

FREE TRADE AND EMPLOYMENT

A parliamentarian's challenge: accommodating workers' rights and employers' interests

Summary of the conferences and discussions on Saturday, September 20, 1997

Chair: Mr. Luis Molinari Romero

President of the Chamber of Senators of Córdoba
Vice-Governor of Córdoba

Vice-chair: Madam Diane Barbeau

Member of the National Assembly of Québec
Assistant Whip of the Government

Speakers: Madam Céline Hervieux-Payette
Senator of Canada

Mr. Jorge Roig

Member of the Chamber of Deputies of the Republic of Venezuela

Secretary: Mr. Christian A. Comeau

National Assembly of Québec

Madam Céline Hervieux-Payette is a Senator of Canada. In 1979, she was elected to the House of Commons. She has subsequently held the positions of Parliamentary Secretary to the Solicitor General of Canada, Minister of State for Fitness and Amateur Sport and Minister of State for Youth. In 1995, she was appointed to the Senate by Prime Minister Jean Chrétien, where she currently sits as a member of the Committee on Banking, Trade and Commerce. In 1997, she became Associate Governor of the University of Montréal.

Madam Hervieux-Payette recalled that as early as 1948, at the time of the first GATT agreements, Canada was showing itself to be favourable toward the liberalization of trade. More recently, in 1994, in Miami, it undertook to respect the objectives of the Summit of the Americas. She saw several economic advantages for the community in free trade, particularly in the area of job creation. It is estimated that each additional billion dollars in exports represents about 15,000 jobs in Canada. This is what motivates the country to liberalize its trade with Latin America and the Caribbean.

Free trade also involves some less positive aspects, particularly with regard to its impacts on the quality and quantity of jobs. From the gains made in certain sectors of economic activity, one must deduct the losses of jobs that occur in other sectors. Also, the victims are most often workers with few qualifications, for whom it is difficult to find a new job in another sector of activity. Thus, Madam Hervieux-Payette believes that parliamentarians must especially take interest in the labour-force adjustment measures in the declining economic sectors in order to enable the workers to increase their opportunities for finding a new job. By accelerating the adaptation of workers, their chances of finding employment quickly can be greatly increased, thereby reducing the social costs of unemployment. She also alluded to the adjustment measures, both active and passive, that many countries have already implemented.

Elected officials may, in her opinion, contribute substantially to the harmonious instigation of free-trade policies. Through their functions, they can act directly on labour-force adjustment policies, by bringing in changes and by ensuring that the programs enjoy sufficient funding, by ensuring that these resources are distributed optimally, by seeking to consolidate partnerships and by recommending paths of action that will be better able to fulfill the adjustment needs of workers.

Mr. Jorge Roig is a Member of the Chamber of Deputies of the Republic of Venezuela. He was coordinator of the parliamentary wing of "La Causa Radical" in the Finance Committee and President of the Committee on Culture of the Chamber of Deputies. He is currently responsible for the parliamentary section of "La Causa Radical". A former Secretary of the Venezuelan Confederation of Industry, he is founder and director of the Venezuelan Association of Executives.

Mr. Roig emphasized the importance that the theme of free trade and employment will take on in the coming years and recalled that the target date of 2005 constituted the deadline for the process of integration in the Americas. In his view, the different agreements in effect, in the North as well as in the South, have not yet produced the expected results. Overall, the volume of exports has increased,

but at the same time there has been a reorientation of export markets. The members of Mercosur, for example, have registered an increase in intra-regional exports, but have seen a decrease in their exports toward the Asian markets. Although it is difficult for the moment to measure accurately the real impacts of free trade, he believes that the agreements have been a success on the economic level.

In contrast, the reverse is true of the social dimension of free trade. The promises regarding the increasing wealth of workers and better living conditions are far from having become a reality. Mr. Roig believes that the increase in economic exchanges has occurred to the detriment of social integration and that this is the major challenge that awaits us. Social integration consists in the capacity of States to conclude other types of agreements and to arrange it so that economic integration is compatible with the social policies existing within the different countries.

SUMMARY OF DISCUSSIONS

The speakers as well as the participants acknowledged the inevitable nature of hemispheric economic integration. While some expressed reservations or concerns about this process, no one expressed a systematic rejection. In actual fact, the Americas have already been in a process of economic integration for several years; one need only think of the NAFTA, the Canada-Chile Agreement, Mercosur, CARICOM, the Andean Group and the Group of Three.

Free Trade in the Americas raises as many hopes as concerns. One of the first expected outcomes of free trade is a general improvement in efficiency on an economic level. The liberalization of trade enables producing countries to realize gains in efficiency by specializing in the production of goods that can be manufactured at a relatively low cost and by importing those that are relatively expensive for them to produce, thereby creating jobs in the economically weaker countries. In economic terms, the free-trade agreements have already produced positive results for the participating States.

According to one speaker, this specialization must also allow economies of scale for manufacturers. The gains in productivity and the reduction of production costs have an impact on real income, which stimulates investment and job creation. The evaluation of the net effects on the employment rate cannot be measured with precision, but the Canadian experience in the framework of the NAFTA demonstrates that while free trade brings about increases in jobs in certain sectors, it also causes job reductions in other sectors.

On the other hand, economic integration, profitable as it may be, must not lead to social disintegration, particularly where employment is concerned. For South America, the positive effects — other than commercial — of the free-trade agreements are still being awaited. With regard to the quality of justice, public administration and property rights, a slight overall improvement is noted, whereas in the North, just as in the South, the gap between the rich and the poor is widening.

It was also pointed out that integration must not be accomplished to the benefit of a minority and to the detriment of an increasing number of people who are left out. In the United States, the richest country in the Hemisphere, if not on the planet, the acceleration of economic activity in recent years has generated many jobs, and yet real wages are lower than those that were paid ten years ago.

Canada is registering a similar phenomenon. Exports toward the United States have increased by 37% while 800,000 jobs have been lost. Over the past ten years, qualified Canadian workers aged 18 to 45 are also reported to have lost 15% of their purchasing power. Hence, globalization appears to be causing a transfer of investments toward the countries where wages are lowest.

Nevertheless, it was pointed out that the cost of labour is not the only factor determining the location for the installation of an enterprise. Some participants considered that the Mexican electronics sector, which is in full expansion, was a good example, as this sector requires high technology, a qualified labour force and high productivity, on account of the stringent quality control measures.

Others emphasized that these data must be placed in their context and recalled that in the exporting Mexican plants, 95% of the material resources utilized are imported. Hence, despite the qualifications of the labour force and Mexican productivity, the cost of labour would indeed appear to be the determining factor.

What measures can be envisaged to enhance the respect of workers' rights and the protection of the environment? In addition to the international quality standards, which give value-added to products, could we not add to this a social value-added? Can we hope to include a Social Charter in an eventual common market of the Americas? It came out in the debate that the adoption of a Charter of Social Rights of the Americas would be more difficult to achieve than in Europe. The European partners have the advantage of more homogeneous levels of economic and social development. In this regard, the disparity among the partners in the Americas makes it quite difficult, at least in the short term, to define common criteria in this area.

Economic integration boosts trade, but does it have a multiplier effect? Is this increase in trade real, or is it not done to the detriment of other trade zones? For the time being, at least, sufficient data do not exist to determine who are the winners and who are the losers. Apparently, there are both inter-area transfers and a net multiplication of trade.

The assembly raised questions about the impacts of free trade on the economies of the smaller States. The latter are most often characterized by a lower level of production and a less diversified economy. They are therefore more sensitive to the effects of competition and have greater difficulty in adapting.

The first adaptation effort depends on education and job training, as a well-educated labour force can change jobs and renew itself more easily than one composed of unspecialized workers. It allows for a greater diversity in the economy by giving access to the secondary and tertiary sectors.

The smaller States often have a policy of protecting their economies through tariff barriers. The opening up of borders and the global trade agreements tend to make this practice disappear and to penalize those who seek to maintain it. The integration of smaller States in a larger American whole could take inspiration from the European model. The members of the European Union have adopted a policy of positive assistance to facilitate the integration of certain States within the Union. Several participants spoke of the creation of a social and educational development assistance fund. This equalization fund would be a contribution from the rich countries toward their less favoured partners, who nevertheless contribute to the collective enrichment.

The States must make a choice in the orientation of their development. Do they prefer a single investment of 600 million dollars, or 600 investments of one million dollars each? Several participants instead considered that a multiplicity of sources of investment must be favoured, thereby diversifying production as well as export markets. The governments must create economic and fiscal conditions more favourable for small and medium businesses.

Will free trade be an obstacle to unionization, or will it be an instrument of its involuntary promotion? Free trade is not primarily an ally of unionization, particularly in countries where the movement is less developed. The role of unions must be different from what it has been until now. They must have better-trained advisors available to them. The future of unionization in a free-trade oriented economy perhaps lies in its sectorialization. The example was given of Québec and Alberta unions that have associated themselves with development through the creation of a risk capital fund.

Parliamentarians, both from national Parliaments and from federated States, have a major and crucial responsibility in succeeding with the inevitable integration of markets. It is their duty to be aware of the decisions, or even to anticipate them. They are the ones who vote in laws and control their enforcement. The labour laws, and the social security and environmental protection measures must be adjusted rapidly to the reality of markets. Ironically, it was pointed out that the discussion brought out all the importance of education and job training, whereas everywhere Parliaments have reduced spending in these fields.

It would no doubt be beneficial to parliamentarians from the States participating in a free-trade agreement to equip themselves with institutions enabling them to pool their experiences.