

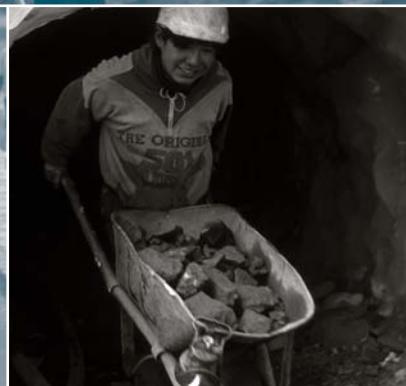
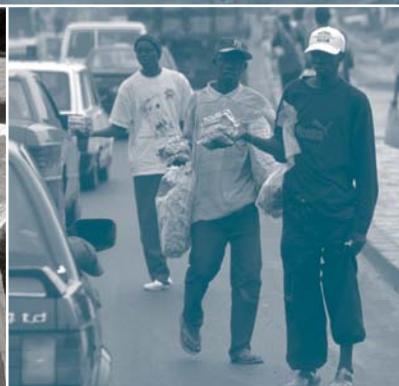
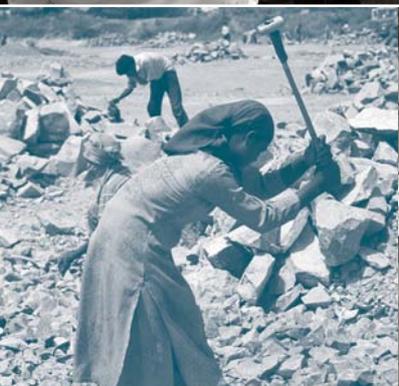


# TRADE AND TRADE UNIONS



**A TUC fact file and activities  
pack for trade union tutors**

NOVEMBER 2005



# Acknowledgements

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International trade and the rules that control it can often seem too complicated, too remote or just too boring to take an interest in. Yet it affects our lives in multiple ways: what we eat, the clothes we wear, the vehicles that transport us, the prices we pay for all of them, and, crucially, what jobs exist where and the wages we earn.

Trade is one of the key drivers of economic development – it is largely through trade that today's industrialised countries developed – but finding yourself on the wrong side of the global trade divide or adopting the wrong trade strategies can devastate a country's chances of developing and can drive down workers' rights.

Trade unions and trade unionists therefore need to be concerned with trade and trade policies because of the impact they have on us individually and our workplaces, and also out of solidarity with our sisters and brothers around the world. In an increasingly globalised world that is characterised by rapid liberalisation and inequality between developed and developing countries, it is vital that we renew our efforts to make sure that trade benefits all rather than a small elite.

This Fact File is particularly timely as it is published during 2005, the year in which the Make Poverty History coalition has mobilised an unprecedented number of people in the UK and globally. Trade unions, NGOs, faith groups and others are demanding that world leaders take action to deal with global poverty by cancelling developing country debt, increasing and improving aid and creating a fairer trade system. Only by taking these steps will millions of people be able to gain decent jobs, access to healthcare, education and essential services. It is also timely as the World Trade Organisation – the body that sets the legal rules for global trade – is due to meet in late 2005 and make agreements that will affect all our lives.

Trade unions have a critical role to play in increasing understanding and sharing information about trade within the workplace, whether it is through supporting fair trade, ensuring that the rights of workers within global supply chains of multinational companies are respected, or supporting coalitions such as the Trade Justice Movement. Trade rules are not a natural phenomenon – they are created by people to meet certain interests and there is much that we can do to make a difference and ensure they work for, and not against, working people.

This Fact File is the fourth and final Development Education resource produced with DFID support under the TUC's Strategic Grant Agreement and is designed to complement earlier work on international development; refugees and migrant workers; and the newly updated International Health and Safety Workbook.

I hope you find this a useful resource in understanding how you can play your part in making the world a fairer place for all.

Brendan Barber  
TUC General Secretary



## Introduction

## Who this Fact File is for and why

This is the third in a series of Fact Files, designed to help trade union education tutors build awareness and activism among reps on issues related to international development. It is produced in response to tutors' feedback following earlier work on international development. Tutors were of the view that the effectiveness of teaching and learning on the topic could be enhanced by support in the form of:

- back-up materials on international development issues that could be easily incorporated into a range of existing courses
- short course material on international development that related to the role of the workplace rep
- teaching material and tips on dispelling myths about migrant workers
- practical guidance and materials on dealing with racism and xenophobia

The two Fact Files *Refugees and Migrant Workers* and *International Development and the Role of Trade Unions*, and the revised and updated *Trade Unions and International Health and Safety Workbook* have begun that process of support (see international development awareness links at [www.tuc.org.uk/internationaldevelopmentawareness](http://www.tuc.org.uk/internationaldevelopmentawareness)). This Fact File may be used in conjunction with them.

## The TUC/DfID Strategic Grant Agreement

Since the initial work on poverty reduction that produced the feedback referred to above, the TUC signed a 3 year strategic grant initiative in 2003 with the Department for International Development (DFID) for three years. Amongst other things, this has effectively provided DFID support for TUC education initiatives to promote a better informed UK trade union movement, able to make a more effective strategic contribution to international development. The TUC is hopeful that a new agreement that extends and further develops its relationship with DFID will be signed in 2006.

In making the Agreement the DFID has recognised the role of trade union reps as opinion formers in the workplace and the wider community. This makes the Agreement significant not only in facilitating the production of material such as this Fact File, (which can act as an important awareness raising tool), but also in helping reps develop and act upon their interest in global issues. It is produced with a view to wider use in the union movement – for example, by union education officers for use in their SGA-sponsored International Development Education Mini-Learning Fund projects, as an aid to branch development and tutor training.

*Previous page:* Sarah Abwoja a machine operator in an export processing zone and union shop steward from the Kenyan Tailor and Textile Union joins campaigners marching in the London May Day 2004 rally in support of the Play Fair at the Olympics Campaign. Export Processing Zones are notorious for their anti-union attitudes – Sarah was unfairly dismissed from her job six months later.

## What the Fact File contains

The Fact File contains a series of Fact Sheets that provide a context and an overview of the way in which the present trade system impacts upon our lives, and the role of trade unions in particular. References and details of further information are provided to help readers pursue their interest, and follow up new questions that will surely be formed as a result of discussion and work on the subject areas.

The title for the file is 'Trade and Trade Unions'. The content deals with the development of our current trade system, the ideas and influences that drive it, and its practical effects on us. Importantly too, there are examples of what we are doing and can do as trade unionists to help ensure that the social dimension of trade is not ignored. Related activities for use with reps are included.

The File is designed to:

- help trade union education tutors, and through them, union reps, to understand the interconnection between the lives of working people in the developed and developing world
- enable readers to make informed links between trade, its effects and social justice
- enable Tutors and Union Officers to feel confident in tackling related issues in the classroom or other learning forums
- build interest, understanding and activism among trade unionists

## Using the Fact File and its activities

Tutors and Union Officers should use the Fact File in whatever way best suits their circumstances – whether this be as an information base and quick reference guide, a source of easy to copy fact sheets for reps, or to complement other activities, discussions and courses, or as a short course in itself. Reps will welcome the opportunity to develop an informed opinion on issues affecting the rights and well-being of working people everywhere.

Reading through all the Fact Sheets will help you in helping reps to understand and take action on trade and social justice.

For those working on TUC programmes, here are some suggestions as to how the activities may be used or integrated into other courses – though clearly, opportunities will arise at many points on courses for drawing on the Fact File materials.

Union Reps 1		
Ref	Topic	Use of Fact File
P1.12	Trade Unions in the Workplace	Use Fact sheet 6 to inform discussion on QE <i>'What happens in other countries has nothing to do with my job as a union rep'</i>
P3.9	Taking Up Issues thro the Union	You can use Fact sheet 5 and 6 to help reps identify an issue to take up and plan how they can progress it through their union structure. Alternatively use any one of the Fact File activities as a follow up/practice for using the structures.
P3.11	Wider Trade Union Issues	The trade issue can be used as one of the issues to help reps understand how their unions work nationally and internationally. Run together with any one of the Fact File activities.
P6.10	What would you say?	You can use information from Fact Sheet 4 to help illustrate the issues related to the <i>asylum seekers are after our jobs</i> discussion point.
P9.10	Agreements and your employer	Information from Fact Sheet 5 on the Ethical Trading Initiative and Framework Agreements could be used to inform this activity or provide a basis for action.

### Stepping Up – TUC advanced course

Ref	Topic	Use of Fact File
P26	WA – Union Links & Campaigns	You could use the trade issue as a basis for finding related links/affiliations campaigns. If you do so at this stage, it will facilitate the use of one or more of the Fact File activities later in the course.
P14	Planning a Campaign	There are many aspects to trade and social injustice that would provide a suitable basis for planning an organising campaign. Use esp Fact Sheets 5 and 6 – and make the earlier ones available for info.
P14	Speaking Out on Issues	Trade and social injustice, MNCs provide suitable issues for preparing a presentation. The Fact Sheets can be drawn on as back up information.

### Certificate in Employment Law

Ref	Topic	Use of Fact File
P29	The Role of International Organisations	Fact Sheets 5 and 6 esp will provide relevant information for the role of international organisations in influencing international rules/regulations/law.

### Certificate in Contemporary Trade Unionism

Ref	Topic	Use of Fact File
Section	Trade Unions & the Economy	All the Fact Sheets present valuable information that will help you as Tutor, and reps to carry out the activities in all 3 sections.
Section	Globalisation	
Section	Challenges Facing Unions	

# Section 2



Fact sheets



## Trade, Social Justice and Trade Unions – context and overview

### Trade and us

Our ability to trade goods and services is fundamental to our ability to live and grow as human beings. Very few people in today's world are completely self-sufficient. Most countries – and especially the UK – are highly dependent upon trade.

Trade in some way touches all our lives – as consumers, as producers, as citizens. It affects what's available in the shops and the price we pay, what we do at work, the way or conditions it is done in and even what we are paid for doing it. Trade can affect the services we can or can't access.

Sometimes the outcomes are more obvious than others. A woman who loses her job as a machinist because the work is being sourced in another country may understand quite clearly that her livelihood has gone with the switch in trading relationships. The amazingly cheap sweater on the market, an increase in migrant workers from a particular part of the world, or our employer's refusal to honour union agreements could equally well be due to trade pressures at a global level. Yet we may not see the connection so quickly or clearly.

### Trading relationships

Trading relationships and control over them have, for the most part, become far removed from our daily lives. Where once we might have traded a hand made tool for an earthenware bowl with our neighbour, the production and exchange of items now involves many more people, in many different countries – without us ever meeting or knowing anything about them. As Martin Luther King put it:

*Did you ever stop to think that you can't leave for your job in the morning without being dependent on most of the world? You get up in the morning and go to the bathroom and reach over for the sponge, and that's handed to you by a Pacific islander. You reach for a bar of soap, and that's given to you at the hands of a Frenchman. And then you go into the kitchen to drink your coffee for the morning, and that's poured into your cup by a South American. And maybe you want tea: that's poured into your cup by a Chinese. Or maybe*

*Previous page:* Drying rice. North Vietnam is above all a rural country with traditional agriculture. Rarely do peasants have access to machinery or mechanical aids. In Hoa Lu, life has always followed the rhythm of rice cultivation. After harvest, the rice is beaten, then dried in the sun. © Deloche P., ILO

*This page:* Credit Trade Justice Movement 2005

## Fact sheets

*you're desirous of having cocoa for breakfast, and that's poured into your cup by a West African. And then you reach over for your toast, and that's given to you at the hands of an English-speaking farmer, not to mention the baker. And before you finish eating breakfast in the morning, you've depended on more than half the world.*

As the web of trade and trading relationships has grown, a relatively small number of companies operating in more than one country (multi-national companies or MNCs) have come to view and express their interests in global terms. Some of these companies have an annual turnover that is actually bigger than the national income of individual countries. Their responsibility is to their shareholders.

Trade today is vital to the well being of all countries, and the responsibility of governments is to try to ensure that the terms and conditions in which it is conducted are favourable to, or at least do not disadvantage their people. These negotiations take place through the World Trade Organisation (WTO) and are dominated by a small number of developed, industrial countries in which the key MNCs are based.

This results in acute injustice in trading relationships, where poorer countries are persuaded to free up their markets to imports and foreign investment. Local markets are then flooded with cheap (often subsidised) imports from the industrialised countries damaging local industries, or foreign investors only guarantee to set up production if labour protections or wage controls are removed. This in turn intensifies international competition and increases downward pressures on wages and conditions everywhere in the world.

[www.gatt.org](http://www.gatt.org)

### Trade Facts

- developing countries face higher tariffs on processed goods than on commodities [primary products]; this is one of the reasons that the poorest countries remain heavily dependent on a few commodities
- India processes 1% of the food it grows; the U.S. processes 70% of the food it grows – it is the processing that adds value to the export
- Foreign direct investment rose by 13 times in the 1990s compared with the 1970s, but GDP growth was 50% lower
- 200 largest multinationals hold 28% of global trade but are responsible for only 1% of global employment
- 51 of the 100 largest economies in the world are corporations
- the top 500 multinational corporations account for nearly 70 percent of the worldwide trade; this percentage has steadily increased over the past twenty years
- the numbers of people living on less than \$2 (£1.30-ish) per day has risen by almost 50% since 1980, to 2.8 billion—almost half the world's population. And this is precisely the period that has been most heavily liberalized

## Social justice and trade unions

Meetings of world leaders to discuss trade and international development have become the focus of some of the biggest and most bitter international protests in recent years as demands for trade justice have grown. As working people, consumers and citizens many of us want to know that the production of the food we eat or the clothes we wear hasn't involved the unfair treatment of fellow workers. As trade unionists we want the governments that represent us in devising trade regulations to pay due attention to the interests of ordinary people and not only or primarily those of big business.

[www.icftu.org](http://www.icftu.org)

### Unfair trade and its effects

Trade should be an important factor in the attainment of development and the creation of work, but for many workers the international trading system is either irrelevant or, worse, is undermining this objective. In developing countries and industrialised countries alike, agriculture, job security and decent livelihoods are seen to be menaced rather than enhanced by unfair trade, while multinational companies threaten to shift production to where workers' rights are denied and labour is cheap. For hundreds of millions of workers around the world, there is a deep loss of confidence in the international trading system that governments must address ...

*Final Trade Union Statement on the Agenda for the 6th Ministerial Conference of the World Trade Organisation (WTO) (Hong Kong, 13-18 December 2005.*

Unions globally are of the view that trade justice cannot exist without access to decent work and basic human rights. Discussions among trade ministers at the WTO focus on 'competitiveness' and 'flexibility' and rarely touch upon the social impact or employment consequences of trade. Too often policies involve reductions in labour and other social protections without consultation or discussion with those most likely to be affected. Unions believe that social dialogue and social protection are a logical, irreducible minimum for working out trade policies.

Trade is about human relationships that have practical effects for all of us. It is commonsense that talks about it need to include, and be anchored in the reality of, those it affects. Campaigns around ethical trading, such as the Play Fair at the Olympics campaign which the TUC, Labour Behind the Label and Oxfam ran, focused on highlighting the exploitative conditions the workers who make sportswear for the Olympic Games face. In 2004, the coalition demanded the upholding of their labour standards – the right to join and organise a union, the right to paid overtime and freedom from sexual discrimination and violence. The coalition has formed into the Play Fair Alliance and will continue to campaign during key sporting moments. These campaigns serve to make us better informed about the injustices of our current trade system and what we can do to make a difference. The more we know the more confident we feel to discuss, to defend, to challenge and to act.



## Protecting development – lessons from the past

### Development and today's rich countries

Whenever the world's governments meet together to discuss poverty or the policies and assistance needed to help poorer countries develop, trade is always high on the agenda. Selling goods abroad is generally accepted as a vital means of earning foreign currency needed to import the technology, skills or products poor countries need to help build their own economies. The idea that a country might seal its borders and progress on its own is not viewed as a real alternative by any of them.

Trade played an important part in the development of the rich industrial economies – Britain, USA, Japan, Germany, France etc. Britain is renowned for its trade prowess in becoming the first industrial nation. Less well known is the role of protective tariffs, war and colonization that leading historian Eric Hobsbawm has described as vital to providing cheap imports and guaranteed export markets.

[www.unctad.org](http://www.unctad.org)

### Development 'sparks'

Cotton is said to have provided the 'spark' for British industrialisation. Slave labour in America produced the raw material that Lancashire manufacturers imported at low cost. Controlled by Britain, India was not allowed to export Indian cotton goods to avoid competition with the infant Lancashire industry. British cotton goods came to dominate world markets – flooding and collapsing the unprotected, previously highly competitive Indian market. As a British colony India could not then protect its industry, as it was obliged to keep its trade 'free' – to the mother country. Public procurement was also required to give preference to British products.

See Eric Hobsbawm (1999) *Industry and Empire* and Mehdi Shafaeddin (1998) *How did developed countries industrialize?*

In the nineteenth century British industrialists began to argue fiercely for free trade – an end to tariff barriers and other devices restricting trade. Any constraints, they argued, (and this generally included collective bargaining and laws protecting the poor), intervened in the free working of the market. But free trade was not *the route* to British industrial development – it was what manufacturers argued for once they felt they had the advantage. Manufacturers

Dakar, Senegal street scene  
© Christian Aid / David Rose /  
Insight Visual, 2003

were confident about the price advantage of their goods and wanted nothing to stand in their way. For a few brief decades the free trade arguments guided the formulation of British domestic legislation. It may be noted that at the same time social injustice in the UK was heading towards its peak, and strong interventionism was being practised in the field of foreign policy and empire building.

The subsequent development of the US, German and French economies (and the continuing development of the British, whatever they might say about free trade) were all characterised by use of a range of protective techniques for their 'infant' industries. These included tariff barriers, subsidies, and other incentives.

[www.fpif.org](http://www.fpif.org)

### 'Protected' development

... Germany accorded strong tariff protection to strategic industries like iron and steel. Similarly, Sweden provided targeted protection for the steel and engineering industries, while maintaining generally low tariffs. Germany, Sweden and Japan actively used non-tariff measures to promote their industries, such as establishment of state-owned 'model factories', state financing of risky ventures, support for R&D, and the development of institutions that promote public-private cooperation.

From Ha Joon Chang (2003) *Kicking Away the Ladder: the 'Real' History of Free Trade.*

The growing industrial economies of Germany, France and the USA used different methods and arguments at different times to promote trade and help their economies grow. When Britain's industrial predominance was challenged by these countries in the late nineteenth and twentieth centuries, manufacturers again resorted to a pragmatic mix of protective and free trade measures. In 2004 UK exports were largely made up of finished manufactured goods and services, worth around £250billion.

### Development and today's poor countries

The situation of poor, developing countries today is quite different to that which existed for the industrial economies described above. Many of today's developing economies have only recently (within the last 50 years) become independent of the industrial economies that controlled them through colonisation.

Their heritage was a trade and production system geared to the advantage of the former occupying or controlling country. Foodstuffs and other primary products (sometimes a single product) dominate their exports – jute from Pakistan, rubber from Malaysia, coffee from Brazil, cocoa from Ghana, sugar and bananas from the Caribbean and Central America.

Many developing country exports are locked into 'futures' markets. Produce is 'bought' before it is harvested – the price being determined by the buyers (in the rich countries) before it is known whether the crop is small or bumper. The price of primary commodities has been falling for decades – and in the last 2 has fallen by 50 per cent. A large number of the poorest countries are dependent upon such primary products for three quarters of their export earnings.

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Following independence some countries attempted to stimulate the industrial side of their economies. They did this by protecting domestic producers against cheaper imports from more competitive producers in much the same way that the advanced economies had done in their development process. Borrowing to fund development was common government practice in the 1960s and 70s. The newly developing countries of Africa and Asia did so on the strength of their actual and potential growth. Between 1960 and 1980 this was running at an average 3%.

### The debt phenomenon

Bound together by international trade, the increasing inter-dependence of countries was starkly outlined by the oil crisis of the 1970s. The price of oil imports shot up. The demand for primary products in the advanced economies, which had begun to tail off, now slumped. Poor, indebted countries were increasingly unable to meet their repayments. To make matters worse oil imports demanded a much larger proportion of foreign currency earnings.

The high price of oil was to have another important effect as petro-earnings were deposited in banks. Obligated to pay interest, the banks sought out borrowers. Third World debt was deepened by easy loans with high interest rates attached. The significance of the accumulating debt was not simply a balance of payments problem for individual countries concerned. It obliged indebted countries to focus attention on increasing the earnings potential of exports. For the creditor countries there were two key related issues: how to recover the debt, and what if one or more debtor nations couldn't or wouldn't pay – would it effectively collapse the world trade system? For more information on debt and development, see the TUC fact file International Development and the Trade Union Role [www.tuc.org.uk/internationaldevelopmentawareness](http://www.tuc.org.uk/internationaldevelopmentawareness).

### The emergence of today's trade system

Following the crisis of the 1970s many countries (including Britain) sought help for their balance of trade problems through the international financial institutions – the International Monetary Fund and the World Bank. These organisations made loans on condition borrowing country governments 'structurally adjust' their economies. This meant cutting back their expenditure (e.g. on industrial subsidies, and public services such as health and education) and removing other 'constraints' on the free working of their markets. Having reached the position of having to ask for money from the IMF (the 'lender of last resort'), borrowing countries were in no position to refuse such conditions.

The policies of the IMF and the World Bank were steered by the richest economies/main contributors – chief among them being the USA. The USA by this stage had become the richest industrial nation, its economy characterised by the presence of a small number of large MNCs. Operating across national borders, their interests were precisely in this kind of international de-regulation which would allow them to extend their market and their operations. This period marked the emergence of the current global trade system and a set of trade rules that extend far beyond commercial contracts and trade treaties – with the power to touch our health, wealth and well-being.



## The global trade system – an outline

### Origins and orientation

The current focus and organisation of the world trade system is dominated by the World Trade Organisation, and reinforced and supported by the International Monetary Fund (IMF) and the World Bank. In addition, individual countries negotiate bilateral agreements with other countries or join together in regional trade agreements or blocs, such as the European Union or MERCOSUR (S. America).

The IMF and the World Bank are two of several organisations that were established after the Second World War to promote international financial stability and development. A third group made up of 23 nations began to meet to discuss reductions in the large amount of trade tariffs that had built up in the 1930s. They began negotiating the GATT (General Agreement on Tariffs and Trade) with a view to their activity becoming part of a UN proposed body, the International Trade Organisation (ITO). The ITO was expected to promote orderly global trade and would have been subject to the UN mandates on human rights and employment.

The USA rejected the notion of the ITO in 1950. Nations continued to meet under the auspices of the GATT, and separate to the UN. Until the 1970s the GATT trade 'rounds' or negotiations concentrated on tariff reform. Tariffs are a duty or tax levied on specific imports that countries have traditionally used to protect their own manufactures from cheaper imported goods.

From the 1970s (and now involving 102 countries) the changing perspectives of the richer countries, 'the Washington consensus' on reducing the role of the state, began to shift the focus to 'non-tariff' barriers. In this they included cutting back subsidies, and reducing government spending on social programmes and employment protection. By the 1980s and 90s Uruguay 'round' of talks the negotiating agenda included services and trade related intellectual property, in addition to trade in goods.

### The scope of the WTO

When the GATT negotiations concluded in 1994, those countries involved agreed a new organisation, the World Trade Organisation, to continue their discussions about how to further liberalise trade. Where the GATT was essentially a business contract between nations, the WTO is a grouping of a different order.

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The WTO has a 'legal personality'. It has the power to make trade rules and seek their enforcement. The idea is that the member states agree the rules in consensus, the WTO administers the rules, can review and challenge national laws if it sees them as limiting free trade, and can impose trade sanctions to get offending countries to conform.

The reach of the WTO is made even greater by the inclusion of a commitment to GATS (General Agreement on Trade in Services). Services form an increasingly important share of world trade but problems arise due to a neglect to distinguish between commercial services and public services. The list of services possibly open to competition include the care sector (health, home, dental, child), education, libraries, social assistance, tourism, postal services, transport and broadcasting.

The other key issues that are being discussed are agricultural and 'non-agricultural market access' (NAMA). NAMA is about reducing tariffs on industrial goods. Much of developing country industry has higher tariffs than developed countries as their industry is at the early stages of development. The developing countries fear that they will be asked to remove these tariffs too quickly, and that the little industry they have will be decimated in the same way as much of their agriculture. Most developing countries want the emphasis at trade talks to be on agriculture (especially the continuing EU and USA subsidies to their farmers). Most developed countries want the emphasis to be on freeing up services and NAMA.

WTO agreements and rules are not just about the finer commercial details of international deals that have nothing to do with us. They have the capacity to impact upon local and quite personal exchanges. These could be in making the sweater in the market ridiculously cheap because wages in Bangladesh have been driven ridiculously low, or in making our own wages lower or conditions poorer as the drive to cutting public expenditure 'frees' local services.

Under WTO agreements it is very difficult for developing countries to use policies that favour local industry and 'community' development, or that impose measures on foreign investors to ensure they contribute to local development. As the WTO can (and does) impose economic sanctions, all countries find they have to make sure that domestic policy proposals are not what the WTO considers 'restrictive'. Policies devised because of labour or environmental concerns, or as a result of consumer or popular pressure could attract trade sanctions if they are seen as a barrier to free trade.

### Guiding principles – the ideas that inform the rules

The rationale for liberalising trade followed by global trade and financial institutions, is based on the nineteenth century concept of free trade – also known as non-interventionism or *laissez-faire*. The ideas associated with free trade became increasingly attractive again to the leading nations in the context of the 1970s and 80s. Trade was stagnating, Third World debt was growing and the big companies saw their profit margins under pressure. They felt the potential for increasing productivity and extending their markets was constrained by protective tariffs, government subsidies and procurement preferences, labour 'inflexibility' and other 'interventions'.

In these circumstances the views of the larger, more successful companies, and the richer countries that have effective control of international institutions, were increasingly presented as the solution to indebtedness and underdevelopment. Free trade, they contend, is the route to sustainable economic growth. Countries must resist what the WTO describes as the *siren call of protectionism* because:

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- protection protects inefficiency and will result in lost jobs
- free trade encourages countries to use their assets (natural resources or cheap labour) to produce and trade what they do best. This is sometimes called their *comparative advantage*
- by trading on their comparative advantage jobs will be created and export income will enable debt repayment and the importation of items that other countries produce better (at lower cost)
- competition will *sharpen innovation and breed success*. The continuing need for change means that adjustment will be gradual and painless, and economic growth and development the result.

This approach is particularly promoted by the MNCs based in the advanced countries that lead the WTO. More than 480 of the world's 500 largest MNCs are headquartered in the EU, US and Japan. For them, the combined possibility of investing in low cost, developing countries, and importing and exporting freely presents the prospect of reducing costs, increasing their market share and moving the different parts of their operations to those places in the world that they consider to be advantageous at a certain moment in time

### The WTO – consensus, contradictions and dissent

In theory, the WTO rules are agreed by the 148 member states – each of which has a vote. Despite the apparent consensus on trade liberalisation that membership of the WTO implies, the move to free trade has a radical impact on developing countries in particular and getting agreement is rarely straightforward. Over 30 developing countries have no negotiators at the WTO headquarters. Other poor countries have only one negotiator – who has the impossible task of attending over 1000 WTO meetings a year. In contrast the European Union has 18 negotiators, and the US 14.

[www.oneworld.net](http://www.oneworld.net)

#### Reaching agreement at Doha (trade talks started in 2001)

While the official picture is one of rules-based consensus emerging out of multilateral discussions in which all WTO member countries are equal participants, the reality could not be more different. The USA and European Union dominate WTO outcomes, irrespective of the views and interests of most developing countries, who form the great majority of the membership....

Meetings are held without translation into the languages of many participants, to discuss documents that are only available in English, and which have been issued only hours before, or even at the meeting itself. And developing country ministers have been physically barred from taking part in negotiations affecting their countries, while rich countries have threatened to withdraw aid from countries that do not sign trade deals.

From Fatoumata Jawara & Aileen Kwa (2003)  
Behind the Scenes at the World Trade Talks

Further evidence of the tensions and contradictions underlying the 'consensus' on world trade rules can be found in the WTO approach to agriculture. The WTO allows certain kinds of subsidies to continue, particularly export subsidies through export credits and direct income provision to farmers. Such subsidies are common in the major industrialized regions like the EU and USA. Developing countries have tended to rely on less expensive measures

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such as import tariffs. These import tariffs are being dismantled at speed, but the EU and USA continue to subsidise their agriculture to the value of one *third* and one *fifth* of total output respectively.

This means that although many EU and US products should cost much more than those produced in poor countries, they actually cost less and farmers in developing countries are unable to compete. When cheap EU or US produce is ‘dumped’ on poor countries at artificially low prices, then domestic producers go out of business and poverty is increased.

### Subsidies that keep the poor poor

If the US and Europe removed their farm subsidies, the value of African food exports would double. According to Oxfam estimates, protectionism in rich countries costs the developing world £60bn a year. The organisation cites the example of sugar. Under the current regime of quotas and high tariffs, Europe's sugar prices are set at almost three times world market levels. Each year, European consumers and taxpayers foot the bill, of roughly £1bn, while developing countries – encouraged to liberalise their markets under IMF/World Bank strictures – suffer the consequences.

From New Statesman June 20 2005

The problem is not one of subsidies in themselves. Sometimes subsidies may be necessary to secure the environment or rural employment. The issue is that many subsidies, in their current form, like the EU and US agricultural ones serve to distort trading relationships – devastating large numbers of poor farmers in developing countries to the benefit of a small number of, in the main, large producers in developed countries.

Dissent and protest at the way the world trade system functions and is managed is increasingly evident at the WTO. This is despite the fact that there are strong incentives for poorer countries to accept WTO rules. The IMF and the World Bank often attach conditions to aid, loans and debt cancellation that require poor countries to adopt certain ‘free trade’ policies. So even if extra time or other concessions are negotiated at the WTO for developing countries, the IMF and World Bank can still make offers that enforce conformity with trade liberalisation that they cannot refuse. This is a policy regime that ICFTU General Secretary Guy Ryder describes as *akin to giving with one hand and taking with the other*.

Signs of internal resistance have become more evident in recent years. Brazil's government has taken a lead in joining with 19 other poor countries (the G20) in raising the problem of the US's unfair \$1.5 billion subsidies. The WTO agreed with the point. Since then the two large trading blocs, the EU and the US, have each expressed a willingness to reform their own trade practices should the other do the same. This has not happened. The trade talks in Cancun in 2003 collapsed without agreement as poor countries perceived they were being pushed too far.

At the meeting of ministers in Hong Kong in December 2005, the chances of progress for a more just trade system will depend almost entirely on developing countries seeing acceptable progress on the key issues around agriculture they face. These include ending export subsidies in developed countries, getting better market access for their products, and gaining special measures for their key products. If they do not see progress in these critical areas, the G20 are likely to block the other issues, and the WTO will be faced with another deadlock. See the TUC website [www.tuc.org.uk/international](http://www.tuc.org.uk/international) for the outcomes of the WTO Hong Kong Ministerial.



## The global trade system – in practice

### Introduction

Since the 1980s, the notion of trade liberalisation as the best route to growth and development has been pursued as a matter for global practice. Over the period, the freeing of trade in goods has been speeded up, and the liberalisation agenda now includes a drive to free trade in services.

The picture for developing countries over the last 25 years has been at best mixed and at worst disastrous. The income gap between the world's richest and poorest countries has more than doubled. According to the World Bank, income levels for industrialised countries rose by 2% a year, but *fell* by 0.7% per year in sub-Saharan Africa. For the poorest countries, experience of the years of trade liberalisation has been negative.

The problem is that while the concept of 'free trade' sounds very attractive, the reality is that the global economy is very unbalanced. The developed countries and MNCs have already developed such a powerful position that developing countries are always likely to lose out. 'Free trade' might work with a level playing field – but this is far from being the case.

### MNCs and FDI

In practice, the reduction of trade barriers is of particular benefit to MNCs. It enables big companies to locate parts of their operations – processing, research, design, finishing or even a complete product cycle – in countries where it best suits their interests. This may be nearer suppliers, where taxes are minimal, where labour costs are cheap and workers' rights not enforced, where the main buyers are – or any combination of factors.

This *foreign direct investment* or FDI grew twice as fast as international trade in the 1980s and one and a half times faster in the 1990s. By 2002 the sales of foreign operations of MNCs were actually more than twice as much by value as world exports. A significant proportion of world exports are, in fact, movements between the different parts of MNCs, which avoids paying national taxes and adhering to other regulations, and makes MNCs a very powerful player in both trade and development.

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Many MNCs do not directly employ their suppliers, but contract work out instead, in what becomes a complex export supply chain. Their demand for products can be so great that they can effectively set the price of products and exert downward pressures on suppliers' working conditions and wages. The sheer size and value of their operations means that both suppliers and governments have to meet their demands.

[www.waronwant.org](http://www.waronwant.org)

### Multinational retail power

Wal-Mart is the largest retail corporation in the world. It has stores in Mexico, Canada, China, Korea, Germany and the UK (where since 1999 it has traded as Asda), and many more countries. Its commitment is to low prices. Its dominance of the retail industry enables it to dictate both the cost and production timetable for every product. Every year their suppliers must either reduce the price or improve the quality. Most of its products are imported from Asia and Latin America, with 80% coming from China. If Wal-Mart were a country, it would rank as China's fifth largest export market.

The lower prices agenda is echoed by the US government's desire to remove all tariffs on manufactured goods to the USA by 2015. In illustrating the benefits of trade liberalisation the US Trade Representative used two baskets of Wal-Mart goods. He explained that the basket without tariffs was \$32 cheaper.

*From War on Want/GMB (2005) Asda Wal-Mart. The alternative report.*

### Export Processing Zones

Attracting foreign investment or FDI, is cited by the WTO as one of the benefits of trade liberalisation. FDI represents an opportunity for developing countries to provide alternative employment as previously protected sectors shrink in the face of competition. It can also mean access to new technology, development of new skills, higher wages and the potential for increased revenue and export earnings. The establishment of special Export Processing Zones (EPZs) is an example of the measures developing countries are prepared to take to secure FDI.

EPZs are areas set aside for such inward investment. They are often separated physically from the rest of the economy by fences. For MNCs they variously offer established infrastructure, tax holidays, business subsidies and exemption from labour legislation and customs duties. The ILO estimates for 2002 indicate that there were around 3000 EPZs employing 43 million people, of which China accounted for 30 million.

Some developing countries have had a positive experience of EPZs. In Costa Rica, the government took concerted action to develop skills levels to attract higher value added production in its EPZs. The effect has been an increase in demand for skilled labour and higher wages, as well as increased exports. In Mauritius too, investment in EPZs has been associated with rising real wages over 2 decades. But the general picture is far more mixed.

[www.icftu.org](http://www.icftu.org)

### EPZs – a common tale

Compulsory overtime is fact of life in the Taiwanese company This Is It Inc., which produces micro computers... Occasionally workers have to work up to 23 hours in a shift (15 hours at a stretch) without a break in order to meet orders. Those who do not do the overtime receive severe punishments, are accused of serious offences or are sacked. One woman fainted from exhaustion and hunger after the company decided to increase overtime substantially as a punishment following the trade union's request for voluntary recognition by management.

From ICFTU (2004) *A Trade Union Guide to Globalisation*.

### The 'Race to the Bottom'

The desperate need of many countries to attract foreign investment leads business to competitive pressures for ever cheaper production – often at the expense of decent working conditions. This 'race to the bottom' represents unfair competition affecting ALL workers. In establishing a minimum 'social floor' universal Core Labour Standards can help prevent unfair competition.

### The use and abuse of supply chains

Some companies have become so large that they have an extensive network of suppliers, who in turn have other suppliers, sub-contractors, who may be located in many different countries. These may involve agents, companies established in EPZs, supply companies who themselves outsource or homeworkers in the informal economy. Companies' buying power can be so great (as, for e.g in the case of food retailers) that they can effectively dictate the type, quality and price of the goods supplied to them – but claim no responsibility for the conditions that they are produced in.

Many multinational companies have effectively 'outsourced' parts or all of their production making for a complex supply chain, where the MNC is not the 'employer' of those supplying it. Yet were it to remove its orders, supplying companies would have no business. In some cases, MNCs are little more than 'brand' managers – they commission and sell goods, but in legal or day to day management terms have nothing to do with production. As Charlie Denson, President of Nike brand, explained, *The brand is the only thing we truly own, so we have to protect it.*

The enormous selling power and control of access to the consumer that big companies have (their 'market share') means that suppliers are in intense competition to sell to them. This in turn makes them open to 'squeezing' – the ultimate buyer sets the conditions, and suppliers cut costs wherever they can to meet the conditions. The 'squeeze' gets tighter as it travels down the supply chain, and decent labour standards are progressively ignored. The sense of lack of control for many suppliers is expressed in an Oxfam report, by the owner of a Brazilian shoe factory facing intense international competition to sell to leading footwear retailers in Europe: *We don't sell, we get bought.* This commonly results in overtime working, low wages, temporary work, further sub-contracting, worse conditions and child labour and abuse of labour rights.

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### The 'success' claims

A number of economies – India, Mauritius, China and the SE Asian 'tigers' – are often held up as proof of successful development as a result of trade liberalisation. These economies, it is argued, owe their high rates of economic growth and development to their willingness to embrace the free trade model. Recent research shows a different interpretation of such success.

The success stories of globalisation, including South Korea, Malaysia, India, China and Mauritius, have all developed industries that sought to compete in global markets. But while developing competitive industries, each of these countries also carefully nurtured and protected them while they grew. Protecting infant industries has been branded heretical by the high priests of free trade in rich countries. And yet there are hardly any examples of countries that have developed without such protection.

A report by Action Aid makes similar conclusions:

Contrary to conventional wisdom, East Asian Tigers such as South Korea and Taiwan did not achieve economic diversification and impressive growth records as a consequence of laissez-faire liberalisation... Most barriers to trade only came down during the 1980s when growth was already firmly established.

But each country also has its own story of the costs of pursuing trade liberalisation. These include years of fierce repression in S. Korea, unacceptable treatment of migrant workers in Malaysia and a general record of downward pressures on wages, conditions and labour rights that continues to reverberate throughout the global trade system.

### The costs of trade liberalisation

The WTO trade talks in Cancun in 2003 collapsed because developing country leaders felt they were being pushed too far. As trade has been progressively liberalised in their countries over the last twenty years, there is sufficient perspective for them to distinguish 'adjustment' effects from the longer term costs of trade liberalisation.

Many countries have discovered that trade liberalisation has:

- been enforced too quickly (and without assessing what the likely impacts might be) by the demands of the IMF and World Bank for 'structural adjustment' or 'poverty reduction strategies' that include freer trade
- led to a massive decline in rural employment as markets are flooded by cheap, subsidised EU and USA foods
- failed to produce sufficient alternative employment opportunities through the growth of the export sector
- led to a greater increase in imports than exports
- not provided the export income needed to cover debt repayments
- caused a downward pressure on wages and conditions as foreign capital searches out ever cheaper production methods
- accelerated the outward migration of workers desperate for a decent livelihood
- created a 'race to the bottom' where MNCs and brand managers cause production to shift from country to country in a constant search for lower prices

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### Financial costs

Christian Aid has drawn up an assessment of the position that some developing countries would have been in had they not freed up their trade.

[www.christianaid.org.uk](http://www.christianaid.org.uk)

#### What trade liberalisation has cost Ghana

Ghana began to liberalise trade in 1986. In 2000, its gross domestic product (GDP) was just under US\$5 billion. If Ghana had not liberalised, our model suggests that its GDP that year would have been nearly US\$850 million higher.

Over 15 years since trade was liberalised [to 2001], Ghana's population has lost the equivalent of US\$510 per person – a huge sum, given that per capita GDP in 2000 was just US\$330. It's as if everyone in Ghana stopped working for one and a half years.

From Christian Aid (2005) *The Economics of Failure*.  
The real cost of 'free' trade for poor countries.

The Christian Aid report is an informed estimate of what could have been the costs of trade liberalisation. What is certain, according to the World Bank, is that for every \$4 invested in sub-Saharan Africa, \$3 flows out in profit transfers. Developing countries have no power to require MNCs meet or contribute to development targets. They have no control over internal MNC transactions, and additional profit outflows can be disguised as 'charges' for licensing, technology transfers or 'services'. This facility has helped to make the annual turnover and profits of many MNCs reach powerful proportions. Action Aid states that in 2002, Nestle reported profits greater than the GDP of Ghana, while Unilever's profits were a third larger than the national income of Mozambique, and Wal-Mart's were bigger than the two put together.

Whilst developing countries are subject to global trade rules, companies (many of which trade more than entire countries) are not subject to any form of regulation at all. This, combined with their powerful and attractive capacity for FDI, means they are able to lobby governments to turn a blind eye to some of the worst of their practices, or to enact legislation in their favour, for example making the labour market even more flexible. It is the worker that loses out.

### Labour costs

One of the promises offered by proponents of trade liberalisation is that it will lead to the transfer of jobs from inefficient, low skill, low paid, protected production to higher skill, better paid jobs producing for export. Yet for many workers, trade liberalisation has not only destroyed the livelihoods of large numbers of those employed in both the rural and industrial economy, but has also completely failed to provide sufficient alternative employment.

Many of those who lost their jobs following trade liberalisation in Ecuador were already amongst the poorest. The better off sectors enjoyed near full employment, while unemployment among the poorest rose to 1 in 4. For those who did manage to keep a job, there was a shift to temporary and hourly paid work – effectively depriving workers of social security, union rights and job stability.

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Many of the new jobs that are created with the move to free trade are for women, who are seen as 'docile' and easier to exploit. As a result, conditions and wages are poor, often below the minimum wage, with long hours and no over time pay.

### The meaning of 'women's work'

Women's entry into the global value chain has brought levels of economic and social autonomy they could not dream of obtaining in other occupations available to them. But the benefits all come at a price. The feminisation of labour also means the diffusion of particular conditions of work. Most women involved in manufacturing for export hold poor quality jobs. Flexible contracts, long hours, low wages, gender based discrimination .... In Mexico, for example, women workers are required to produce a certificate of non-pregnancy and sign away their legal right to maternity leave in order to obtain employment.

From Action Aid Bound and Tied

As economist Paul Krugman commented in a report for Oxfam: *if the best deal that trade can offer to poor people is a marginal improvement over a life of desperate poverty, it is falling far short of its potential. The relevant question is not whether the ... woman is marginally better off but whether she, her family, and her country are getting a fair share of the gains that she helps to generate through trade.*

### Social costs

As indicated above in the case of women's paid work, trade liberalisation and the economic change it entails can bring positive results. But, trade liberalisation can bring workers difficulties of a different kind. The process of implementing GATS (General Agreement on Trade in Services) involves pressures on developing countries to 'free' services such as energy, water, education and health to private investment. The effect is to progressively erode social programmes and security, making the situation of the poor still more vulnerable.

[www.e-alliance.ch/gwa\\_order.jsp](http://www.e-alliance.ch/gwa_order.jsp)

### Eating or drinking – a private problem

*Sometimes I will go without food so that my grandchildren can have water.* Hawa lives in the capital of Ghana but has little access to water. And the price she has to pay is rising. This is because the World Bank and the IMF made water privatisation a condition of giving aid to Ghana and the price has risen to attract private investment. However, these private companies have no obligation to invest in poor areas.

From Global Week of Action

Cheap imports of US and EU subsidised grain and rice have decimated agricultural regions as farmers can no longer sell their products or feed themselves. The social effects can be devastating and result in the difficult choice between migration with uncertain results and worsening poverty with proven results.

[www.maketradefair.com](http://www.maketradefair.com)

### Trade freedom in Haiti

In the 1980s Haiti produced almost all its own rice, but was obliged to open up its markets to foreign imports. This has driven down the price of local rice for those who rely on rice (one fifth of the people) for a living. Some farmers have had to leave their land in search of work in neighbouring Dominican Republic. Many have had to take their children out of school because they can't pay the fees. And people are going hungry. As their incomes shrink, rice growers are unable to buy the foods that would give them and their families a well-balanced diet. Fifty per cent of children in Haiti are malnourished, with the highest rate in the rice growing areas.

*From Rigged Rules and Double Standards*

Haiti was a poor country before trade liberalisation. After trade liberalisation Haiti is still a poor country.



## Getting to trade and socially just development

Sometimes the force and speed of measures to free trade in goods and services can seem overwhelming. It can seem that the constant closing down of companies only to open up at new sites or in new countries that are 'more competitive' is natural and unstoppable; there is no alternative. But, of course, there is.

In its present form the global trade system isn't working for everyone, and is hurting many. Trade between peoples was not always like this in the past, and it doesn't have to be in the future. This is the message that is building momentum from an ever widening sector – including development organisations, trade groups, consumer groups, faith groups, think tanks and trade unions. Initiatives take different forms, but coalesce around the point that trade policy has to recognise fundamental rights that all human beings should have, and should not have as its starting point or principal driving force the interests of big business.

### Decent work – [www.icftu.org](http://www.icftu.org)

Global unions believe that decent work has to be a central priority of governments in trade talks that are truly concerned with development and not principally with making life easier for the big business corporations. Real development, development that is just and doesn't result in the rich getting richer and the poor poorer- as in the present system – has to involve decent work. This is the case that unions are pressing to ministers meeting at the WTO and to national governments in a bid to make sure that the employment consequences of trade are not ignored.

Decent work is partly about having employment, but also includes:

- respect for rights at work – including the freedom to form unions, and bargain collectively – decent work is not decent if people are easily exploited and abused
- social protection – workers need access to health care, social assistance and other forms of social protection – decent work isn't decent if it's based on insecurity
- social dialogue – people have an investment in their work – decent work isn't decent if the people that do it are excluded from discussions and decisions affecting it

La Rinconada, the gold miners take a brief break outside the tunnel Support. © Gianotti E., ILO 1999

### Getting Workers' Rights on the WTO Agenda

Trade unions internationally are currently working through the ICFTU to get the WTO to establish a process for making sure that some basic human rights (core labour standards) are acknowledged in their trade agreements. Most of the WTO members, meeting in a different form as members of the ILO, are already committed to these rights and a renewed formal commitment would facilitate their incorporation in WTO processes and agreements.

The Core Labour Standards – freedom from child labour, freedom from forced labour, freedom from discrimination at work and freedom of association and collective bargaining – are regarded as human rights and part of international law. The trade union case is that the weakening of internationally recognised workers' rights is illegitimate and distorts trade, as countries that repress workers' rights can produce goods more cheaply. Labour standards are a right that every worker should have. They shouldn't be made secondary to market competition and the drive for profit. The WTO should take the initiative and organise the first ever meeting of Trade and Labour Ministers, with the participation of trade unions and employers' organisations.

### Trade Justice Movement – [www.tjm.org.uk](http://www.tjm.org.uk)

The TUC has joined together in the Trade Justice Movement with other groups in the demand for a more socially just development. The TJM co-ordinates events, campaigns and lobbying on trade issues, in the shared belief that everyone has the right to feed their families, make a decent living and protect their environment. TJM is pressing the Government to:

- fight to ensure that governments, particularly in poor countries, can choose the best solutions (which may or may not involve free trade) to end poverty and protect the environment
- end export subsidies that damage the livelihoods of poor communities around the world
- make laws that stop big business profiting at the expense of people and the environment

The strength of feeling on trade issues was evident in 2003 when the Trade Justice Movement held their first mass lobby of Parliament. This was the largest ever lobby of Parliament in modern times, and has put the issue of trade justice firmly on the political and media news map.

### Ethical Trading Initiative (ETI) – [www.ethicaltrade.org](http://www.ethicaltrade.org)

The ETI is made up of companies, trade unions and NGOs. It arose from trade union and NGO campaigning to raise consumer awareness of conditions in factories and on farms in developing countries. Sourcing companies realised they could no longer turn a blind eye to conditions in their supply chain. Ethical trade – or ethical sourcing – means the assumption of responsibility by a company for the labour and human rights practices within its supply chain.

In joining the ETI, companies commit themselves to the ETI Base Code, covering international standards with respect to labour practices. The purpose is to provide a minimum requirement for any corporate code of labour practice and a platform from which ETI identifies and develops good practice.

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**Making ethical trade work**

A move towards ethical trading on the part of S. African wine growers was started following discussions between UK union reps and the S. African delegation at the ILO. The project has involved trade unionists in both countries, wine growers, the UK supermarkets they supply, and NGOs. Its aim was for better application of international labour standards and S. African law, and to ensure better methods for inspecting/assuring implementation.

Improvements have included sourcing companies taking responsibility to ensure that supplying farms put an end to such practices as the use of child labour, selling cheap wine linked to high rates of alcoholism, and preparing workers to help in monitoring implementation of the ETI base code.

ETI is voluntary, in the sense that there are no regulations or legal requirements on companies to join. It is an example of one way in which, through encouragement, pressure, or plain shame, companies can be brought to recognise and actively uphold decent labour standards and the rights of workers in collective bargaining. There is a role for trade unions both in getting companies to join and in the process of applying the standards.

**Fair Trade – [www.fairtrade.org.uk](http://www.fairtrade.org.uk)**

The fair trade movement developed with the aim of ensuring that small producers receive a fair price for their products. In the 1980s part of the fair trade movement decided to aim for the mainstream and convince supermarkets to stock fair trade products. In the UK this led to the development of the Fairtrade mark – a label assuring consumers that the producers had received a fair price that covers the costs of sustainable production, and that includes a premium that producers can invest in development. Today there are over 700 Fairtrade products marketed in the UK, including coffee, roses, sports balls and fruit.

The majority of Fairtrade products are sourced from small producers or cooperatives. But the global trade in commodities such as bananas, coffee and chocolate is dominated by a small number of major multinational enterprises, so Fairtrade products only amount to a small, though growing percentage in these sectors. Following discussions with the trade union movement, the Fairtrade Foundation has drafted additional standards for workers on plantations and factories, including in some cases those controlled by multinationals. But verification that labour practice is in line with internationally agreed labour standards is extremely difficult unless independent trade unions are present in the workplace.

While fair trade can make a difference to the lives of poor farmers in developing countries – and the trade union movement supports that aim – it also presents some dilemmas for the trade unions. In particular, in many fair trade farms and plantations decision-making powers remain in the hands of the employer. There is no guarantee that the benefits of fair trade are shared in the way that workers want or could negotiate. Not all fair trade products are processed in unionised plants – and that raises questions of choice for those who want to pay both a fair price and have a guarantee of labour standards.

In particular, in most fair trade farms and plantations decision-making powers remain in the hands of the employer. Aside from a small number of newly unionised plantations, such as two in Ghana that GAWU (a sister union of the TGWU) have recently unionised, there is no

guarantee that the benefits of fair trade are shared in the way that workers want or could negotiate. Not all fair trade products are processed in unionised plants – and that raises questions of choice for those who want to pay both a fair price and have a guarantee of labour standards.

The trade union movement has, in general, been unwilling to support labour standards labels unless the standards are assured by a collective agreement. Price can be verified in simple ways – unlike violations of workers rights. Fair trade has been primarily about price and community development. Ethical trade is about a human rights based approach to labour standards. Trade justice requires both. National trade unions and the global trade union movement are attempting to work with the Fairtrade Foundation to address these concerns.

### UNICORN – [www.againstcorruption.org](http://www.againstcorruption.org)

UNICORN is a Global Unions Anti-corruption Network. Its overall mission is to mobilise workers to share information and coordinate action to combat corruption in international trade. It collects empirical evidence on multinational companies and bribery and publishes research on related policy issues. Recent allegations in the media have included the arms firm BAE, and concern the running of a 'slush fund' for arms deals with Saudi Arabia and mysterious payments linked to UK weapons purchases by ex-dictator General Pinochet of Chile.

#### Bribery and corruption in the 'wheels of trade'

UNICORN's database can be used to research companies' records by industry, sector, country or name. 'Siemens', for example, shows:

Russia 2005 – two whistleblowers go public in alleging bribes involving millions of pounds

Germany 2004 – allegations of 'bribery, preferential treatment and unacceptable agreements' relating to a E6 billion defence contract

Italy 2004 – Siemens banned from tendering for public gas turbine contracts after allegations of £4 million bribes

Slovakia 2001 – allegations of large bribes to secure an IT contract ... and the list of allegations, barring, bannings, and finings for performance and other contract failures continues – involving contracts in Spain, Singapore and the UK.

Corruption in international trade has devastating consequences for development. It distorts decision-making, misallocates resources and undermines democracy. Evidence shows that the poor, workers and the environment inevitably pay the price, either in the form of higher prices, reductions in health, safety or quality or through the implementation of unsustainable projects as contracts are awarded on the basis of the willingness to bribe rather than on merit. Trade unions can play a key role in combating corruption in international trade, both in the workplace and as campaigners for higher standards by which to hold big business (and governments where they are complicit) to account.

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**Framework Agreements & Codes of Conduct**

International Framework Agreements (IFAs) are a relatively recent tool but one now widely used by Global Union Federations to lay down the rules of conduct for multinational companies. They cover trade union and other workers' rights and present a means of helping to secure the 'decent work' agenda. In some cases, they cover other issues as well, including those concerned with suppliers. Global unions prefer IFAs to Codes of Conduct for the reasons indicated by the comparison below:

Codes of Conduct	International Framework Agreements
1. Unilateral initiatives	1. Negotiated between labour and management
2. Do not necessarily recognise all core labour standards	2. Recognise all core labour standards
3. Rarely cover suppliers	3. Usually cover suppliers
4. Monitoring, if any, controlled by management	4. Union involved in implementation
5. Weak basis for management-labour dialogue	5. Strong basis for dialogue between unions and management

International Framework Agreements (IFAs) are negotiated between a multinational company and the trade unions of its workforce at the global level. Its purpose is to help ensure fundamental workers' rights in all of the target company's locations. Thus, IFAs are negotiated on a global level but implemented locally. To date 37 IFAs have been agreed, covering 3,149,850 workers. You can check whether your company has one through your global union's web-site via [www.global-unions.org](http://www.global-unions.org).

# Put global trade onto the trade justice track!



## Trade and social justice – a case for trade union action

### The case for trade union action

Global trade can seem very complex and removed from day to day life and day-to-day actions. But it is intricately linked to our daily lives – from what we eat and wear to our conditions at work. Precisely because it does affect us in so many ways, we need to speak out when we see that it is functioning badly and unfairly.

For many years the trade union movement has been campaigning at national, European and international level for the inclusion of the social dimension in trade talks. Trade is not a free-floating economic transaction. It is one of the things that human beings do to secure a better life. It has a context and as such is inextricably related to everyday life.

Global trade rules ultimately mean that all of us are affected by changes in them. Trade liberalisation ricochets through our everyday lives. It can cause prices for coffee farmers to collapse in Ghana but result in cheap coffee in our kitchens, or it can cause jobs in textiles to migrate from Ireland to Bangladesh to China as companies search out ever cheaper labour. It can cause pressure on workers everywhere to accept lower wages and poor conditions.

But it doesn't stop there. Global trade agreements can mean that basic services we may never have conceived of as 'trade' – water, health, education, social assistance – are 'freed' from the public domain. They are increasingly being 'opened up' to international investment where profit has to take precedence over a public service commitment. This leads to further social insecurity and vulnerability, and less chance of decent work.

The trade union view is that global trade rules have to work well for all of us. Global trade is no more and no less than a function of global society. It's one of the things that make it work – or not. It's commonsense that trade talks and agreements take proper account of the social dimensions of trade. And it's commonsense that as trade unionists we take whatever action we can at whatever level to make sure they do.

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## Campaigning at international and national level

Do you and your members know what unions collectively are campaigning for in terms of trade and social justice? Do you know how you can influence, support or otherwise act on that agenda? The more understanding and pressure that is created at all levels, the more chance campaigning has of changing things.

The TUC, along with partner organisations in the International Confederation of Free Trade Unions (ICFTU), the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee (TUAC) to the OECD and Global Union Federations are campaigning at both national and international levels for strong and effective regulation to protect fundamental human rights and to manage the negative aspects of globalisation.

### Global union takes up ban on trade unions in Bangladeshi EPZs

Bangladesh is one of the major producers of the textiles we find in our shops. In strong competition with China, Bangladesh introduced a blanket ban on trade union organisation in its export processing zones (EPZs). Global union federation the ITGLWF lodged a complaint to the International Labour Organisation. The ILO upheld the complaint, deploring the violation of workers' fundamental rights.

General Secretary Neil Kearney observed that The Bangladesh authorities must urgently tackle these issues in order to stabilise the industry. By improving conditions in the industry, Bangladesh would secure a competitive advantage in a global industry in turmoil.

Freedom to organise is one of the core labour standards – a set of enabling standards and the minimum that people need in life to defend those rights and gain others.

Trade union campaigning includes a call for:

- *Respect for workers' rights and decent work* to be placed at the core of socio-economic policy. Informal work must be brought into the legal economy
- *developed countries to meet the UN target* for allocating 0.7 per cent of GNP as official development assistance and join the proposed International Financial Facility, with 100 per cent debt relief for the poorest indebted countries that respect human rights
- *investment in people* – in their education, their health and their access to clean water, putting children into school instead of work and targeting AIDS to make sure that adequate resources and policies (e.g. on drug availability) are implemented
- *trade negotiations to be accompanied by an ongoing assessment* of their impact on employment, with international funding and short-term safeguard measures where necessary to address the disarray following, for example, the end of the textile quotas
- *effective plans of action for sustainable energy* use including a mix of clean and green energy sources
- *creation of new jobs in clean energy technologies*, such as renewables, clean coal, advanced technology vehicles, nuclear power, natural gas, and conservation
- *economic adjustment programmes to help affected workers* and communities make the transition to good, new jobs and sustainable economic growth (to mitigate the short-term economic dislocations that will result from climate policies, especially in the developed economies)

## Promoting Core Labour Standards (CLS)

Do you and your members know whether the organisation you work for is respecting Core Labour Standards? Do you know whether the products used where you work were sourced from suppliers that use child or forced labour and deny trade union rights? Do you and your members know if you are unwittingly reinforcing trade and social injustice?

Core Labour Standards are a set of 4 basic principles – freedom from child labour, freedom from forced or compulsory labour, freedom from discrimination at work, freedom to form and join a union and bargain collectively. Trade unions believe they are so fundamental to a decent life they should be considered human rights.

It is not only trade unions that support the Core Labour Standards. They were agreed at the United Nations International Labour Organisation, by all members of this tripartite body – governments, workers' representatives and employers' organisations. They do so because they believe they are the basis for peace and social justice.

The TGWU has raised the issue of child slavery in Ivory Coast, where children have been used in the production of cocoa for the chocolate industry. Working with key employers' organisations, the union is actively campaigning to end the practice.

## Questioning the pension business

Are you and your members in a pension scheme? Do you know how your pension funds are invested? Do you know where they are invested? Can your pension fund be invested in a way that will help combat trade and social injustice?

Over 20 million people in the UK have a personal pension- around 10 million of them in occupational schemes run through the workplace. Pension funds control huge amounts of money:

- the total assets of UK pension funds amount to more than £800 billion
- over half this sum is invested in the UK stock market
- £270 billion is invested in UK companies
- The top ten pension funds have combined assets of over £100 billion

[www.justpensions.org](http://www.justpensions.org) [www.tuc.org.uk/trusteenetwork](http://www.tuc.org.uk/trusteenetwork) [www.fairpensions.org.uk](http://www.fairpensions.org.uk)

### Your pension

Pension funds own part of many large multinational companies. The biggest pension funds are the largest single shareholders in many British companies. Although many people think pension funds are just interested in generating a profit from companies they invest in, these days a growing number are trying to invest in a socially responsible way that takes account of social and environmental issues.

Many trade union members are trustees of these funds and so have a direct say over how the money is invested. In addition since July 2000 all pension funds have to disclose whether they operate a socially responsible investment policy.

As a pension scheme member, you have a right to find out how your money is invested, and if you don't agree you can encourage the trustees to consider how these companies behave, both in the UK and through global supply chains.

## Fact sheets

**Making the most of 'Fair Olympics' type campaigning**

Do you or your members buy trainers and other sports wear? Or do you and your members work for companies involved in producing or marketing sports goods? Do you know where they were made? Or how they were made and in what conditions? Can you or your members join the campaign against unjust trade and for international social injustice? During the 2004 Olympics, UK trade unionists joined thousands of workers around the world in campaigning, demonstrating, lobbying and writing letters to Reebok, Fila, Adidas and other MNC sportswear producers. They variously protested against the marketing of the Olympic spirit on the backs of exploitative sourcing, pricing, production and trading techniques – adversely affecting workers in many parts of the developing world. They let producers and brand managers know they were on to them and did not want to be part of that game. Since then the Fair Olympics Campaign ([www.fairolympics.org](http://www.fairolympics.org)) has reported moves from some of the major brands towards, among other things, upholding freedom of association and ensuring better monitoring of conditions along the supply chain.

The pressure needs to be maintained – and the run up to the 2006 World Cup and Winter Olympics provide just the right focus. The Play Fair at the Olympics coalition, which included the ICFTU, the Clean Clothes Campaign and Oxfam International as well as the TUC, have formed the 'Play Fair Alliance'. This aims to keep up the pressure around key sporting moments. As such moments get closer and we can move towards the 2012 London Olympics, check out up-to-date information via the fairolympics site, the TUC's website or Labour Behind the Labels website [www.labourbehindthelabel.org](http://www.labourbehindthelabel.org).

**Joining the Make Poverty History mobilisation**

Did you or your members participate in the Make Poverty History mobilisation? Did you know the pressure continues? How can you and your members help maintain the pressure on our government for a socially just approach to trade talks?

In 2005 the global trade union movement joined together with others in MakePovertyHistory – the UK mobilisation of the Global Call to Action Against Poverty ([www.whiteband.org](http://www.whiteband.org)) – in lobbying our governments for the same goals. Together we are calling for:

- Trade justice
- More and better aid
- Dropping the debt
- Transparent and democratic national action to achieve the Millennium Development Goals

In *July*, when the UK hosted the G8 summit, an astonishing 225,000 people (including 20,000 trade unionists) rallied in Edinburgh to demand the G8 leaders Make Poverty History. The day before, millions around the world wore white bands and lobbied their own governments in solidarity with the global poor.

In *September*, people from all over the world – Bangladesh to Spain, the Congo to New York and El Salvador to Japan gave their voices to ask world leaders to 'Wake Up to Poverty' on white band day II. As a very visible part of the campaign in the North East a huge white band was wrapped around St. Nicholas' Cathedral in the centre of Newcastle. There were stalls and a rally with speaker. Former sportswoman, Teopista Burungi Mayanja, the General Secretary of the national Ugandan Teachers' Union, made a dedicated trip to

the North East to participate in the events and talk first hand about the significance of the campaign for her country.

In *November*, in the run up to the WTO Ministerial Make Poverty History, through the Trade Justice Movement ([www.tjm.org.uk](http://www.tjm.org.uk)), organised a Mass Lobby of Parliament that broke the record as the largest public lobby of MPs ever.

In *December*, the fate of millions of working poor is likely to be decided when the crucial World Trade Organisation Ministerial takes place in Hong Kong. We still have a chance to lobby our Governments to play their role in bringing an end to poverty through fairer trade rules and respecting workers' rights and the environment at the WTO.

After December, Make Poverty History is due to end as a coalition. At the time of writing, discussions are going on about how to build on progress made during 2005. For more information on these issues see the TUC fact file on International Development and the Trade Union Role [www.tuc.org.uk/internationaldevelopmentawareness](http://www.tuc.org.uk/internationaldevelopmentawareness). Also visit [www.tuc.org.uk/makepovertyhistory](http://www.tuc.org.uk/makepovertyhistory) or [www.makepovertyhistory.org](http://www.makepovertyhistory.org) and check out [www.tjm.org.uk](http://www.tjm.org.uk) for trade justice actions, and to find out if your union is already a member of the Trade Justice Movement.

## Fact sheets

**Action Aid – [www.actionaid.org.uk](http://www.actionaid.org.uk)**

(2005) Bound and Tied. The developmental impact of industrial trade liberalisation negotiations at the WTO

**Christian Aid – [www.christianaid.org.uk](http://www.christianaid.org.uk)**

(2005) *The Economics of Failure. The real cost of 'free' trade to poor countries*

**Ethical Trading Initiative – [www.ethicaltrade.org](http://www.ethicaltrade.org)****Global Unions – [www.global-unions.org](http://www.global-unions.org)****ICFTU – [www.icftu.org](http://www.icftu.org)**

(2005) Getting Workers' Interests on the WTO Agenda  
\*(2004) A Trade Union Guide to Globalisation

**IUF – [www.iuf.org](http://www.iuf.org)**

IUF (2002) The WTO and the World Food System – a trade union approach

**ITGLWF – [www.itglwf.org](http://www.itglwf.org)****Oxfam – [www.maketradefair.com](http://www.maketradefair.com)**

(2004) Trading Away Our Rights. Women working in global supply chains.  
(2002) Rigged Rules and Double Standards. Trade, globalisation and the fight against poverty

**Trade Justice Movement – [www.tjm.org.uk](http://www.tjm.org.uk)****TUC – [www.tuc.org.uk](http://www.tuc.org.uk)**

(2005) A Trade Union Digest of Organisations and Resources on International Development Issues  
(2005) Migration and Refugees. Fact File.  
(2005) International Development Education and the Trade Union Role. Fact File.  
(2004) Play Fair at the Olympics. Activity pack.

**UNICORN – [www.againstcorruption.org](http://www.againstcorruption.org)****War on Want – [www.waronwant.org](http://www.waronwant.org) & [www.globalworkplace.org](http://www.globalworkplace.org)**

Esp. 'The Alternative Report' series on Asda Wal-Mart.

**WTO – [www.wto.org](http://www.wto.org)**

(See also [www.gatt.org](http://www.gatt.org) for an 'alternative' view of the WTO web site)

**Fact sheets****EPZ**

Export Processing Zones. Deregulated industrial zones introduced by many developing countries to attract international investment. Imported materials are processed before being exported again. The problem for workers is that companies are often attracted to EPZs because environmental and labour standards are waived within the zones, and companies can enjoy long tax holidays. It is an example of the 'race to the bottom' where poor countries compete with each other to attract investment by offering less and less regulation.

**Free trade**

The theory that goods and services should be traded freely without intervention from governments. Prices and products are determined by market forces of supply and demand.

**G8**

Group of Eight most powerful leaders in the world (Canada, France, Germany, Italy, Japan, Russia, UK and USA.) Decisions made at their annual summits can influence virtually any international summit or agreement in the world.

**ILO**

The International Labour Organization (ILO) is the UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights. It is a tripartite organization made up of government, employers' and workers' organizations

**Multinational company**

Sometimes called a transnational company, corporation (TNC) or enterprise; a business that operates in many countries. In 1999, 48 of the richest economic players in the world were companies, and 52 were countries

**Trade liberalisation**

Liberalisation is the progression towards a system of free trade. A political philosophy that says market forces should, as far as possible, be unregulated with minimal interference by governments

**Trade Round**

A major programme of WTO negotiations on a range of issues

**World Bank**

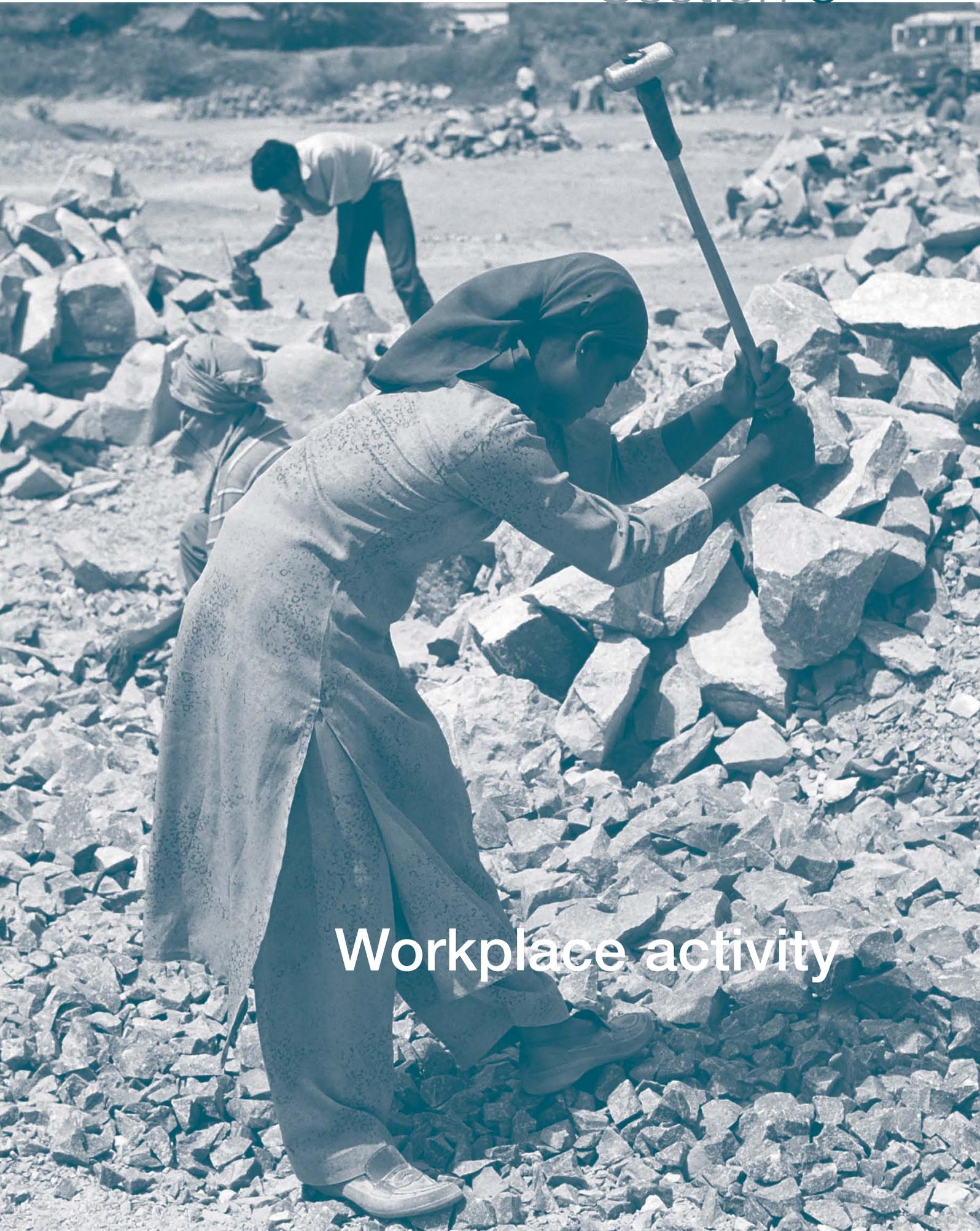
Set up to give loans to countries for development projects. Since the 1980s has only given loans in return for countries agreeing to specific policies – which include liberalising trade

**World Trade Organisation (WTO)**

Formed in 1995, replacing its predecessor GATT (General Agreement on Tariffs and Trade). The secretariat facilitates the writing and enforcement of international trade rules. It is headed up by the Director-General of the WTO (currently Dr Supachai Panitchpakdi). Trade rules themselves are agreed by the member countries. The WTO staff facilitate the process. There are 148 member countries

**WTO Ministerial Conference**

The ultimate governing body of the World Trade Organisation. Attended by the trade ministers and/or other senior representatives of all member countries that are able to send someone. Meetings take place every two years. In 1999 they met in Seattle (USA), in 2001 in Doha (Qatar) and in 2003 in Cancún (Mexico). The next WTO Ministerial Conference will be in Hong Kong in December 2005.



Workplace activity

### Tutor note: Who's heard of 'trade liberalisation'?

#### SETTING THE ACTIVITY UP

This activity is better set following discussion of a trade-related issue. For example, discussion or questions related to supply chains and procurement, companies relocating into the area or out of the area, downward pressure on wages and conditions, privatization, multinational companies, child labour or rights to organise and bargain collectively.

Explain that the activity and the information it produces will help inform group work on trade issues. It will also help reps begin to think about how much members know about trade and social injustice, and potential areas of interest for taking union action.

#### TIMING

It will probably take reps about 10-15 minutes to read the Fact Sheet (if you have time, you might find it better to go over this with the group, prior to setting the Workplace Activity). Explain, they should try not to 'over-do' the consultation with members – this is meant to be a relatively quick sampling of members' starting points. Although, clearly, if the rep identifies interest, they may want to stimulate it and/explore it further.

#### TAKING FEEDBACK

You can do this in several ways. Prior to beginning any further activity on trade, you could collate the responses on a flipchart, so that the group has a broader view of members' potential starting points.

Alternatively, if you are short of time, you can ask reps to use the information they have gathered to inform their discussions in other activities.

You could, when taking small group feedback, check with reps the extent to which the action they propose is based on what members know/are interested in. It could be that they will need to think of intermediate action on awareness raising before members will be ready to take up what reps are proposing.

#### OWN NOTES

## Workplace activity

### Who's heard of 'trade liberalisation'?

#### AIMS

This activity will help you to:

- begin to find out what members think and feel about trade issues

#### TASKS

- 1 Read through Fact Sheet 3.
- 2 Find a suitable opportunity to talk to 2 or 3 members briefly about world trade and its effects on them. Assure them that you are not looking for right or wrong answers – just an immediate, 'off the top of the head' response to a few questions that will help you in your work as rep.
  - a) whether they have heard of the World Trade Organisation/world trade talks
  - b) what they think it does
  - c) whether they've heard of free trade/trade liberalisation
  - d) how they think it affects them
- 3 Keep a note of the responses – it will help you in further activities on trade and how it affects us as trade unionists

#### RESOURCES

Fact Sheet 3 *The Global Trade System – an outline*

# Section 4



## Activities

### Tutor note: Trade and social injustice – why it matters

#### SETTING THE ACTIVITY UP

This activity is best set following some discussion or question arising from a trade related issue. It may be a good idea at the outset to explain that if this is a relatively new area of study, the issues may seem more complex than they are. The purpose of the exercise is to help open up an area of activity that intimately affects our lives – but that is usually presented to us as something remote and unintelligible to all except world leaders and news readers.

You will need to have an overview of the world trade system or have read through Fact Sheet 3 to begin by talking briefly and clearly about how the world trade system functions. You could do this partly by asking the group questions. This will give you chance to see what they know and to fill in where necessary.

If the group have done the Workplace Activity, remind them that the results should be used to inform their responses.

#### TIMING

How you cover your introduction to the world trade system will depend on the time you have available, but try to limit to about 15 mins to keep the activity in proportion. Small group work may take between 45 mins – an hour. You will then need around 40 minutes for group feedback.

#### TAKING FEEDBACK

There is potential material for much longer discussion and feedback, and you will need to keep the group focussed. In taking feedback to Q2, aspects to bear in mind are:

- the inescapable links between what happens in the developing and developed world
- ref. to TUC basic values – how do trade effects match up to issues of justice, fairness, equity/equality and democracy
- proposals for action may be ambitious, but should be realistic i.e. reps should be fairly clear about how to propose and progress the action

#### OWN NOTES

## Activities

# Trade and social injustice – why it matters

## AIMS

This activity will help you to:

- understand how the global trade system works
- recognise how it affects working people
- make proposals for union action

## TASKS

As a whole group your Tutor will briefly go over an outline of the global trade system with you.

In small groups:

- 1 Read through Fact Sheet 4
- 2 Head up a flipchart or summary sheet The Global Trade System. Then make 2 columns headed *Effects on Working People and Why It Matters*.

Discuss the issues and complete the columns.

- 3 What key aspects of the trade issue do you think would move and motivate your members? Why?
- 4 Identify one or two areas for action that you could propose to your workplace union/union branch.

## RESOURCES

Fact Sheet 4 *The Global Trade System in Practice*  
Flipchart/pens and summary sheets

*Previous page:* Photo of food packets. © Christian Aid / Gary Calton, 2003

### Tutor note: What's wrong with global trade?

#### SETTING THE ACTIVITY UP

This activity could be run either through issues or questions arising out of previous work, or to take the opportunity to talk about trade following items in the news concerning trade issues. It is suggested that there are different reading tasks within the group:

- a) to be able to take advantage of the time that is available
- b) to facilitate discussion and sharing of information within the group

Try to avoid reps reading all the fact sheets. Trusting others to interpret and present information is vital to collective working.

#### TIMING

For the group work you will need around 1 hour and at least 30 mins for feedback.

#### TAKING FEEDBACK

In taking feedback, encourage the group to be as specific as possible. For example, in identifying the key problems 'getting rid of the WTO' is a tall order and one that will make people feel overwhelmed and unable to act. 'Getting the WTO to address social issues' is more achievable (there is a large coalition of groups working on precisely this). The more specific that reps can be, the easier it will be to address the issues of what governments should do, and what can be done by trade unionists. Although the big responsibilities lie with governments, building pressure from below by trade union actions is never to be underestimated.

#### OWN NOTES

## Activities

### What's wrong with global trade?

#### AIMS

This activity will help you to:

- build an overview of how the global trade system works
- identify key problems to be addressed
- propose action to be taken

#### TASKS

In small groups:

- 1 Half the group should read through Fact Sheet 3, and the other half Fact Sheet 4.
- 2 Discuss and note what you consider to be the key problems that need to be addressed.
- 3 Half the group should read through Fact Sheet 5, and the other half Fact Sheet 6.
- 4 Discuss and note what you think should be done:
  - a) by the UK government
  - b) what can be done by us as trade unionists

#### RESOURCES

Fact Sheets:

3 *The Global Trade System – an outline*

4 *The Global Trade System – in practice*

5 *Getting to socially just development*

6 *Trade and Social Justice – a case for trade union action*

### Tutor Note: Multinationals (MNCs) and us

#### SETTING THE ACTIVITY UP

Explain that there is no better way of looking at the significance of MNCs than by looking at how they impact on our lives – whether we live in Africa or Aylesbury. This is a good activity to run at any stage of trade union courses. It introduces reps to the issues and asks them to think about them as trade unionists. This is something that can either be left with them to think about, inform their other activities and be returned to, or it can be used as a prelude to detailed work on employing organisations, supply chains and opportunities for trade union influence.

#### TIMING

You will need around 15 mins for activity 1, 45 mins for group work and at least 30 mins for group feedback.

#### TAKING FEEDBACK

Do not worry too much if you don't know which companies belong to MNCs – the likelihood is that each rep will score at least 2 or 3 out of 4 for activity 1.

Try to keep discussion of the issues as realistic as possible, and refuse to let reps fall into a downward spiral of 'this is too big for us'. The trade union PIP method of identifying the problem and getting information is half the battle. We can only plan and take action once we are well informed. As the vast majority of people are NOT well informed about trade issues, here lies the challenge. As key opinion formers in the workplace, reps are well placed to begin planning to deal with that.

#### OWN NOTES

## Activities

# Multinationals (MNCs) and us

## AIMS

This activity will help you to:

- consider how the presence of MNCs in our lives and the global trade system
- identify the issues for us as trade unionists

## TASKS

In small groups:

- 1 Assess which of the following are produced or controlled by a multinational company (MNC). For each one that is, score 1 point.
  - one item of clothing each
  - your favourite drink
  - your Bank
  - your employing organisation

How many groups scored full points?

Half the group should read through Fact Sheet 3, and the other half Fact Sheet 4.

Discuss and note:

- 2 Why you think most MNCs are based in the rich countries (EU, US, Japan)
- 3 Why you think MNCs have set up operations in developing countries
- 4 What you think are the effects for:
  - a) developing countries
  - b) developed countries
- 5 What do you think are the key issues for us as trade unionists?

## RESOURCES

Fact Sheets:

3 *The Global Trade System – an outline*

4 *The Global Trade System – in practice*

### Tutor Note: Trade and social justice – what we can do

#### SETTING THE ACTIVITY UP

You can introduce this activity either by:

- giving a brief overview of the main points of Fact Sheets 3 and 4 (outline and practice of the global trade system)
- asking reps to read 3 and 4 before the session or
- having a brief discussion with the whole group to find out how much they know, and giving information where necessary

This should only be a small part of the session, as the focus is on identifying and planning suitable action on trade issues.

#### TIMING

10-15 mins to introduce/set up the activity. Then you will need around 45 mins for the activity and 45 mins for feedback.

#### TAKING FEEDBACK

It is important that reps use the discussion/feedback session for realistic planning that they can begin to take back at work. To be able to do this, they will need to know how to use their structures and ideally (stemming from the Workplace Activity) an idea of what is possible in their workplace/union circumstances. This doesn't mean that they shouldn't be ambitious – getting things onto the agenda and open for discussion is important in itself. If proposals are realistic, there is no reason to suppose they won't be supported.

#### OWN NOTES

## Activities

# Trade and social justice – what we can do

## AIMS

This activity will help you to:

- explore the different initiatives and levels for action on trade and social injustice
- assess what can be done in your workplace/branch

## TASKS

As a whole group, briefly discuss the global trade system.

In small groups:

- 1 Half the group should read through Fact Sheet 5, and the other half Fact Sheet 6.
- 2 With reference to your union/workplace situation, identify and discuss 2 actions that you could propose to members in your workplace/branch:
  - one item for collective action – how would this be generated?
  - one action that individual members could take – how would you prepare for this?

## RESOURCES

Fact Sheets:

5 *Getting to Trade and Socially Just Development*

6 *Trade and Social Justice – a case for trade union action*

### Tutor Note: Shop 'til you drop – issues for trade and social justice

#### SETTING THE ACTIVITY UP

This activity could be run as part of an IT session or as a warm up for other work on trade issues.

If appropriate, you could set Fact Sheets 3 and 4 as pre-session reading. The activity should work without this, but would be facilitated by you giving some basic information on the global trade system. This IT activity is good at showing what some of the implications of the present global trade system are.

#### TIMING

Following the links through on the activity will take about 15 mins. Allow at least 30 minutes for comparisons and group discussion.

#### TAKING FEEDBACK

In taking feedback for the whole group, try to avoid a repetition of the specific job and shopping that reps carried out. Instead get them to focus on the disparities of pay and what people can access with their wages. Then move on to what causes these disparities and the implications in terms of wages and conditions globally.

Follow up with reading from Fact Sheets 3 and 4 if possible. If more time or another session is available, you could also use the activity 'Trade and Social Justice – what we can do'.

#### OWN NOTES

## Activities

### Shop 'til You Drop – issues for trade and social justice

#### AIMS

This activity will help you to:

- compare costs of living and working in different countries
- discuss the 'knock-on' costs for working people generally

#### TASKS

Individually or in pairs:

- 1 Access the following web address [www.ueinternational.org/shop/](http://www.ueinternational.org/shop/)
- 2 Work through the links that allow you to work out the comparative costs of living and working in Mexico and the USA.
- 3 Discuss the results for your chosen line of work.

In small groups or as a whole group, discuss:

- 4 What do you think are the key factors that make for trade and social injustice?
- 5 In what ways does this ultimately adversely affect all working people?

#### RESOURCES

IT access



Trades Union Congress  
Congress House  
Great Russell Street  
London  
WC1B 3LS

tel 020 7636 4030

fax 020 7636 0632

[www.tuc.org.uk](http://www.tuc.org.uk)

design wave.coop  
production [www.design-mill.co.uk](http://www.design-mill.co.uk)

