008 (%)

Total	**7.0**
Males	6.6
Females	7.5
Under 25	**15.5**
Males	15.7
Females	15.2

Source: Eurostat

6.2 The EU's response

The EU has accepted that trade liberalisation causes "large-scale redundancies" and a "decline [in] employment terms and conditions" in the EU.[109] It notes that globalisation causes "major structural changes in world trade patterns" via "a substantial increase of imports into the European Union, or a rapid decline of the EU market share in a given sector or delocalisation to third countries". This has "a significant adverse impact on the regional or local economy" of EU countries.[110] The EU even accepts that workers in small and medium-sized enterprises, as well as large companies and multinationals, in "[all] Member States, large and small, new and old", risk losing their jobs because of these "negative effects of globalisation".[111]

These acknowledgements are based, in part, on recognition of the adverse effects of past trade liberalisations in the EU. In central and eastern European countries (in particular, the Czech Republic, Hungary, Poland, Slovakia and Slovenia), the long-term net effect of exports and imports on manufacturing wages has been negative, suggesting that the integration of these countries into the EU via trade liberalisation has been at the expense of labour.[112] In Hungary, tens of thousands of small and medium-sized enterprises were forced into liquidation by cheap imports which flooded into the country as a result of its breakneck structural adjustment programme following the collapse of communism in 1989. In Austria, too, imports and foreign direct investment have had negative effects on both employment levels and wages.[113]

The EU has set up a European Globalisation Adjustment Fund in response to the specific threat to labour from future trade liberalisation – what the European Commission calls a "European scale crisis".[114] The Fund has a budget of €3.5 billion over its first seven years to support up to 350,000 workers made redundant as a result of globalisation. In less than two years, it received applications to help tens of thousands of workers who lost their jobs because of globalisation in France, Spain and Portugal in the automobile sector, in Germany and Finland in the mobile phone sector, and in Italy, Lithuania and Malta in the textiles sector.[115]

- France applied when Peugeot and Renault cut back production because of increased imports of small cars from Asia to the EU and greater competition in the world car market, causing thousands of redundancies in their suppliers.
- Spain applied when Delphi, an American multinational car component manufacturer, dismissed its workers and closed its factory in Spain, transferring production to Morocco because of lower labour costs, tax benefits and the proximity of raw materials.[116]
- Portugal applied following the closure of companies owned by three North American multinationals (General Motors, Alcoa and Johnson Controls), also relocating production to countries with lower costs.
- Germany applied when, just one year after taking over from Siemens, BenQ, a Taiwanese mobile phone manufacturer, withdrew all financial support from its German subsidiaries, causing their insolvency and the loss of thousands of jobs, and expanded production in the Asia-Pacific region.
- Italy applied when thousands of textiles workers in mainly small enterprises in four regions were made redundant as a result of globalisation. Again, this case, together with applications from Lithuania and Malta, illustrate the large-scale shift in textiles and clothing production from the EU to countries with lower costs.

The impact of offshoring on employment in the EU[117]

Offshoring – where companies relocate economic activity from EU to non-EU countries in search of lower labour and other costs or greater efficiency – accounted for more than 194,290 job losses from 2003 to 2006. This is equal to 7.9% of the total 2.4 million job losses in Europe from restructuring of various kinds (including plant closures, mergers, internal reorganisation and offshoring) – a small proportion of the total, but more significant in certain countries and certain sectors.[118] Table 10 shows job losses due to offshoring were relatively common in some EU countries such as Estonia and Slovenia (one in seven), Denmark (one in six) and accounted for one in four jobs lost from restructuring in both Ireland and Portugal.[119]

Table 10: Job losses from offshoring as a percentage of total losses from restructuring

Portugal	25.6
Ireland	24.6
Denmark	16.5
Slovenia	14.1
Estonia	14.0
Finland	9.7
Slovakia	9.0
UK	8.9
EU	7.9

Source: *ERM Report 2007,* European Foundation for the Improvement of Living and Working Conditions, 2007

Contrary to popular assumptions, most job losses were due to offshoring in banking, insurance and in high to mid-tech manufacturing sectors – in particular, motor vehicles, electrical machinery, chemicals, pharmaceuticals and oil refining, computing, television, radio, telecommunications and other electronic equipment – rather than in low-tech sectors. Manufacturing jobs were mainly offshored to the new EU member states, while service jobs were principally relocated to Asia. Job losses in banking and insurance were relatively concentrated in the UK, accounting for over half of all its losses from offshoring. The motor vehicle sector represented over a half of all losses in Portugal, close to a half in Germany, as well as significant proportions in Sweden, France and Italy.

Electrical machinery jobs were a significant if minor share of all losses in Finland, Italy, France, Portugal and Ireland, with more than a half of all job cuts in Finland in television, radio, telecommunications and other electronic equipment. By contrast, relatively few of the jobs lost through restructuring were in basic industries such as textiles (except Italy), clothing and footwear, wood paper and printing, and basic metals and metal products. In the new EU member states, offshoring was concentrated in lower tech sectors – especially textiles, clothing and footwear, which accounted for three quarters of all jobs lost in Slovakia and a third of all jobs lost in Slovenia.

In several countries, jobs lost because of offshoring accounted for a significant share of employment in some sectors. In Ireland and Portugal from 2003 to 2006, job losses in motor vehicles production amounted to 12-14% of total employment in the sector. A similar proportion were lost in television, radio, telecommunications and other electronic equipment in Portugal. More than 5% of jobs were transferred overseas in textiles, clothing and footwear in Ireland; electrical machinery in Finland, Portugal and Ireland; and office machinery in Belgium.

6.3 Free trade agreements and European employment

The EU also commissioned sustainability impact assessments to predict what will happen within Europe as a result of its regional and bilateral agreements, as well as the WTO talks. These found that a WTO deal can be expected to cause future job losses in grains, oilseeds, livestock, meat and dairy products, sugar, processed foods and apparel in the EU15 countries; and in vegetables and fruits, other crops, textiles, apparel, leather and footwear and motor vehicles and other transport equipment in the EU10.[120]

The EU's free trade agreements are also predicted to lead to job losses across its agricultural and manufacturing sectors. For example, an EU-Mediterranean deal is expected to increase rural unemployment in southern EU countries, while the EU-MERCOSUR agreement would cause a drop in production and employment in all agricultural sectors as well as food processing in the EU.[121] In the case of the EU-China Partnership and Cooperation Agreement, job losses are predicted in EU manufacturing, with the new member states of southern and central Europe most at risk.[122]

Table 11: Expected job losses in Europe as a result of WTO Doha round, by sector

EU10:	
Textiles	4.1%
Leather and footwear	4.5%
Apparel	5.4%
EU15:	
Meat and dairy products	5.0%
Sugar	11.6%
Grains	12.3%

Source: Kirkpatrick, George and Scrieciu, *Sustainability Impact Assessment of Proposed WTO Negotiations*, IDPM, 2006

7. Conclusion

This report has examined both the historical experience of trade liberalisations in African and Latin American countries, and the projected employment effects of current negotiations being conducted at the WTO and bilaterally. Overwhelmingly, the evidence points to what working people in developing countries have already experienced over many years: that the free market model of trade liberalisation leads to the collapse of their industries and the loss of their jobs. Increasingly, these effects are also being felt in the developed world.

The Global Europe strategy was adopted by the EU in the name of building the competitiveness of European business and underpinning the EU's stated commitment to decent work. Yet the strategy is predicated on further liberalisation of trade and investment, which – as this report has indicated – militates against the achievement of decent work. The millions of working women and men who have already lost their jobs to trade liberalisation stand as a warning to those who believe that business competitiveness will safeguard employment opportunities in either North or South.

Rather than supporting long-term structural improvements for working people, trade liberalisation promotes less secure jobs and a 'race to the bottom' as companies move from country to country. As the ITUC noted in July 2008, the liberalisation provisions of the proposed WTO deal on industrial trade:

> *could create serious difficulties for the capacity of developing countries to protect their industries, employment and the policy space for future industrial development, in total contradiction to the aspirations of a 'development round'. This would add pressure for low-wage competition between developing countries, with negative impacts on fundamental labour and environmental standards … developing countries need to be able to sustain employment and to retain the policy space they need in order to be able to achieve development.*[123]

Competition to offer the lowest labour costs leads to sweatshops like this one in Bangladesh
Picture: Fernando Moleres/Panos Pictures

Attempts to tame the worst effects of liberalisation by introducing a social clause into trade agreements have been unsuccessful, and fail to address the central threat of jobs being lost altogether under the free market model. At the same time, the destruction of whole manufacturing industries prevents developing countries from moving into the dynamic, higher value-added sectors of the economy.[124] States need to retain policy space and levers of control in order to raise or lower tariffs as appropriate, in the interests of the sustainable development of their economies and the provision of employment opportunities for all.[125]

It is this triple threat to jobs, livelihoods and development that has created a global movement in opposition to the free trade agenda. In addition to the many millions of industrial workers who have joined in protests against free trade agreements, millions of farmers who have faced the same threats have also taken action to safeguard their jobs and their futures. This includes the important Via Campesina movement of small farmers and agrarian workers, which War on Want partners with in many countries around the world.

Significant sections of the global trade union movement have also called for a substantially new approach to globalisation. In the joint statement issued on the eve of the 2005 WTO ministerial in Hong Kong, seven global union federations and numerous trade unions and national union confederations declared:

> *the proposals to further liberalize agriculture, industrial production and services will lead to an immense new wave of unemployment and the worsening of existing jobs and livelihoods in developed as well as developing countries at the expense of the profits of a few transnational corporations. This programme for the massive destruction of jobs needs to be stopped. The undersigned trade union and civil society organizations call on WTO members to put a moratorium on the present negotiations.*[126]

As the neoliberal model of free markets and liberalised trade begins to crumble in the face of global economic crisis, it is vital that we grasp the opportunity to replace it with a new way of thinking that prioritises the economic, social, political and environmental rights of people over the profits of transnational capital.

War on Want has worked for trade justice for many years. As part of the global movement and in active partnership with many grassroots organisations in the South, we have challenged the free trade agenda of multinational corporations and their government supporters, both at the multilateral forum of the WTO and in the bilateral negotiations being pursued by the EU. All readers are encouraged to take part in this campaign by:

- Circulating this report widely
- Lobbying your MP and MEP to end their support for free trade
- Joining War on Want

For more information, including details of how to get hold of an MEP lobby pack, go to www.waronwant.org/campaigns

Notes

[1] *Global Employment Trends: January 2009,* ILO, Geneva, 2009; the ILO has recalculated its figures for the working poor in line with the World Bank's revised poverty estimates introduced in 2008

[2] ibid; also *Global Employment Trends for Youth*, ILO, Geneva, 2008

[3] Growth in world GDP per capita averaged approximately 3.5% in the 1960s, 2.1% in the 1970s, 1.3% in the 1980s and 1.1% in the 1990s; see *A Fair Globalization: Creating Opportunities for All*, World Commission on the Social Dimension of Globalization, ILO, Geneva, 2004. China and India did achieve rapid growth in the 1980s and 1990s but did not follow orthodox liberalisation strategies.

[4] *Global Employment Trends: January 2008,* ILO, Geneva, 2008

[5] ibid. The rate of world unemployment increased from 5.6% in 1993 to 6.0% in 2008, while the rate of vulnerable employment decreased from 53.6% in 1997 to 50.6% in 2007; *Global Employment Trends: January 2009,* ILO, Geneva, 2009

[6] *Global Employment Trends: January 2009,* ILO, Geneva, 2009; *Global Employment Trends for Women 2009,* ILO, Geneva, 2009; *Economic Outlook No 84,* OECD, Paris, November 2008; D Baker, 'Economy loses 524,000 jobs in December, unemployment rate hits 7.2 percent', Center for Economic and Policy Research, Washington DC, 9 January 2009

[7] M Rama, *Globalization and Workers in Developing Countries*, World Bank, Washington DC, 2003

[8] AH Amsden, *The Rise of "the Rest": Challenges to the West from Late-Industrializing Economies*, Oxford University Press, New York, 2001; AH Amsden, *Asia's Next Giant: South Korea and Late Industrialization*, Oxford University Press, New York, 1992; R Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton University Press, Princeton,1990; H-J Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, Anthem Press, London, 2002; H-J Chang, 'The Political Economy of Industrial Policy in Korea', *Cambridge Journal of Economics*, 1993; *A Fair Globalization: Creating Opportunities for All,* World Commission on the Social Dimension of Globalization, ILO, Geneva, 2004

[9] For a description of the extent of poverty and underemployment in Africa, see *African Employment Trends*, ILO, Geneva, 2007; also *Global Employment Trends: January 2009,* ILO, Geneva, 2009

[10] *Global Employment Trends: January 2009,* ILO, Geneva, 2009

[11] ibid.

[12] *World Economic and Social Survey 2006: Diverging Growth and Development*, United Nations, New York and Geneva, 2006; F Stewart, 'The Many Faces of Adjustment', *World Development*, vol 19, no 12 (1991), pp1847-64

[13] GA Cornia, R van der Hoeven and T Mkandawire, eds, *Africa's Recovery in the 1990s: From stagnation and adjustment to human development*, Palgrave Macmillan, London, 1992; the data are for the 14 countries for which relevant data were available

[14] F Stewart, 'The Many Faces of Adjustment', *World Development*, vol 19, no 12 (1991), pp1847-64

[15] *World Employment Report 1995,* ILO, Geneva, 1995; GA Cornia, R van der Hoeven and T Mkandawire, eds, *Africa's Recovery in the 1990s: From stagnation and adjustment to human development*, Palgrave Macmillan, London, 1992

[16] F Stewart, 'The Many Faces of Adjustment', *World Development*, vol 19, no 12 (1991), pp1847-64

[17] SM Shafaeddin, *Trade Liberalization and Economic Reform in Developing Countries: Structural Change or De-Industrialization?*, UNCTAD, Geneva, 2005; S Wangwe, ed, *Exporting Africa: Technology, Trade and Industrialisation in sub-Saharan Africa*, Routledge, London, 1995; *African Development Report, African Development Bank*, Oxford, 1995; EF Buffie, *Trade Policy in Developing Countries*, Cambridge University Press, Cambridge, 2001; *Economic Development in Africa – From Adjustment to Poverty Reduction: What's New?*, UNCTAD, Geneva, 2002

[18] DK Manda and K Sen, 'The Labour Market Effects of Globalization in Kenya', *Journal of International Development*, vol 16, no 1 (2004), pp 29-43; the lifting of restrictions on imports of second-hand clothing and automobiles, a key part of the reforms, clearly had a negative effect on employment in the garment and automobile sectors.

[19] Growth in paid manufacturing employment slumped from 5.5% per year in the 1970s to 2.9% in the 1980s and just 1.9% from 1990 to 1997 (before the economic crisis in 1997); DK Manda and K Sen, 'The Labour Market Effects of Globalization in Kenya', *Journal of International Development*, vol 16, no 1 (2004), pp 29-43

[20] W van der Geest and R van der Hoeven, eds, *Adjustment, Employment and Missing Institutions in Africa: The Experience in Eastern and Southern Africa*, ILO, Geneva, 1999; G Mulaga and J Weiss, 'Trade Reform and Manufacturing Performance in Malawi 1970-91', *World Development*, vol 26, no 7 (1996), pp1267-78; T Munthali, *The Impact of Structural Adjustment Programmes (SAPs) on Manufacturing Growth in Malawi*, Leeds University Business School, Leeds, 2004

[21] *Least Developed Countries Report 2004,* UNCTAD, Geneva, 2004

[22] National Statistics Office of Malawi (www.nso.malawi.net); T Munthali, *The Impact of Structural Adjustment Programmes (SAPs) on Manufacturing Growth in Malawi*, Leeds University Business School, Leeds, 2004

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[24] *Time for a New Deal: Social dialogue and the informal economy in Zambia*, War on Want, London, 2007

[25] J Currie and A Hanson, 'Sharing the Costs: The Impact of Trade Reform on Capital and Labor in Morocco', *Journal of Labor Economics*, vol 15, no 3 (1997), ppS44-S71

[26] *African Development Report*, African Development Bank, Oxford, 1995; W van der Geest and R van der Hoeven, eds, *Adjustment, Employment and Missing Institutions in Africa: The Experience in Eastern and Southern Africa*, ILO, Geneva, 1999

[27] Unemployment increased from 13% in 1986 to 22% in 1991.

[28] *African Development Report*, African Development Bank, Oxford, 1995

[29] M Ndulo and D Mudenda, 'Trade Policy Reform and Adjustment in Zambia', in S Fernandez de Cordoba and S Laird, eds, *Coping with Trade Reforms: A Developing-Country Perspective on the WTO Industrial Tariff Negotiations*, UNCTAD, Geneva, 2006

[30] N McCulloch, B Baulch and M Cherel-Robson, *Globalisation, Poverty and Inequality in Zambia during the 1990s*, OECD Development Centre, Paris, 2000

[31] M Ndulo and D Mudenda, 'Trade Policy Reform and Adjustment in Zambia', in S Fernandez de Cordoba and S Laird, eds, *Coping with Trade Reforms: A Developing-Country Perspective on the WTO Industrial Tariff Negotiations*, UNCTAD, Geneva, 2006

[32] *Key Indicators of the Labour Market*, Fifth Edition, ILO, Geneva, 2007

[33] S Lall, G Navaretti and S Teitel, *Technology and Enterprise Development: Ghana Under Structural Adjustment*, Palgrave Macmillan, London, 1994. Ironically, the flood of second-hand clothing was mostly donated by charities to help fight poverty. This process did spawn a new industry – *mitumba* clothing – and a wave of entrepreneurs dedicated to finding expensive cast-offs for resale as well as selling the low quality clothes on.

This work is far more risky and less secure than the formal sector employment it replaced; see e.g. P Rivoli, *Travels of a Tshirt in the Global Economy,* John Wiley & Sons, 2005

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35. J Gunning, 'The Trade Policy Review of Zimbabwe', *The World Economy*, vol 19, no s1 (1996), pp157-66; R Mabugu, 'Short-run Effects of Tariff Reform in Zimbabwe: Applied General Equilibrium Analysis', *Journal of African Economies*, vol 10, no 2 (2001), pp174-90

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44. Own calculations from tariff data in *A Fair Globalization: Creating Opportunities for All*, World Commission on the Social Dimension of Globalization, ILO, Geneva, 2004; and G Márquez and C Pagés, *Trade and Employment: Evidence from Latin America and the Caribbean*, Inter-American Development Bank, Washington DC, 1997

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49. A Berry, 'Confronting the Income Distribution Threat in Latin America', in A Berry, ed, *Poverty, Economic Reform and Income Distribution in Latin America*, Lynne Riener, Boulder, 1998

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53. *Global Employment Trends: January 2008,* ILO, Geneva, 2008

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58. J Toye, *Structural Adjustment and Employment Policy: Issues and Experience*, ILO, Geneva, 1995

59. M Mesquita Moreira and S Najberg, 'Trade Liberalisation in Brazil: Creating or Exporting Jobs?', *Journal of Development Studies*, vol 36, no 3 (2000), pp78-99. The average unweighted import tariff fell from 51% in 1987 to 11% in 1995. After a slight increase to 15% in 1998 it fell to 13% in 2001. The average nominal import tariff on manufactured products fell from 46% in 1989 to 14% in 1994. After increasing to 17% by 1998 it fell again to 14% by 2003; see C Ernst, *Trade liberalization, export orientation and employment in Argentina, Brazil and Mexico*, ILO, Geneva, 2005, and L Valls Pereira, 'Brazil Trade Liberalization Program', in S Fernandez de Cordoba and S Laird, eds, *Coping with Trade Reforms: A Developing-Country Perspective on the WTO Industrial Tariff Negotiations*, UNCTAD, Geneva, 2006

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61. The female unemployment rate increased from 3.5% in 1990 to 12.1% in 1999, while the male unemployment rate increased from 3.8% to 7.8%; see *Key Indicators of the Labour Market*, Fifth Edition, ILO, Geneva, 2007

62. World Bank World Development Indicators On-line; in the industrial sector as a whole, trade liberalisation reduced net employment by 10.3%; see M Mesquita Moreira and S Najberg, 'Trade Liberalisation in Brazil: Creating or Exporting Jobs?', *Journal of Development Studies*, vol 36, no 3 (2000), pp78-99

63. ILO Key Indicators of the Labour Market Fifth Edition

64. While further liberalisation occurred under NAFTA, the majority of liberalisation in the manufacturing sector had already taken place during the 1985-1988 period. See A Revenga, 'Employment and Wages Effects of Trade Liberalization: The Case of Mexican Manufacturing', *Journal of Labor Economics,* vol 15, no 3, pt 2 (1997), ppS20-S43

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69. ibid.

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71. S Polaski, *The Employment Consequences of NAFTA*, testimony submitted to the Senate Sub-committee on International Trade of the Committee on Finance, 11 September 2006

72. ibid.

73. J Gabriel Palma, 'The seven main "stylized facts" of the Mexican economy since trade liberalization and NAFTA', *Industrial and Corporate Change*, vol 14, no 6 (2005), pp941-91

74. ibid.

75. For a unique insight into the pressures faced by developing country representatives at Doha, see F Jawara and A Kwa, *Behind the Scenes at the WTO: The real world of international trade negotiations*, Zed Books, London, 2003

76. The text and list of signatories to 'Stop the WTO negotiations! Save jobs!' is available on the website of global union federation Public Services International, at www.world-psi.org/wtoandjobs

77. The ITUC analysis presented here is based on a Swiss formula in the non-agricultural market access negotiations with a coefficient of 30. On 25 July 2008 WTO Director-General Pascal Lamy proposed that cuts in bound tariffs for developing countries on industrial products be based on a Swiss formula with either a coefficient of 25 with no flexibilities, or coefficients of 20 or 22 with limited flexibilities. This proposal implies even greater tariff cuts than under a coefficient of 30 and thus even more workers in industrial sectors facing cuts in both bound and applied tariffs. For further background, see J Hilary, *The Doha Deindustrialisation Agenda: Non-Agricultural Market Access Negotiations at the WTO*, War on Want, London, 2005

78. Statement by trade unions at the WTO mini-ministerial, Geneva, 23 July 2008

79. C Kirkpatrick, C George and S Scrieciu, *Sustainability Impact Assessment of Proposed WTO Negotiations: Final Global Overview Trade SIA of the Doha Development Agenda*, IDPM, Manchester, 2006

80. Except in the last two sectors in Mexico

81. 'New Commission report assesses European trade strengths in a changing global economy', European Commission, Brussels, 27 October 2008

82. Global Europe targets three key areas for new market access: elimination of tariff and non-tariff barriers; access to natural resources through elimination of export controls; and new areas of growth (intellectual property rights, services, investment, public procurement and competition); see *Global Europe: A Critique of the European Commission's Policy Paper on External Competitiveness*, War on Want, London, 2006

83. The EU also has existing trade agreements with Chile, Mexico and South Africa; see *Raw Deal: The EU's Unfair Trade Agreements with Mexico and South Africa*, World Development Movement, London, 2008

84. This is based on *Impact Assessment (SIA) of the trade aspects of negotiations for an Association Agreement between the European Communities and Chile (Specific agreement No 1): Final Report October 2002,* PLANISTAT-Luxembourg and CESO-CI Sustainable, 2002

85. This is based on *Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area: Final Report of the SIA-EMFTA Project (Revised November 2007),* SIA-EMFTA Consortium, 2007 and *Sustainability Impacts of the Euro-Mediterranean Free Trade Area: Final Report on Phase 2 of the SIA-EMFTA Project (March 2006 (Revision))*, SIA-EMFTA Consortium, 2006

86. The EU has Association Agreements with Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority and Tunisia, plus a customs union with Turkey, and is negotiating an Association Agreement with Syria.

87. *Sustainability Impacts of the Euro-Mediterranean Free Trade Area: Final Report on Phase 2 of the SIA-EMFTA Project (March 2006 (Revision))*, SIA-EMFTA Consortium, 2006

88. This is calculated from the predicted percentage change in total employment caused by the liberalisation of industrial products in *Sustainability Impacts of the Euro-Mediterranean Free Trade Area: Final Report on Phase 2 of the SIA-EMFTA Project (March 2006 (Revision))*, SIA-EMFTA Consortium, 2006 and the latest ILO/KILM estimate of total employment for each country. In addition, Jordan is predicted to lose 1,280 jobs and Israel is predicted to gain 5,147 jobs.

89. The Mashreq is the region of Arabic-speaking countries to the east of Egypt and north of the Arabian Peninsula.

90. This is based on *Trade SIA of the Association Agreement under Negotiation between the European Community and Mercosur: Update of the Overall Preliminary Trade SIA EU-Mercosur (Final Report (Revised))*, Trade SIA EU-Mercosur Partners, 2007

91. This is based on *Phase 1: Global Analysis Report for the EU-India TSIA (Global Analysis Report - Draft Version)*, ECORYS Research and Consulting, CUTS International and Centre for Trade and Development, 21 May 2008

92. S Polaski et al, *India's Trade Policy Choices: Managing Diverse Challenges*, Carnegie Endowment for International Peace, Washington DC, 2008

93. S Powell, *The EU-India FTA: initial observations from a development perspective*, Traidcraft, London, 2008

94. 'Immediately halt EU-India FTA negotiations', Statement of concern from India, New Delhi, 21 September 2008

95. This is based on *Trade Sustainability Impact Assessment of the Negotiations of a Partnership and Cooperation Agreement between the EU and China - Final Report (DRAFT – for stakeholder consultation)*, Emerging Markets Group and Development Solutions, 19 May 2008

96. The SIA states on p89 that the effects of the PCA on labour in environmental goods and services are mixed, but p88 states that the effects are negative in the 'trade policy only' scenarios. It also states on p110 that the direct effect of the PCA on employment in financial services is negative, but that the indirect effect is positive.

97. Zhang B, Zhong A and Hu Y, 'China's textile industry dyed in blues', *Cover*, March 2008

98. This is based on the three PricewaterhouseCoopers documents: *Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements: Phase Two (Final report (revised))*, 27 July 2005; *Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements: Regional SIA: West African ACP Countries (Final Report (revised))*, 30 January 2004; and *Sustainability Impact Assessment (SIA) of trade*

negotiations of the EU-ACP Economic Partnership Agreements (Working draft), 1 October 2003

99. P Mandelson, 'Europe Competing in the World', Churchill Lecture, Federal Foreign Office, Berlin, 18 September 2006

100. See *Federation News*, Institute of Employment Rights, vol 8, no 1 (summer 2008)

101. A Glyn, *Explaining Labor's Declining Share of National Income*, G-24 Policy Brief, no 4, 2007

102. 'Euro area unemployment up to 8.2%', Eurostat news release, 27 February 2009

103. Eurostat: http://epp.eurostat.ec.europa.eu

104. Moreover, the unemployment rate for young people in 2007 was 22.9% in Greece, 20.3% in Italy, 21.7% in Poland, 20.1% in Romania and 20.3% in Slovakia.

105. A Glyn, *Explaining Labor's Declining Share of National Income*, G-24 Policy Brief, no 4, 2007

106. *World Economic Outlook: Spillovers and Cycles in the Global Economy*, IMF, Washington DC, April 2007

107. *Globalisation, Jobs and Wages*, OECD, Paris, June 2007

108. *Economic Outlook No. 84,* OECD, Paris, November 2008

109. 'The European Globalisation Adjustment Fund', European Commission, http://ec.europa.eu/employment_social/egf/index_en.html; and European Foundation for the Improvement of Living and Working Conditions, www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/EUROPEAN GLOBALISATIONADJUSTMENTFUND.htm

110. Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund

111. ibid, and 'The European Globalisation Adjustment Fund', European Commission, loc cit

112. Ö Onaran and E Stockhammer, *The effect of FDI and foreign trade on wages in the Central and Eastern European Countries in the post-transition era: A sectoral analysis*, Wirtschaftsuniversität Wien, Vienna, 2006

113. Ö Onaran, *The Effects of Globalization on Employment, Wages and the Wage Share in Austria*, Wirtschaftsuniversität Wien, Vienna, 2008

114. 'The European Globalisation Adjustment Fund', European Commission, loc cit

115. ibid.

116. Spain withdrew its 2007 DELPHI application (EGF/2007/009) but its 2008 DELPHI application (EGF/2008/002) was paid in full.

117. This is based on *ERM Report 2007: Restructuring and employment in the EU: The impact of globalisation*, European Foundation for the Improvement of Living and Working Conditions, 2007

118. ibid.

119. Countries with job losses from offshoring as a percentage of total losses from restructuring greater than the EU average.

120. C Kirkpatrick, C George and S Scrieciu, *Sustainability Impact Assessment of Proposed WTO Negotiations: Final Global Overview Trade SIA of the Doha Development Agenda*, IDPM, Manchester, 2006; the EU15 are those member states which had joined the EU prior to 1 May 2004, while the EU10 are those which joined subsequently but prior to the accession of Bulgaria and Romania in January 2007

121. *Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area: Final Report of the SIA-EMFTA Project (Revised November 2007),* SIA-EMFTA Consortium, 2007. The EU-Mediterranean FTA is predicted to reduce employment in the fruits, vegetables and olives sectors in southern EU countries. *Trade SIA of the Association Agreement under Negotiation between the European Community and Mercosur: Update of the Overall Preliminary Trade SIA EU-Mercosur (Final Report (Revised))*, Trade SIA EU-Mercosur Partners, 2007

122. *Trade Sustainability Impact Assessment of the Negotiations of a Partnership and Cooperation Agreement between the EU and China - Final Report (DRAFT – for stakeholder consultation)*, Emerging Markets Group and Development Solutions, 19 May 2008; for example, in the machinery sector production and employment in Romania, Slovakia, the Czech Republic and Poland are predicted to be at the greatest risk

123. 'WTO Ministerial: serious jobs impact in developing countries', ITUC press release, 24 July 2008

124. See e.g. *Trade and Development Report 2002: Developing Countries in World Trade*, UNCTAD, Geneva, 2002

125. Y Akyüz, *The WTO Negotiations on Industrial Tariffs: What is at stake for developing countries?* Paper presented to Third World Network workshop on 'NAMA Negotiations and Implications for Industrial Development in Developing Countries', Palais des Nations, Geneva, 9 May 2005

126. 'Stop the WTO negotiations! Save jobs!', joint statement of trade unions, global union federations, NGOs and campaigns groups to the Hong Kong Ministerial of the WTO, December 2005

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War on Want
War on Want fights poverty in developing countries in partnership and solidarity with people affected by globalisation. We campaign for human rights, especially workers' rights, and against the root causes of global poverty, inequality and injustice.

Cover picture: Brazilian workers at a pig iron factory
Picture: Eduardo Martino/Panos Pictures

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