

## ***FREE TRADE AND EMPLOYMENT***

### ***Lowering tariff barriers and improving working conditions: utopia or necessity?***

#### ***Summary of the conferences and discussions on Friday, September 19, 1997***

<b>Chair:</b>	<b>Madam Rome Italia Johnson</b> Speaker of the House of Assembly, Commonwealth of the Bahamas
<b>Vice-chair:</b>	<b>Mr. Christos Sirros</b> Member of the National Assembly of Québec
<b>Speakers:</b>	<b>Mr. Vicente Paulo da Silva</b> President of Brazil's Unified Workers' Confederation (CUT)
	<b>Mr. Pierre Fortin</b> Professor of Economics, University of Québec in Montréal
	<b>Mr. Jorge Ramírez-Ocampo</b> Manager, CENMAR S.A., and Coordinator of the Americas Business Forum, Cartagena, Colombia (1995-1996)
<b>Secretary:</b>	<b>Madam Suzanne Langevin</b> National Assembly of Québec

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*Mr. Vicente Paulo da Silva has been President of Brazil's Unified Workers' Confederation (CUT) since August 1994. He participated in its foundation, on August 28, 1983, and then became President of the first regional labour organization of the CUT in Brazil. In 1991, he was elected to the national executive of the CUT. Since November 20, 1995, Mr. Silva has been exercising the duties of President of the Inter-American Institute for Racial Equality.*

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Mr. Silva began by emphasizing the importance of conferences such as this, but believes that they should be more democratized. He gave the example of Mercosur, where workers are represented, but where employment, social issues and cultural issues have not yet been discussed. Despite a strong increase in economic relations between the two large countries of that group, namely Argentina and Brazil, modernization measures do not mean anything if social factors are not taken into account. Over the past eight years, more than 25% of the jobs have disappeared and there is no solution to this problem of structural unemployment. Such results cause a rapid breakdown of the social fabric.

Taking the example of NAFTA, Mr. Silva noted the disappearance of one million jobs and the dropping of wages in Mexico. It is therefore crucial to begin a debate in order for free trade to also produce social results. The participation of workers in this debate will be capital, not only so that they will be informed of the decisions made, but also to enable them to defend their rights and promote the project of a social charter. The economy must definitely grow, but also this growth must rely on the workers. Moreover, the union movement must be jointly responsible for growth and propose alternatives in order for globalization to fulfill the aspirations of the populations. This globalization must enhance international exchanges instead of nationalizing poverty, and must not leave the decision-making power in the hands of the wealthy. We must also globalize rights, as well as culture and hope.

Parliaments are a little on the sidelines of this major debate, either through lack of interest, or because they are excluded from it. If the union movement does not participate in this debate, it is not due to a lack of interest, but rather because it has been excluded from it at the risk of damaging a democratic process that is in full expansion. Therefore, a debate must be undertaken, directed toward the future, otherwise it will be observed that Man, who will soon be able to travel to Mars, is not yet able to resolve his own contradictions, nor problems such as hunger, the right to citizenship and the right to life.

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*Mr. Pierre Fortin is a Professor of Economics at the University of Québec in Montréal. He has many articles to his credit in scientific reviews in Canada and abroad, in the area of economic fluctuations, growth and employment. In 1997, he was the recipient of the Purvis Prize, awarded to the author of the best recent book or article in the field of political economy in Canada. He was President of the Canadian Economics Association in 1995-1996 and an advisor to the Finance Minister of Canada as well as to the Prime Minister of Québec. He is a member of several boards of directors of companies and community organizations.*

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At the outset, Mr. Fortin pointed out that he was presenting a North American perspective on the question of free trade and employment. During the 1990s, Canada's economic situation was characterized by a very weak level of employment and an increase in social inequalities. However,

these two phenomena are not the result of free trade.

From 1989 to 1996, Canada was the only OECD country to experience a decrease in its standard of living. In contrast, before 1990, Canada's performance in the area of employment was exactly the same as that of the United States. In 1997, it was 7% lower. The NAFTA and the agreement that preceded it, the Canada-United States Free-Trade Agreement (FTA), nevertheless have no connection with this trend. During the same period, there was a 200% increase in Canadian manufacturing exports in sectors other than that of the automobile, which had already been subject to a free trade agreement for thirty years. This was also reflected in total exports, which underwent remarkable growth during the 1990s, rising from 26% to 39% of GDP. As a result, far from hampering the expansion of the Canadian economy, the NAFTA instead prevented the major recession that occurred in Canada during those years from being transformed into a depression. The causes of the deterioration in Canada's employment situation must therefore be sought elsewhere. Rather, it was apparently the result of an extremely restrictive monetary policy on the part of the Bank of Canada, which set the objective of attaining a much lower inflation rate than that in the United States.

Secondly, the hypothesis that the liberalization and globalization of trade caused increasing social inequalities in North America cannot be seriously upheld either, in view of the fact that these inequalities exist in all sectors of the economy and not only in the sectors exposed to global competition. On the other hand, the technological hypothesis appears much more plausible to explain the increasing of inequalities. Indeed, the new technologies call for more knowledge and skills, which require a higher level of education. As evidence of this, the increasing of inequalities was much more pronounced in the United States than in Canada, where the level of education rose substantially, whereas it fell in the United States.

In conclusion, while the United States have obtained better results than Canada in the area of employment, by placing the emphasis on sustaining employment rather than on reducing the rate of inflation, Canada did better than the United States in the area of wage inequalities thanks to its progress in the area of education and job training.

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*Monsieur Jorge Ramírez-Ocampo is currently exercising the duties of an administrator within the*

*Colombian enterprise CENMAR. He is also Chairman of the Board of Directors of the Sudameris Bank, Columbia, and President of the Colombia-United States Management Council. He is a member of many Boards of Directors as well. From 1991 to 1997, he was President of the National Exporters' Association. In 1995 and 1996, he exercised the duties of general coordinator of the Entrepreneurs' Forum of the Americas, held in Cartagena in March 1996.*

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In the view of Mr. Ramírez-Ocampo, the Parliamentary Conference of the Americas provides an excellent opportunity to encourage integration of the Hemisphere, and to involve parliamentarians in this undertaking, since they are the ones, ultimately, who must support or discourage the efforts toward this integration.

In his opinion, it is unfair to consider the integration process to be responsible for the elimination of jobs and for wage reductions. On the contrary, integration is the quickest way to improve and create jobs. He is thus in agreement with the thesis of creative development put forward by Schumpeter. According to this thesis, progress is initiated by competition, which then encourages technological development, which causes jobs to be lost, while at the same time making possible the creation of other jobs. He gives the example of the mule-drivers, who played a key role in the economic life of Colombia in the last century. With the arrival of airplanes and the development of roads, the mule-drivers disappeared. If Colombia had remained as it was, based on mule-drivers, the opportunities to educate children would not have existed, and many people would still have low-paid exhausting jobs.

By opening up wider markets, which make possible the development of new technologies, economic integration contributes to job creation, while favouring better income distribution. But this integration cannot be successful unless it is accompanied by a series of fundamental structural reforms such as the reduction of customs duties, the changing of labour standards that can hamper job creation, and the simplification of administrative procedures.

It is true that in the 1980s, Latin America underwent a pronounced deterioration in terms of income distribution, because of macroeconomic policies operating in the context of a closed economy. On the other hand, during the 1990s, the opening of the economy instead generated a better distribution

of wealth, with the poor registering a 10% increase in their share of income.

The processes of globalization and integration are irreversible. Nevertheless, in order for them to be effective and not to hamper income distribution, greater effort must be devoted to social policies, particularly to education. Similarly, technological development must not be halted, but on the contrary encouraged by increasing the flexibility of labour standards. Finally, it is indispensable that the policies on integration aim to attain an equitable distribution of the benefits between workers, consumers and enterprises. For this purpose, the participation of all the vital forces, including labour unions, enterprises, Parliaments and governments, must be assured.

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### ***SUMMARY OF DISCUSSIONS***

The vast majority of the participants in the discussion agreed on the fact that the integration process is irreversible. However, there was not a consensus as to how to proceed with this integration. It is not so much the process of integration that is called into question, but rather the neo-liberal framework in which it is taking place.

Currently, an increase in destitution is being observed in Latin America, where 50% of the population live in poverty and 20% in abject poverty. In the view of certain participants, it is false to pretend that integration is not responsible for this situation, as the World Bank has recognized that Latin America was forced to open its markets when it was not ready to do so.

The creation of a free-trade area of the Americas will require that the heterogeneity existing between the levels of development of the participating countries be taken into account. Indeed, among the 35 countries in the Hemisphere, some are highly developed, some are getting by as best they can, whereas others, such as Haiti, number among the poorest on the planet. Therefore, there are countries for which integration threatens to be very difficult. In order that the opening of markets may also benefit the least well-to-do, it must be done in such a way as to favour a fair redistribution of the wealth or profits. For the Latin American countries, the foreign debt constitutes a huge burden to bear. Solutions must therefore be found to help these countries, particularly through the creation of compensation funds.

Secondly, it is fundamental for all social actors, and particularly for the representatives of workers, to be present and to participate fully in the talks toward the creation of this free-trade area. Several participants thus deplored the fact that the major management associations were invited to the talks concerning free trade, whereas the other social actors were excluded. It would therefore be appropriate to strengthen the participation of labour unions and to build their legitimacy. Several participants emphasized the need to adopt a social charter through which to entrench the rights of workers and of the populations in general.

Thirdly, it is also necessary to redefine the role of the State in order for it to properly assume certain functions that prove indispensable, particularly in the areas of social policy, the redistribution of wealth, and education. This constitutes a determinant issue for the future.

Finally, the parliamentarians also have an essential role to play in this process in order that the populations not be despoiled of their rights, and so that their concerns and demands may be taken into consideration.