Trade does not trump employment development strategies

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The main purpose of this presentation was to reinforce the notion that trade policy must not have some over-arching priority over employment strategies, industrial strategies or development policies. However, I should stress that I am not a development economist – or any kind of economist for that matter – and I approach this simply from the experience of working on trade issues for the last few years. When I say 'trade issues' I should note that that includes regional and bilateral trade deals but I am not going to focus much on them since Esther Busser is addressing these during the conference. I will focus more on the WTO's trade policies as they relate to employment and development.

As some of you know, PSI is an active member of the Our World Is Not For Sale Coalition (OWINFS). I am indebted to OWINFS colleagues for discussions we have had on the following analysis of the current Doha Round with which I will start.

Despite the name, the Doha Development Round is based on corporate-driven, neoliberal economic policies that have proven too often and in too many places to exacerbate poverty, destroy the environment and close the policy space of sovereign nations to craft economic policy in the interests of the majority of their people, especially in the South. In the negotiations, developed nations are seeking concessions from developing countries that would result in the actual prohibition of the very tools rich countries used to industrialize and to give their people employment. I will come back to that later when I talk about the work of Ha-Joon Chang. The potential conclusion of the Doha Round on these bases would lock into place a series of policies that would all but guarantee a permanent divide between the economic wealth of the global North and the further impoverishment of the global South, and exacerbate economic inequality in nations across the globe.

In this regard, it is worth recalling the advice of Pierre Defraigne, director of EUR-IFRI of the Brussels branch of the French Institute of International Relations (IFRI) in Paris, and former deputy director general of the Directorate General for Trade at the European Commission in Brussels, Belgium. He is also the former head of cabinet for Pascal Lamy, European Commissioner for Trade and in that capacity he briefed the ETUC before the Doha WTO Ministerial Conference. Amongst his comments he noted that, whilst the EU had some of the best negotiators in the world, they were coming at things from the wrong perspective – a mercantilist one. In his view, they were too focused on winning a dollar for every dollar they conceded. Instead, he believed, they should be saying to developing countries: 'We want you to be trading partners who will be of real economic value to us in 20 years' time. So, we need to work with you in developing your capacities to become such trading partners.' That is the crux of my position.

Multinational Enterprises (I'll call them 'multinationals' from here on) are driving this corporate agenda forward worldwide. Multinationals such as US Archer Daniels Midland and Cargill seek to rewrite global rules on agriculture, to allow for more corporate consolidation in the food industry and higher corporate profits at the expense of food security. Global energy, water, financial, and other multinationals seek to use the WTO to impose global deregulation and privatization of essential, mainly public, services. They seek to slash international tariffs, starving developing countries of revenues that are essential in meeting public obligations, such as health care and education, and preventing countries from moving away from resource-extractive economies and becoming industrialized/modern economies.

The WTO has little credibility as an institution promoting growth and reducing poverty compared to the hype of a few years ago. Trade negotiators in Geneva concede that they erred in encouraging and supporting Mike Moore in his exaggerated claims about how much growth would come from trade liberalisation. They generated expectations that everyone now realises were unrealistic. Instead of promised gains, the economic conditions for huge chunks of humanity have deteriorated either as part of WTO agreements or in efforts to make countries ready for such agreements. The number and percentage of people living on less than $1 a day in Sub-Saharan Africa and the Middle East have increased while the percentage living on less than $2 a day has increased in these regions, as well as in Latin America and the Caribbean. Growth and the rate of poverty reduction have slowed in most parts of the world in the last decade. Many workers and peasants have lost jobs or livelihoods.

In the decades before the imposition of the Washington consensus, Latin America and Africa enjoyed respectable growth rates, but faced immense slowdowns as they embraced the policies imposed by the international financial institutions. In Africa, per capita income grew by approximately 40 percent from 1960 to 1980 – but actually shrank more than 10 percent in the following two decades. In Latin America, from 1960 to 1980, average per capita income grew by over 4 percent per year. However, in the following two decades, income per person grew by less than one half of one percent per year. Completion of the Doha Round on the current Northern agenda would only escalate these growth-stunting and poverty-exacerbating policies.

Of course, the Washington consensus has also caused economic problems in wealthy countries. During the WTO era, the U.S. trade deficit has risen to historic levels – from $130 billion (in today's dollars) in 1994 (the year before the WTO was created) to more than $764 billion in 2006. Soaring U.S. imports since the WTO's creation have contributed to the loss of nearly one in six U.S. manufacturing jobs and stagnation of wages despite rising productivity. I am aware that one has to be careful with figures such as these: the obverse of the WTO claiming to be a miracle worker is to blame all the world's ills on the WTO. But if you claim all the credit, you have to accept a lot of the blame.

Yet, although more sober thinking has started to emerge, the talk is still of guaranteed prospective future gains that will come from trade opening. Pascal Lamy, in relaunching the Round earlier this year, was insistent that the developing world had everything to win and nothing to lose (except short-term, perhaps) from the Round's conclusion. However, recent World Bank studies have found extremely limited possible gains from a "Doha Round" overall. The most likely Doha scenario the World Bank reviewed would yield benefits of a mere $54 billion to the world by 2015, with all developing countries receiving a meagre 16 percent of those gains. Put another way, it is a little less than one cent per person per day to the developing world, or about four cents per person per day to the world as a whole, and that will often be at the cost of losing ownership of and control over public services and many productive enterprises, with no hope of ever revisiting those decisions under WTO rules.

Worse, new research by the Carnegie Endowment for International Peace revealed that under the likely Doha scenario, a majority of poor countries would actually face net losses. These studies also showed that the alleged gains that are projected to accrue to Brazil and India would be largely concentrated in those countries' agribusiness and manufacturing industries respectively, while subsistence farmers – a much, much larger percentage of those populations – would face huge losses.

In a more recent Carnegie Policy Outlook, 'Breaking the Doha Deadlock'**,** Sandra Polaski argues that the new US Congress should re-examine the skewed U.S. proposal for settling the Round[1]. She demonstrates that the claim that developing country agricultural markets are closed to U.S. exports and must be prized open during the Doha Round is not supported by the facts. Polaski maintains that a favourable deal is available if the U.S. can find its way out of the corner it has backed itself into. Congress can and should help, in order to achieve benefits for the U.S. economy as a whole and the wider U.S. interests of global growth, stability and poverty alleviation.

[1] To read this Policy Outlook, go to: www.CarnegieEndowment.org/Trade**.** There is a direct link to a PDF version at www.CarnegieEndowment.org/ but that link was not working in later February.

Polaski argues that the Doha Round of negotiations at the World Trade Organization has reached a stalemate, with most countries blaming the deadlock on a U.S. agricultural trade proposal they see as offering little or no actual policy change by the U.S. while requiring maximum concessions by farmers elsewhere. U.S. negotiators have thus far refused to modify that proposal and the outgoing Congress supported their position. Or, at least, that was the position until recently and it remains to be seen whether the latest consideration by the US Trade representative on farm support mechanisms in the US will represent a real cut in support or simply reflects the much higher price for corn now that it is being grown for ethanol to feed cars rather than for feeding people.

However, only 4.5% of U.S. exports are agricultural while the overwhelming majority are services and manufactured goods. The deadlock means that the interests of most U.S. exporters are being held hostage to the interests of a small group of agricultural exporters; breaking the stalemate would be beneficial for the U.S. economy as a whole. The U.S. proposal may even be counter-productive to the interests of U.S. farmers. Future growth in world food demand will come primarily from rising incomes in rapidly growing economies like China and India. Those countries claim that the U.S. agricultural proposal could *reduce* incomes for their already poor farmers, which in turn would reduce demand for food imports, including from the U.S. I'll come back to that shortly when talking about the G33.

A primary area of contention, mentioned above, includes the reduction of tariffs on manufactured goods and natural resources – the focus of the Non-Agricultural Market Access negotiations (NAMA) in the WTO. In Hong Kong, a group of middle-income developing countries, called the NAMA 11 emerged to defend their interests in maintaining protective tariffs. The Doha Declaration mandates that developing countries are not obliged to 'give' as much in the negotiations as they 'receive'. In reality however, the current state of play in the negotiations would result in much larger tariff cuts for developing countries than developed countries. This will impede development and result in massive job loss in developing countries.

Many developing countries use tariffs to protect their emerging industries, to boost employment and facilitate development. Income from those sectors ultimately provides the resources needed to diversify, as well as to fund essential public services. The NAMA negotiations, if brought to a conclusion, could lead to the loss of millions of jobs in many developing countries. It will especially inhibit the development of those that have yet to create an industrial sector and may starve poor governments of needed resources. Again, one has to be careful with the figures here: one of the Pakistani negotiators in Geneva once told me that, when Pakistan cut some of its tariffs, revenue actually increased since the incentives for smuggling reduced in the face of the very different balance between tariffs and fines for smugglers.

Ironically, the same rich countries that used tariffs to protect their emerging industries for decades are now denying the developing world the same opportunity. This drastic tariff elimination proposal also poses significant threats to natural resources, most notably fisheries and forests. To withstand the growing pressure from the U.S. and EU to make further concessions in NAMA, the NAMA 11 countries – and other countries which would be affected – need to feel counter-pressure from civil society. Trade unions and OWINFS have been working, with fisher folk, forest-dwellers and others dependent on natural resources to build this pressure.

In an effort to protect their domestic agricultural markets, a group of developing countries, led by Indonesia and India and known as the G-33, reached a consensus that developing countries could use certain 'flexibilities' regarding tariff reductions in agriculture. These flexibilities would enable them to protect domestic crops from imports by enabling them to *increase* tariffs on products that experience import surges and would exempt them from applying tariff cuts on key domestic crops. These proposed policies in the WTO Agriculture negotiations are called Special Products and Special Safeguard Mechanism (SP/SSM).

The G-33's proposals on SP/SSM would allow developing countries to protect farmers' livelihoods, ensure food security, and promote rural development. This is key in so many poor countries whose populations are largely subsistence agricultural producers. The G-33 is facing increasing pressure from the North to give up these 'flexibilities' in the negotiations, in order to promote more market access for Northern agribusiness in poor country markets.

Early in 2007, at their post-Davos meeting in Africa, the G-33 noted that it was not willing to buy into the notion that lowering agricultural and manufactured goods tariffs would open their markets to developed countries' exporters, therefore 'balancing' the Round. They pointed to the fact that increased market access and lower tariffs were poorly correlated. More strongly correlated was the unsurprising fact that countries that had grown such that their people could afford imported food and manufactured goods were the ones in which increased market access happened. Polaski in her paper already quoted endorses this:

> 'Growth in agricultural exports into the developing world has been particularly strong in recent years, as incomes in China and other countries have risen. In fact, U.S. agricultural exports to China have grown faster than to any other market over the last ten years.
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> 'Overall, U.S. agricultural exports to developing countries now exceed those to wealthy countries and are growing at a faster pace … . In much of the developing world, countries that were net agricultural exporters a generation or even a few years ago are now net importers. This growth is occurring under current trade rules and current tariff policies of developing country governments. The United States has consistently been the top exporter of agricultural goods to developing countries as a group. In 2005, the United States exported three times as much as Brazil, the next largest exporter, into these countries' markets. The claim that developing country agricultural markets are closed to U.S. exports and must be pried open during the Doha Round is simply not supported by the facts.'

So, the current corporate agenda for agriculture, manufactured goods and fisheries and forest products is not necessarily good for development policies or employment. Let's look at services and development.

The European Commission frequently employs the argument that liberalising trade in services would be good for Europe on the basis that 70% of the EU economy is in services. The implication is that 70% of the EU economy would benefit from services liberalisation. But as Polaski in her paper cited earlier notes:

> 'The vast majority of both U.S. and world trade is in manufactured goods and services, not in agriculture. Globally, less than 7 percent of world trade is in agricultural products. About 60 percent is in manufactured goods, while about 20 percent is in traded services.'

That last clause is the key: it is not a matter of what the domestic economy is like but what the traded economy is like. It is difficult to trade services in hairdressing, dry-cleaning, domestic cleaning services, plumbing, household electrical services, etc. Northern workers and consumers are being encouraged to support services liberalisation on the basis that it will be massively good for services workers in those countries when the truth is that it will largely be of benefit to businesses whose services such as data-processing and call centres can be outsourced.

Yet, in pushing for services liberalisation under the GATS, the EU and other Northern governments are risking two things: that the ownership of and control over public services and other essential services (such as financial services) will be held by multinationals, not by host sovereign governments; and that, if a government makes a GATS commitment now in the desperate hope that this will bring investment and therefore services to urban slums and rural communities (which, by the way, evidence suggests, rarely happens), that government is forbidden for all of eternity from reversing that decision to bring the service back into public hands or under public control. GATS proponents will tell you that GATS has a clause that allows such a reversal but they don't tell you that no-one has ever been able to do it because of the huge costs involved, costs that mean that to win this service back, you have to offer up something equivalent to pay for it. In other words, developing countries are being told that, if they don't have their own functioning public services now (and/or if they liberalise them to get FDI), they will never be allowed to develop what people in the North have created and often struggle to retain.

So, GATS is not about development. Is it employment-friendly? The evidence is that, where services can be offered across borders (GATS Modes 1 and 2), the services will stay in the North and locals will not develop these skills. Where actual investment occurs (Mode 3), the pattern is that research and development centres remain in the North and that the services that are developed are often for the cream skimmable urban elites. Public sector employment is cut – as witnessed in the education and health services cuts in much of sub-Saharan Africa.

None of the above is a secret. Neo-liberals know that they have a big selling job on their hands. At the WTO Ministerial Conference in Hong Kong in December 2005, the idea of a 'Development Package' was announced and touted as a way to boost development in least developed countries (LDCs). Yet it could actually leave some LDCs worse off, according to a report released in Hong Kong by ActionAid International and Public Citizen's Global Trade Watch division. The report[2], available at http://www.citizen.org/documents/development_package.pdf, helps explain why the package - which was an attempt to revitalize the stalled Doha Round of negotiations - had not helped revive a WTO expansion that is opposed by many developing countries.

The 'Development Package' proposal offers something most least developed countries already have and could leave many worse off because the United States could deny duty-free access to some of the countries' most important exports.

'We from the developing countries and in particular, the LDCs, are very concerned that the two important powers, namely the European Union and the United States, are not able to come up with some common language on development issues, agriculture and market access,' said Love Mtesa, Zambia's ambassador to the WTO, who participated in a telephone press conference about the report. 'What is required, therefore, is for the two big powers to ensure that they include the developing countries, especially the LDCs, in all the negotiations so that together we can come up with something that will be in the interest of the developing countries and LDCs.'

The report reviews the practical implications of the 'Development Package' by examining the duty-free market access scenarios promised in the package. LDCs were promised that 97 percent of their exports to rich countries by tariff line would be given duty-free access if the Doha Round were completed. The report also looks at the 'aid-for-trade' promises in the package's terms.

'Given that only four of the WTO's 32 least developing countries are not already eligible for duty-free treatment on more than 97 percent of their exports to the United States and that data from the World Bank and other research organizations show that many LDCs will not gain much or indeed will be net losers under the terms being proposed at the Doha trade talks, it's not surprising that a majority of WTO countries oppose the Doha Round agenda,' said Lori Wallach, director of Public Citizen's Global Trade Watch division at the report launching.

Among the report's key findings:

- Of the 32 LDC WTO signatory nations, 27 already have or could have under current policy duty-free access to the United States' market on more than 97 percent of their exports under WTO most-favoured nation (MFN) rules or various unilateral preference programs.
- Only four least developed countries - Bangladesh, Cambodia, Maldives and Nepal - are not already eligible for duty-free treatment on more than 97 percent of their exports to the United States. However, the textile and apparel exports of these four countries that do not now obtain duty-free entry are precisely the categories that the United States seeks to exclude in the 3 percent of tariff lines on which the United States would not be required to provide duty-free entry under the package's terms.
- The 'Development Package's' provision that allows the United States to decide what products would be excluded from duty-free access 'defined at the tariff line level' means that the United States could select products to exclude so that minimal additional market access would be provided under this proposal. Already, of 1,538 products worth $16.3 billion that LDCs export to the U.S. market, 1,007 worth nearly $11 billion are automatically duty-free under either WTO MFN rates or preference programmes such as the African Growth and Opportunity Act (AGOA), the Caribbean Basin Initiative (CBI) or the Generalized System of Preferences. Of the remaining 531 exports, nearly $1.3 billion worth also enters duty-free by meeting the rules of origin conditions of preference programs such as AGOA and CBI, while the remaining $4.4 billion worth is subject to a duty. By focusing the 3 percent exclusion on

[2] 'The WTO's Empty Hong Kong "Development Package": How the World Trade Organization's 97% Duty-Free Proposal Could Leave Poor Countries Worse Off

the tariff lines under which the greatest value of LDC exports enter the U.S. market, the United States could maintain tariffs on a significant share of total LDC exports that now face tariffs.

- While many poor countries export a variety of products to the United States, their export earnings may be concentrated in only one or two products. For example, the LDC members of the WTO as a group exported 1,538 products worth a collective $16.3 billion to the U.S. market in 2005. Under the 3 percent carve-out, as many as 46 of these products could be excluded from coverage. The top-selling 46 items (i.e., the top 3 percent of tariff lines among the 1,538 different products) accounted for 92 percent of the total value of the LDC exports, or $15 billion.
- A 97 percent duty-free offer that focuses solely on the products that LDCs currently export to the U.S. market, as the 'Development Package' proposal is written to do, would leave intact the majority of U.S. tariff peaks.

Aileen Kwa, Focus on the Global South, has argued in an essay circulated on the OWINFS list serve that history does not seem to have changed, that we seem to be reliving the end days of the Uruguay Round negotiations. She asserts that poverty in Africa has doubled in the past 25 years under structural adjustment policies. UNCTAD has shown that, even in the recent years, when some developing countries have experienced positive economic growth, and increased exports, poverty has not declined. In the Comoros, Malawi, Mali, Tanzania and Zambia, GDP growth has not translated to higher consumption per capita; i.e. no decrease in poverty[3]. Harvard's Dani Rodrik concludes, too, that poor African countries can grow, but they cannot seem to sustain their growth[4]. This is probably connected to the finding of UNCTAD economist S.M. Shafaeddin, who cites the examples of Jamaica, Ghana, Colombia, Uruguay and Paraguay – all countries that have had high or moderate levels of growth rates in exports in the recent years, but have had negative manufactured value added (MVA). That is, even as countries are growing in exports, there has been a process of de-industrialisation. Ghana's MVA was at -3.5% during the 1990s, indicating severe deindustrialisation[5].

Carlos Braga, Senior Advisor in the World Bank's International Trade Division gives some qualified backing to critiques of a mercantilist position[6] in a paper which is otherwise supportive of the traditional Bank view that trade liberalisation is good for developing countries:

> 'It is also worth noting that the "mercantilist motor" of the multilateral trade system is in trouble. The original logic of multilateral trade negotiations was that negotiators would trade tariff reductions. Even though theory tells us that unilateral liberalization is generally a good thing for small economies, the political economy of the process is such that reciprocity becomes a useful lever. Trade liberalization is then presented as the price to be paid for new access to other markets. This model, which served the multilateral trade system well in the past, is coming under pressure for the following reasons: (i) 'mercantilist' calculations are much more complex when regulatory issues are involved; (ii) much of the low-hanging fruit was picked in previous rounds, and what protection remains is in sensitive areas where political risks of confronting concentrated vested interests are high (for example, would European governments be able to claim that new market access in the South is adequate compensation for the feared impact on the rural economy arising from liberalization); and (iii) many developing countries have become increasingly risk-averse in agreeing to new concessions, reflecting the perception that they got a bad deal in the Uruguay Round. In short, the incentives to 'free-ride' on the public good of the multilateral rules-based system have increased, weakening the appeal of engaging in reciprocal concessions.'

Some of you will be familiar with Ha-Joon Chang's book 'Kicking away the ladder'. In it, he essentially looks at two aspects of this debate:

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[3] UNCTAD 2006 LDC Report

[4] Rodrik D, January 2006, 'Goodbye Washington Consensus, Hello Washington Confusion'.

[5] Shafaeddin S.M. 2005 'Trade Liberalisation and Economic Reform in Developing Countries: Structural Change or De-Industrialisation?' UNCTAD Discussion Papers No. 179 April 2006.

[6] Carlos A Primo Braga, 'The Free Versus Fair Trade debate: implications for the Doha Development Agenda' a paper prepared for the Annual Conference of the "Instituto de Direito do Comércio Internacional e Desenvolvimento," São Paulo, Brazil, May 22-23, 2006.

- For each of the kinds of policies examined above, he asks whether they work in promoting sustainable growth and development. Unsurprisingly, he answers: ‘It depends.’ It depends on context, sequencing, resources, level of development, etc. It is not true that none of these policies are ever of any use.
- Whether these policies work or not, given that the North says that ‘this is way we developed’ is that true? No, it is not. Take any of the modern miracle cures and the North flagrantly flouted every one of them as, behind the fortresses that protectionist policies erected, infant industries were nurtured and grown. The ‘modern’ policies were only instituted when these industries were ready for global competition.

Put all of this together and it is clear that the South is right to want to have more time, not to have to liberalise, cut and commit until they are ready. Most trade developments and most development has occurred outside of the WTO and developing countries should retain their policy space so that they can move at the speed and in the direction that suits their own needs. It is here that union bodies such as COSATU and CUT Brazil have shown the way. Their answer is not to reject new polices and liberalisation out of hand but to use industrial and employment strategic analyses to work out what the country needs and where it should make the first move:

- What skills and industry development play to our strengths?
- What skills, resources and new industries will we need in the next ten to twenty years?
- If we make a concession in X, what impact will that have on up/down-stream industries that we currently have or will need for our future mix?
- Given the above, what do we need to be doing about skills development, training, new technology, etc. so that we have a workforce that is sustainable?
- Etc.

Trade in itself is not the problem: it is having to fit in with a set of multilateral trade rules that have been designed for corporate purposes that is the threat to national sovereignty, development and employment. In fact, many developing countries could develop mutual strength and advantage by increasing their trade with other countries of the South in cases where each would gain future tare strength.

As I noted at the beginning, I am not a development economist but it has been put to me by people who know better than I that there has often been sequencing in industrial development. A largely rural or informal workforce does not take naturally to factory/industrial work organisation and often does not have the work discipline and factory skills necessary for a secure manufacturing base. Often, the first moves into industrialisation have been in quite low-tech sectors such as textiles. Just think about nineteenth century Britain or twentieth century Bangladesh or twenty first century China. Textiles were the stepping-stone to more advanced sectors.

Yet both modern technologies and WTO agreements such as the Multi-Fibre Agreement have knocked this first rung out of the ladder. The removal of tariffs under NAMA and the AoA threaten to stifle what incipient industry there is and all services developments would now be held and controlled from abroad. This is not an employment/development-friendly model.

To compound the issue, free trade proponents often (pretend to?) confuse two other issues:

- It is assumed that GNP growth is evenly spread, so that arguments that ‘our country has benefited from trade’ are often taken to suggest that workers and peasants have benefited from trade. Not always true.
- It is assumed that work=employment=jobs=livelihoods yet these four things are all different. Many women work – but get no pay for it. Many people have ‘jobs’ but no employment, trapped in the informal economy with no security of any kind – and many of the trends described above are shifting people from employment to such informal jobs. For many people – perhaps the vast majority in many developing countries, they do not see what they work at as a job or employment but as a livelihood. Helen Clark, New Zealand Labour Prime Minister, whom I admire in many ways, fell into this trap a year or so ago in criticising the EU (mainly French) approach to agriculture support mechanisms. She tossed aside the ‘spurious’ claim that the French are protecting livelihoods rather than farming jobs. It may be true that many Kiwis regard farming as a job (or are employed as agricultural workers) but the French really

> do see the agricultural/rural matrix as a distinct livelihood that contributes to essential French values and culture. The massive emptying of the countryside that is going on in India, Korea, Indonesia, etc as farmers can no longer compete with foreign rice imports is so devastating to a whole way of life that it is no surprise that people talk of 100 000 Indian farmers having committed suicide because their whole world's meaning has collapsed from under them.

With respect to this latter point, it may well be true (it is: we argued with them) that the authors of the World Bank's World Development Report 'Making Services Work for the Poor', really did believe that 'buying' a health service is no different from buying a sandwich or a samosa in the informal market (yes, they really did say that!), but they clearly have no conception of the insecurity and precariousness of working in, buying in and living in the informal economy.

Polaski again. Northern interests often assume that jobs are just jobs and that a rational global market efficiency argument justifies the access of agricultural products into developing countries, as if people in these countries are only interested in **buying** food rather than **producing** it as a means of keeping communities - or whole countries alive:

> 'Many developing countries' economies are still dominated by the agricultural sector, measured as a share of GDP, employment, or both. For developing countries as a group, agriculture accounts for 55 percent of employment. In very low-income countries, the share rises to 68 percent of employment. Contrasting that huge share of livelihoods dependent on agriculture with the United States, where less than 2 percent of employment is in agriculture, illustrates the critical importance of this sector to the overall economic health of these countries. In particular, it will largely determine their prospects for improving incomes, reducing poverty, and gradually making the transition to modern agriculture and modern economies. They face far more consequential dislocations from agricultural trade liberalization than does the United States. Their concerns deserve to be treated much more seriously.'

Further, she notes:

> 'The defensive interests of developing countries have proved particularly nettlesome in the negotiations. A group of countries with large concentrations of households subsisting on small-scale agriculture have joined together as the Group of 33 (G33) to deal with concerns that, if they are forced to open their agricultural markets too quickly, large numbers of poor farmers may be displaced before manufacturing and other jobs can be created for them. They are also concerned about fully opening their economies to the well-known volatility of world agricultural prices, because they lack the fiscal resources to manage the impact of price swings and their poor households are little able to bear the resulting price shocks.'

At the time that I was finalising this presentation, the joint ILO-WTO study 'Trade and Employment: challenges for policy research' had just been released. I had not had time to read the full paper and have seen only the ITUC summary and brief reactions. However, it would appear that unions and labour researchers might need to follow this up both with research in the areas that the ITUC suggests and with critical analyses of some of the arguments.

In response to the study's conclusions, the ITUC notes:

> 'All in all, the paper puts together a considerable number of research outcomes that support many points of trade union analysis regarding trade and employment (i.e. with regard to the danger of negative distributional effects from trade; the use by employers of the threat to transfer production, as a tool in collective bargaining to keep wages low; the importance of paying attention to the pace and level of liberalisation; the potentially high adjustment costs; the need for accompanying policies such as social safety nets and ALMPs (active labour market programmes); and the need for policy coherence between trade and social policies).
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> 'The paper raises a number of additional areas that need further investigation such as the effects of trade reform on informal employment relationships (and whether there is evidence for trade liberalisation leading to shifts from formal to informal work, or the opposite), on the effects of trade openness and FDI on freedom of association, on the right set of adjustment and

accompanying policies ("what works and what doesn't"), and on the need for, and design of, redistribution policies.

'The paper does not address some issues that are of key importance and that require further focus and research, including EPZs, gender, the effect of China on wages and employment in other developing countries, and the impact of trade liberalisation on the quality of employment.

'Neither does the report address the fundamental issues of whether trade can in some cases cause a reduction in output and growth not just sectorally but on an aggregate basis at national level, hence jeopardising any positive employment outcome; and what forms of trade policy are most geared to achieving the optimal development outcomes.

'Nonetheless, the publication of the paper heralds an important start in ILO-WTO cooperation, as called for in the recommendations of the World Commission on the Social Dimension of Globalisation, and perhaps starting to give effect, for the first time, to the provisions of the 1st WTO Ministerial Conference of 1996 regarding the need for ILO-WTO collaboration. There is a need for further joint work to pursue the areas for further research referred to in the report and those indicated above.'

We have a large and long research agenda. I look forward to working with some of you on that in the future.

Thank you.