

FROM “FREE TRADE” TO “FAIR TRADE”: PROPOSALS FOR JOINT LABOUR DEMANDS TOWARDS AN ALTERNATIVE TRADE REGIME¹

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ABSTRACT

There have been divisions within the global labour movement over free trade agreements (FTAs), part of an expanded free trade agenda covering not only trade in goods, but also services, trade-related investment measures, intellectual property rights and investor-state dispute settlement mechanisms. European, export-oriented trade unions have tended to support new FTAs, as they perceived them to be beneficial for “their” companies, thereby securing their members jobs. By contrast, labour movements in the Global South have objected as free trade has often signified deindustrialisation and loss of jobs in their countries. In this paper a number of key demands are developed, which can potentially be supported by labour movements from all over the world in the collective struggle for a “fair trade” regime. One set of potential demands is suggested around the re-assertion of national sovereignty. Another set of potential demands is directed against the increasing structural power of transnational capital.

INTRODUCTION

There have been divisions within the global labour movement over free trade agreements (FTAs). European, export-oriented trade unions have tended to support new FTAs, as they perceived them to be beneficial for “their” companies, thereby securing their members’ jobs. Labour movements in the Global South, however, have objected. For them, free trade has often signified deindustrialisation and loss of jobs, as Southern companies could not compete with the higher productivity rates in the North (Hilary, 2014a). And yet, it would be wrong to be surprised about these divisions. The expansion of capitalism along uneven and combined lines has inevitably put national labour movements in rather different positions within the global economy (Bieler, 2013). If a common

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position is to be obtained, then this can only be the result of struggles, in which the more long-term common interests of labour in the North and South are asserted.

The purpose of this paper is to assist this process through the development of some demands vis-à-vis trade policy, which can be supported by labour movements from all over the world, regardless of their particular position within the global economy. What could or even should be the key principles of a fair trade system? Fair trade here does not refer to the practice of ensuring the payment of sustainable prices for a range of products, guaranteeing decent working conditions and local sustainability for farmers and workers in developing countries, as important as these initiatives undoubtedly are. Rather fair trade refers to a more comprehensive, alternative trade regime governing the exchange of goods at the global level in a way which allows countries to emphasise national development based on social justice while at the same time prioritising the rights of citizens to water, food, housing and so on.

In the next section, a critical discussion of free trade policy since the end of the Second World War will be provided, assessing first the post-war Bretton Woods system of “embedded liberalism” before moving then to the post-GATT Uruguay Round period and the transformation of the free trade system into a disembedded trade system from the mid-1990s onwards, reaching into ever more aspects of national economic and social policy making. On the basis of this assessment, the second section will start formulating proposals for potential joint demands. Key emphasis will be placed on preserving national sovereignty, and on national policy space as the basic terrain of democratically accountable development policy. Moreover, it will be argued that the increasing power of transnational corporations (TNCs) needs to be kept in check, and proposals are put forward as to how this could be done. In order to change the trade system, social class forces are required to push through demands. The Conclusion will discuss the importance of developing a strategy to implement joint demands.

FROM EMBEDDED TO DISEMBEDDED TRADE REGIMES

THE BRETTON WOODS SYSTEM OF EMBEDDED LIBERALISM AND ITS COLONIAL LEGACY

After the Second World War, free trade was mainly pursued within the framework of the General Agreement on Tariffs and Trade (GATT), with a focus on lowering tariff barriers in order to stimulate the trading of goods across borders. Importantly, GATT was part of the post-war Bretton Woods regime of embedded liberalism (Ruggie, 1982), which combined the goal of international free trade with the right of governments to intervene in their own economies when domestic stability and welfare was at stake. In other words, it was not envisaged that trade should be completely “free”, as escape provisions and protection against policies harmful to domestic stability were included within GATT. The system was based on a Keynesian understanding that demand management through state intervention was crucial for economic growth and high employment levels. For example, quantitative restrictions on trade were prohibited in general, but were allowed in order to protect balance of payments difficulties that resulted from domestic policies intended to ensure full employment. Moreover, countries were allowed to form regional customs unions and “free trade areas”, and a blanket exemption was granted to all existing preferential arrangements. Thus the European Economic Community could establish its Customs Union during the 1960s, in which all

tariff barriers between member states were abolished and a common external tariff established, without infringing GATT provisions (Bieler, Hilary and Lindberg, 2014: 3–5).

In general terms, “the period 1947–73 was one of unprecedented expansion for the world economy, with output and trade growing faster than in any previously recorded period. Global output expanded at an annual average of 5 per cent, while exports grew at 7 per cent per annum.” (O’Brien and Williams, 2013: 117). Unsurprisingly, this period until the early 1970s and the onset of a global economic crisis is evaluated in highly positive terms in the Global North. In the words of Dani Rodrik (2011: xvii), “the Bretton Woods compromise was a roaring success: the industrial countries recovered and became prosperous while most developing nations experienced unprecedented levels of economic growth. The world economy flourished as never before”. The generally positive assessment of free trade by trade unions of the Global North needs to be understood against this background. On the basis of growing wealth levels facilitated by free trade and strong labour movements, full employment levels were reached and expansive welfare states established. To question free trade, linked to higher levels of prosperity across society, makes little sense in the eyes of a trade unionist from Sweden, for example. And yet, the experience of developing countries during the first three post-war decades has been rather different.

Developing countries had been excluded from the benefits of embedded liberalism. GATT escape provisions, which allowed industrialised countries to protect sensitive industrial sectors, worked to their disadvantage as they could not export the few manufactured products they had. Moreover, developing countries did not have free access to the agricultural markets of the North, since agriculture was not covered by GATT. In fact, agriculture became one of the key ways in which developing countries were subordinated in the global economy during the Bretton Woods period. In both Europe and North America, the production of food was highly subsidised, resulting in record outputs. In order to get rid of agricultural surpluses, the United States (US) government subsidised especially exports of wheat as part of the US Food Aid programme, thereby undercutting developing countries’ local production of food and indirectly assisting in the industrialisation of labour-intensive industries in these countries. The rising consumption of imported wheat led to “two far-reaching changes: (1) the erosion of peasant agriculture, as urban food rations enabled subsidized wage foods to outcompete peasant foods; and (2) the expansion of an industrial labor force, as small producers left the land for low-wage jobs in the rapidly growing cities” (McMichael, 2012: 70). Thus, developing countries were pushed into a situation of food dependency.

In the colonial period, countries in the Global South had been forcefully integrated into the international division of labour, concentrating on the export of raw materials to be further processed in the factories of the North. As Anwar Shaikh (2007: 60–61) makes clear, when industrialised countries developed, “the policies of the rich countries included not only protectionism and state intervention but also colonization, pillage, slavery, and the deliberate deindustrialization of the Third World”. Bretton Woods and the compromise of embedded liberalism continued these policies for the Global South. As McMichael (2012: 55) makes clear in his assessment, while industrial countries did benefit from the flexibility offered by Bretton Woods, “the colonial division of labour’s legacy of “resource bondage” was embedded in Third World social structures, where trading classes of landowners and merchants, enriched by the exports of primary goods, would favour this relationship.

And, of course, the First World still desired raw materials and agricultural imports and markets for its industrial products". In other words, Bretton Woods installed a western-style development project for the newly independent countries, which in many respects continued economic colonial policies within a new institutional setting. Against the background of the global economic crisis in the 1970s, the international division of labour between the Global North and Global South was re-ordered. Faced with a declining rate of profit, Northern capital restructured the way in which peripheral countries were integrated into the global economy. Already in the mid-1970s, Amin (1976: 185–90) observed how, through the export of finance in the form of foreign direct investment (FDI), capitalist social relations of production were established in peripheral spaces enjoying the advantage of low-wage costs, while high-value-added production based on the latest technology, often controlled by TNCs, was retained in the core. "This new phase involved the establishment of third world export platforms to cheapen the cost of producing goods for sale throughout the world, including the home market" (Hart–Landsberg, 2013: 91). Nevertheless, this did not result in developmental catch-up but in further entrenching uneven and combined development. Data provided by Kiely illustrates this conclusion well:

In 1970, 18.5 per cent of the total exports from the developing world were manufactured goods; with the phenomenal rise of China since the early 1990s, this figure had increased to over 80 per cent by the end of the 1990s. However, at the same time, since the liberalization of the 1980s, developed countries' share of manufacturing exports fell (from 82.3 per cent in 1980 to 70.9 per cent by 1997), but their share of manufacturing value added actually increased over the same period, from 64.5 per cent to 73.3 per cent (Kiely, 2012: 239–40).

China provides a good example, as its economy is still predominantly integrated into the global economy by providing cheap labour for the low-value-added task of assembling prefabricated parts into final goods, destined for export markets in North America and Europe (Hart–Landsberg, 2013: 34–6).

Overall, free trade during the Bretton Woods system of embedded liberalism tied the newly independent, developing countries into relationships of unequal exchange with industrialised countries, in which the latter reaped super-profits at the expense of the former. First, unequal exchange resulted from productivity differentials between industrialised and developing countries. As Ernest Mandel (1975: 71–2) pointed out, "on the world market, the labour of a country with a higher productivity of labour is valued as more intensive, so that the product of one day's work in such a nation is exchanged for the product of more than a day's work in an underdeveloped country" (see also Bieler and Morton, 2014: 38–42). Second, the dominance of industrialised countries has been ensured through the control of technological invention, access to resources, the globalised financial system, communications and information technology – as well as, in the last instance, weapons of mass destruction (Amin, 2003: 61–5). Importantly, these additional means allow capital to extract super-profits from labour in developing countries, which goes beyond the subsistence level of workers. Thus, wages are depressed below the value of labour power (Higginbottom, 2014: 30–2). In other words, there is a situation of superexploitation "underpinned by

extra-economic levers in capitalist social relations” (Higginbottom, 2012/13: 266). These dynamics of super-exploitation apply even in situations of equal productivity levels:

High rates of flexibility and intensity of labour in the global South cast serious doubt on the notion that low southern wages reflect low southern productivity. When we consider wage differentials along with factors such as the conditions, duration, and intensity of labour, as well as the paucity of the “social wage”, it is irrefutable that higher rates of exploitation pertain in countries such as China, Bangladesh, and Mexico than in the United States, Spain, or Germany (Smith, 2012).

If labour in the Global South is more exploited than in the Global North, this is not necessarily because “the southern working class produces less value, but because it is more oppressed and more exploited” (Higginbottom, 2011: 284). Foxconn’s cheap labour assembly plants for Apple products in China are a good example. Hidden behind impressive Chinese annual GDP growth figures are the super-profits reaped by TNCs from exploiting workers in the Global South. “Apple’s iPhone exhibits general trends and fundamental relationships, but in an exaggerated and extreme form. Hon Hai [Foxconn] made \$2.4 billion in profits in 2010, or \$2,400 per employee, compared to \$263,000 in profits reaped by Apple for each of its 63,000 employees (43,000 of whom are in the United States)” (Smith, 2012). Samir Amin (2012) refers to this extra surplus as “imperialist rent” and concludes that “the order of magnitude of the quantifiable fraction of the imperialist rent, the result of the differential in the prices of labour powers of equal productivity, is obviously large”.

THE GATT URUGUAY ROUND AND THE SHIFT TOWARDS AN EXPANDED FREE TRADE REGIME

It was the GATT Uruguay Round from 1986 to 1994 which took the international free trade regime into new territory. The Uruguay Round culminated in the establishment of the World Trade Organisation (WTO) in 1995, and included a strengthened dispute settlement procedure facilitating the monitoring and enforcement of global trade agreements. Second, the Uruguay Round expanded the remit of GATT and then the WTO into the areas of intellectual property rights, services and investment. Thus, the Uruguay Round included the trade-related intellectual property rights (TRIPS) accord (http://www.wto.org/english/tratop_e/trips_e/trips_e.htm). This provides strong protection of the ownership of intellectual knowledge, giving companies in leading high-tech sectors a longer position of monopoly in relation to their new technologies and some protection against the “piracy” of these technological advances. At the same time, it makes it more difficult and expensive for developing countries to get hold of the latest technology for their own development. The services sector has become increasingly important as an area of economic growth vis-à-vis traditional manufacturing. This is especially the case in developed countries, but the services sector of developing countries has also become an interesting area for TNCs from the North. In order to bring this area into “free trade”, the General Agreement on Trade in Services (GATS) was added to the agenda of the WTO (http://www.wto.org/English/tratop_e/serv_e/serv_e.htm). So far, it is a very loose agreement giving states the right to identify sectors which are not part of the agreement. Nevertheless, there are moves to deepen this agreement, and developing countries often find it difficult, if not impossible, to resist the demands of developed countries to open up their services sectors in exchange for development aid. Finally, the Agreement on Trade Related Investment

Measures (TRIMs) focuses on measures that affect trade in goods (http://www.wto.org/english/tratop_e/trims_e.htm). All investment measures that have “trade-restrictive and distorting effects” are prohibited. This makes it impossible, for example, for countries to put forward local content requirements. In short, developments introduced during the Uruguay Round have undermined national sovereignty and challenged the compromise of embedded liberalism in developed countries (Mortensen, 2006:173-5).

The Doha Round of WTO negotiations was launched in 2001 as the result of a bargain between the US, which was promised greater market access for its agricultural exports, and the European Union (EU), which wanted to include the so-called Singapore issues of investment, competition policy, public procurement and trade facilitation in the WTO’s negotiating agenda. The GATS services agenda was conceptualised separately at the WTO and then incorporated into the Doha Round. The Doha Round negotiations were beset with crises from the outset, and have collapsed at regular intervals ever since the WTO’s failed 2003 ministerial conference in Cancún. Nevertheless, this expanded free trade agenda is now aggressively promoted in bilateral FTAs by the EU and the US with developed, developing and emerging economies alike (Choudry, 2014).

The rationale provided for this expanded free trade regime is the neo-liberal belief in the benefits of free trade – that is, as long as every country concentrates on producing what it is best at, general development will result. Empirical reality, however, has unmasked the false promises of liberal economic thinking. In a study by the NGO War on Want, it is illustrated that global economic growth in the 1980s and 1990s, the time of neo-liberal globalisation, was slower than in the 1960s and 1970s. Moreover, “the number of people unemployed and the number in unstable, insecure jobs has actually increased – from 141 million to 190 million (1993 to 2007) and from 1,338 million to 1,485 million (1997 to 2007) respectively” (War on Want, 2009: 4). A recent report by the International Labour Organisation (ILO, 2015) has noted a global shift towards more insecure jobs since the onset of the financial crisis in 2007–2008. Three-quarters of the world’s workers are either employed on temporary or short-term contracts, work informally without any contract, or are self-employed or in unpaid family jobs. “In short, the standard employment model is less and less representative of today’s world of work since fewer than one in four workers is employed in conditions corresponding to that model” (ILO, 2015: 13). Developing countries have yet again been the main losers during this period. Trade liberalisation often implied deindustrialisation and import dependence for them. An analysis of the consequences of trade liberalisation in Africa and Latin America during the 1980s and 1990s reveals widespread job losses, increasing unemployment and declining wages on both continents (War on Want, 2009: 5–13). “Trade liberalization contributed to the deindustrialization of many third world countries, thereby increasing their import dependence” (Hart–Landsberg, 2013: 81). In many respects, the expanded free trade regime continues the dynamic of extra surplus value and super-exploitation. “Today, free trade agreements and bilateral investment treaties play a role analogous to the structural adjustment programs of the 1980s” (Higginbottom, 2013: 188). Considering the way Global Commodity Chains are organised across borders, with prefabricated parts being assembled in third countries and then exported to markets elsewhere, it is no surprise that bilateral and multilateral regional free trade agreements have become ever more important for transnational capital, as these transnational production networks could not function without free

trade (Hart–Landsberg, 2013: 91–2). Clearly, the new international division of labour is closely related to the expanded free trade regime.

The most recent trade agreement negotiations – including among others the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, the Transpacific Partnership Agreement (TPPA) and the Transatlantic Trade and Investment Partnership (TTIP) – not only incorporate ever larger territories, but also extend the disembodied trade regime further. As John Hilary’s detailed analysis of TTIP makes clear:

as officials from both sides acknowledge, the primary aim of TTIP is not to stimulate trade through removing tariffs between the EU and USA, as these are already at minimal levels. The main goal of TTIP is, by their own admission, to remove regulatory “barriers” which restrict the potential profits to be made by transnational corporations on both sides of the Atlantic (Hilary, 2014b: 6).

In other words, as a result of the expanded free trade agenda, “in recent decades, trade has become less about exchange of goods and more about eliminating social and environmental safeguards in pursuit of corporate profit” (Alternative Trade Mandate Alliance, 2013: 3). These so-called barriers include social and environmental standards, food safety standards and regulations on the use of toxic chemicals, digital privacy laws and new banking safeguards. TTIP, furthermore, intends to open up public services and public procurement for private investment and undermines Buy America provisions, used in many US states to support local jobs and businesses. “Perhaps the greatest threat posed by TTIP is that it seeks to grant transnational corporations the power to sue individual countries directly for losses suffered in their jurisdictions as a result of public policy decisions” (Hilary, 2014b: 30). These investor-state dispute settlement (ISDS) mechanisms have already been part of many bilateral investment agreements (Hilary, 2013: 43-57). TTIP and other recent negotiations have the purpose of making them almost universal. And there are already a large number of law suits by TNCs against governments. “The use of ISDS by transnational corporations is now reaching epidemic proportions. Over 500 known cases have now been filed against at least 95 countries, of which over 400 have come in the last 10 years alone” (Hilary, 2014b: 32). Negotiated in secret behind closed doors, the precise implications of TTIP are not yet clear. Nevertheless, as Gabriel Siles–Brügge (2014b: 1) confirms in his assessment, “the agreement, as it is currently envisioned by European negotiators, is still likely to constrain regulatory autonomy through its investment provisions, provide insufficient protection for public services and lead to some downward pressure on standards in the area of food safety”.

In sum, these latest negotiations of new, multilateral FTAs at the regional level demonstrate yet again that the disembodied trade regime is not about trade. The investor– state dispute settlement mechanism illustrates most clearly that these treaties are about protection for some and undermining security for others. They are about protection for capital, especially big capital, and against the interests of workers, consumers and the environment, clothed in the discourse of neo-liberal economics and its apparent positive implications

PROPOSALS FOR JOINT LABOUR DEMANDS: THE CENTRALITY OF STATE SOVEREIGNTY

Anwar Shaikh looks at the wider historical dimension of development and points out that it is actually competitive advantage, not comparative advantage, which has allowed individual countries to develop.

Persistent trade imbalances covered by foreign capital flows are the “normal” complement of international trade between unequally competitive trade partners. Thus, “free trade” does not make all nations equally competitive, as is argued within standard trade theory. Rather, it exposes the weak to the competition of the strong. And as in most such cases, the latter devour the former (Shaikh, 2007: 57).

Historically, no country developed exclusively through free trade. “During their own process of development the rich countries relied heavily on trade protection and subsidies... they did not generally abide by patent laws or so-called intellectual property rights, and... they generally championed “free trade” only when it was to their economic advantage” (Shaikh, 2007: 60). The role of the state in the development of Asian countries such as South Korea, Taiwan or more recently China, for example, was crucial, emphasising selective trade and industrialisation policies. State sovereignty is clearly a crucial component of development. It is on this basis that I would put forward the **first potential joint demand** by Northern and Southern labour movements alike vis-à-vis free trade:

Potential Joint South–North Demand 1:

Any trade agreement needs to protect the national policy space of the participating countries, allowing them to pursue independently additional objectives to trade and liberalisation.

The discourse of the negative implications of protectionism as a result of national policy space is often invoked in the defence of “free” trade, especially with reference to protectionism as the cause of the Great Depression of the 1930s. In fact, it has been heavily used during the current crisis to justify a continuation of free trade policies. “Thus, at the London summit [in April 2009], leaders agreed that they “would not repeat the historic mistakes of protectionism” (Siles–Brügge 2014a: 554). Against this background, it will be important to assert the positive implications of national self-determination over development policies.

Importantly, as discussed above, a return to Bretton Woods and the compromise of embedded liberalism is neither feasible nor desirable, considering the exploitative way developing countries were integrated into the global political economy. Hence, the importance put by Samir Amin (2014: 16–17), for example, on support of subsistence farming in the search for alternative development models. The discussion of food security versus food sovereignty is of interest in this respect. Food security, pushed by international organisations and the transnational agri-businesses, emphasises the importance of free trade for ensuring that everyone has access to sufficient food. The Agreement on Agriculture, part of the GATT Uruguay Round, was crucial in this respect. It “was designed to open agricultural markets by imposing minimum import requirements and tariff and producer subsidy

reductions” (McMichael, 2003: 172). However, this understanding is based on the same faulty assumptions as the neo-liberal understanding of free trade in general.

Food sovereignty, by contrast, links food security to the right of people to produce their own food, to control the productive resources and means of production, and to participate in an open and transparent democratic system of decision making in the area of agricultural and food policies. Food sovereignty emphasises the right of all to have sufficient food, it values the diversity of providers, highlights the importance of localised food systems, controlled by the producers themselves. It stresses the importance of local skills and knowledge and works in harmony with nature. In sum, “food sovereignty is a common struggle against corporate, industrialised food systems and a common determination to achieve socially, ecologically and economically benign models of production, processing and distribution in all societies” (Mulvany, 2007: 19). This does not imply that there should be no trade in agricultural products, but it does signify that it is up to individual people and countries to decide in which areas to trade, and in which to protect the national and local economy. Hence, in relation to free trade policy and agriculture, a **potential joint demand** by trade unions of the Global South and North could be the following:

Potential Joint South–North Demand 2:

All countries should have the right to food sovereignty – that is, to determine themselves what to grow, in which way, and which crops to trade and which to protect against foreign competition.

Importantly, food sovereignty as a concept and project is also directed against the increasingly widespread practice of “land grabbing” by other countries or by TNCs of large areas of fertile land in developing countries to produce cash crops for export or foodstuff for the feeding of these countries’ populations (McMichael, 2014). Pushing for food sovereignty would imply that this kind of land sale or lease is not possible. Finally, food sovereignty is also crucial in relation to the protection of the environment. In contrast to industrialised agriculture, which exhausts the land and adds significantly to global warming, agriculture according to food sovereignty is in harmony with nature.

As McMichael also indicates, the extraction of raw materials by developed countries from developing countries is a practice which goes right back to colonial times and was then continued during the post-war period of embedded liberalism and further intensified during the current epoch of neo-liberal globalisation. Materials essential for industrial production are shipped from the periphery to the core of the global economy. While the extraction in the periphery itself is based on labour-intensive processes, the raw materials are then used in high-value-added production processes in the core. As a result, developing countries are often prevented from using these raw materials for their own development. According to Claude Kabemba, secrecy is the biggest problem in the extractive industry in Africa. Unsurprisingly, “the collusion between weak institutional and governance structures in Africa and mining companies’ pressure to make profit exposes the sector to mismanagement, opacity and corruption” (Kabemba, 2012: 4). And while the EU on the one hand supports the quest for transparency in its Transparency Directive, through its Raw Materials Initiative (RMI) and Economic Partnership Agreements (EPAs) with African countries, it heavily pushes against export taxes or the requirement of processing minerals first before exporting them. “In 2010, for

example, the European Commission (EC) said that it would withhold trade benefits from developing countries that restrict raw material export” (Kabemba, 2012: 8). Considering this political pressure as well the secrecy around mining contracts, it is no surprise that “EU mining companies have been pushing for mining tax breaks in secret mining contracts amounting to an aggressive tax avoidance strategy” (Kabemba, 2012: 7). In order to address this problem, similar to the area of agricultural production, the following **potential joint demand** of labour movements in the North and South can be formulated:

Potential Joint South–North Demand 3:

Countries should have the right to decide independently on the use of their raw materials. They may want to trade with some, but use others for their own industrial development.

This principle is the very starting point of ensuring that mineral-rich countries can actually benefit from their wealth, properly tax mining corporations and ensure that minerals are exported in value-added form. In itself, however, national policy space will not guarantee mining justice. Equally important is the way decisions about mining are taken. Indeed, “consultation with local communities and local community participation in resource management must be mandatory” (Kabemba, 2012: 13). Hence, the way trade policy more generally is made at the national level requires further consideration.

Democracy “ought to be one of the cornerstone principles of the international trade regime, trumping non-discrimination when necessary” (Rodrik, 2011: 246–7). In general, trade policy is made by high-level officials behind closed doors, often assisted by representatives of (transnational) capital. Unsurprisingly, trade policy is made in the interest of capital (Seattle to Brussels Network, 2005: 16). Hence, in order to ensure that society’s wider interests are taken into account, the very process of formulating trade policy making needs to be democratised. And this not necessarily in the sense of liberal representative democracies with parliaments being given a greater say, but through an emphasis on participatory democracy, bringing people’s interests directly to the decision making process. In short, **a further potential joint demand** of labour movements around the world could be:

Potential Joint South–North Demand 4:

The way trade policy making is carried out needs to be democratised so that the interests of all sectors of society are being represented in the decisions on which areas should be opened for trade and which should be protected.

The importance of democratic decision making on free trade has been recognised by the Alternative Trade Mandate Alliance (2013: 6–7). It placed the underlying principle of democratic control over trade and investment policy making at the heart of its alternative proposals for a European trade policy, including an end to corporate secrecy and privileged access by industry lobby groups, as well as new ways of involvement by civil society and parliaments in trade policy making.

CHANGING THE BALANCE OF CLASS POWER: PROPOSALS FOR JOINT LABOUR DEMANDS TO RESTRAIN TRANSNATIONAL CAPITAL

One of the lessons to be learned from the Northern labour movements is that the balance of class power in society is decisive for advances by workers. The establishment of the welfare state in the period following the Second World War was neither the result of a technocratic government interested in working for the greater good of the whole of society, nor the consequence of benign employers dedicated to the welfare of “their” workers. As Asbjorn Wahl convincingly demonstrates, it was against the background of “regime competition” with Eastern Europe and strong labour movements formed in industrial conflicts that employers felt that they had to make concessions. “It was the social confrontations of the preceding period, along with the continued organizational strength of the movement that made it possible for the trade union leaders to achieve what they did via peaceful negotiations and tripartite cooperation” (Wahl, 2011: 35). When discussing potential alternative ways of how to organise free trade, the implications of these alternatives for the balance of class power need to be kept in mind.

Reasserting national sovereignty as put forward in the previous section is a crucial cornerstone of an alternative, fair trade regime. And yet, the trans-nationalisation of production has fundamentally changed the power balance between capital and labour at the global level in favour of the former. Starting in the 1970s with the shift of labour intensive production to countries in the Global South as discussed above, globalisation has led to an increasing transnationalisation of production, with the production of many goods being organised across borders. Outflows of FDI rose from US\$88 billion in 1986 to a peak of US\$1 187 billion in 2000 (Bieler, 2006: 50). A period of recession caused a decline in FDI flows from 2001 to 2003, but four years of consecutive growth led to a new all-time high of FDI outflows of US\$1 996.5 billion in 2007 (UNCTAD, 2008: 253). Overall, there were close to 80 000 transnational corporations with roughly the same number of foreign affiliates in 2007 (UNCTAD, 2008: 212). Unsurprisingly, FDI flows have again declined since the onset of the global financial crisis in 2008 (UNCTAD, 2013: 213), but even slightly lower levels contribute to the continuing build-up of FDI stocks over time, indicating the ever more important role played by TNCs. While outward FDI stocks had been US\$2 091 496 million in 1990, they were US\$8 025 834 million in 2000 and US\$23 592 739 million in 2012 (UNCTAD, 2013: 217). The ISDS mechanisms, mentioned above, are the latest step in the increasing power of transnational capital. Joint labour demands towards restraining transnational capital’s power are, therefore, essential. In order to avoid a scenario in which various national labour movements underbid each other in the search for employment opportunities, the implementation of global labour standards could be a crucial way forward. Global labour standards here do not refer to minimum conditions such as length of the working day or minimum pay, but to fundamental rights of workers to organise themselves collectively in defence of their own rights. Hence, a potential joint demand could be:

Potential Joint South–North Demand 5:

All FTAs must include a social clause, which commits capital to respect the seven crucial ILO conventions (29, 87, 98, 100, 105, 111, 138) which provide for the freedom of association, the right to collective bargaining, abolition of forced labour, prevention of discrimination in employment and a minimum age for employment.

The International Confederation of Free Trade Unions (ICFTU), the predecessor organisation of the International Trade Union Confederation (ITUC), attempted precisely this in the 1990s, but in the form of a WTO clause. At the time, the proposals failed, not only because of resistance by transnational capital, but also due to disagreements within the labour movement. Some labour movements in the Global South were concerned about the link between these demands and the WTO, giving the latter even more power, and were worried that Northern states would use these clauses to attack developing countries. Moreover, there was a concern in the Global South that Northern labour movements would ensure a social clause, but make compromises over, or neglect, other issues such as debt relief (O'Brien, 2002). The level and method of enforcement mechanisms will have to be discussed, but perhaps this is the right moment to return to global labour standards and to explore whether pursuing them jointly could be an acceptable way forward for the global labour movement. The current strike wave in China is often driven by demands for the right to free association and collective bargaining. Joint demands along this line could assist these struggles in China, which, if successful, would relieve pressures elsewhere. Importantly, it needs to be remembered that the ILO itself is a tripartite body with labour being in a rather weak position. Trade unions, should they intend to pursue this demand, cannot rely on the ILO to implement it, but need to organise themselves vis-à-vis TNCs if they are to push it through.

Few other areas indicate the power of transnational capital as much as the issue of tax avoidance and tax havens. Tax avoidance refers to practices which use the official tax regime to reduce the amount of payable tax through legal means. Tax havens facilitate these practices. The British bank Barclays, for example, “has come under fire for promoting the use of offshore tax havens as a route for companies investing in Africa” (Provost, 2013), and this against the background of estimates that African countries lose billions of dollars in unpaid taxes each year. This is not only a problem of developing countries. Another example is the bank HSBC, the Swiss subsidiary of which actively approached potential clients with a scheme which would allow them to avoid a new tax resulting from a treaty between Switzerland and the EU (Leigh et al., 2015). In a research report for the Public and Commercial Services Union (PCS) in 2014, Richard Murphy (2014: 2) concludes that “the UK’s tax gap may now be £122 billion a year”. “Tax gap” refers here to the sum of tax that could be collected, but is not. In short, tax avoidance and tax havens are a problem for countries in the Global South and North alike. This could result in the following second joint demand by labour movements from around the world vis-à-vis TNC power:

Potential Joint South–North Demand 6:

All tax havens must be closed and tax avoidance schemes be abolished through the introduction of new regulations to control transnational finance.

A further problematic issue of the disembodied free trade agenda is widespread corruption around the activities of TNCs. First, transnational capital has increasingly gained undue influence on policy making around free trade agreements. The European Services Forum (ESF), for example, has been closely involved in advising the Commission on further liberalisation and privatisation of the public

sector to open up new investment opportunities around the globe. “In 2012, the Commission accepted just one meeting with trade unions on the issue of services trade. In contrast, it met more than 20 times with the ESF” (Corporate Europe Observatory, 2013: 5). Second, rather than engaging in “free” competition, large TNCs often agree with each other either on which one of them should bid for which contract or to apply for certain contracts jointly. The water sector is a good example, especially the two large TNCs Suez and Veolia. “In both France and Italy competition authorities have condemned the private companies for uncompetitive behaviour. In France, Suez and Veolia were ordered to break up a series of “joint ventures which they had formed in order to share contracts rather than compete against each other” (EPSU, 2012: 4). Moreover, there are cases in which managers of Suez and Veolia have been convicted for bribery of public authorities, and “international evidence also shows that Suez, Veolia, and other private water operators have used upfront payments to local governments as economic inducements to win concessions and operating contracts” (Lobina, 2014: 32). Hence, the third joint demand vis-à-vis TNCs could be as follows:

Potential Joint South–North Demand 7:

A fundamental international commitment is required to eradicate corporate corruption.

Some economic areas are closely related to fundamental human rights. The right to access to water and sanitation is the most prominent human right in this respect. Water as the source of human life has a particular universal quality and was adopted by the UN as a human right in 2010 (Bieler, 2015). The fight against water privatisation is also one of the most successful ones around the world, with an increasing number of examples of remunicipalisations in every part of the globe (see <http://www.remunicipalisation.org>). Hence, a further joint demand vis-à-vis TNCs could be:

Potential Joint South–North Demand 8:

Certain areas such as water are to be excluded from any trade agreements.

As the Alternative Trade Mandate Alliance (2013: 15) has put it, “essential services such as energy and water distribution, education, health and social services have to be safeguarded against offensive commercial interests, and tightened market rules”.

Finally, ISDS mechanisms have already been part of bilateral free trade and investment agreements. Thus, “Argentina has faced compensation claims for over US\$20 billion, following the impact of its economic crisis in 2001 on the viability of numerous water and electricity privatisations” (Hall, 2006: 184; see also Hoedeman, Kishimoto and Pigeon, 2012: 108). Another example is the case of the Swedish company Vattenfall, which has sued the German government for profit losses as a result of the latter’s decision to get out of nuclear energy by 2022. “Vattenfall claims over €3,7 billion in compensation in response to the closure of the nuclear power plants Krümmel and Brunsbüttel” (Bernasconi–Osterwalder and Hoffmann, 2013: 1). The following potential joint demand from a labour perspective can be formulated as a result:

CONCLUSION: FROM JOINT DEMANDS TO COMMON ACTION?

In short, despite the different position of various national labour movements in the global political economy, a range of joint demands may be feasible. This paper introduced one set of potential demands around the re-assertion of national sovereignty and another set of potential demands against the increasing structural power of transnational capital. Nevertheless, it is one thing to agree on joint demands, and another to devise a common strategy in order to push for the implementation of these demands.

This could be an opportune moment for transnational solidarity against free trade agreements. While there have been tensions over free trade within the global labour movement until fairly recently, in view of the damaging impact of, and secrecy surrounding, TTIP negotiations, more and more Northern and especially European trade unions have come out against free trade. Detlef Wetzel, the current General Secretary of IG Metall, the powerful German metalworkers union organising workers in export sectors, recently criticised TTIP negotiations. While the potential benefits are either unclear or small at best, the planned investor–state dispute settlement mechanism would undermine national sovereignty and potentially also include downward pressure on working conditions and workers' rights. Hence, Wetzel (2014) argues, TTIP negotiations should be stopped. The British Trades Union Congress, in turn, adopted a motion at its Congress in September 2014, in which it resolved "that the trade union movement should now call for the TTIP negotiations to be halted and adopt a clear position of outright opposition to TTIP" (TUC, 2014). The German DGB, too, is vehemently opposed to ISDS provisions; it demands that CETA is re-negotiated and argues that, instead of deregulation as envisaged by TTIP, we need more regulation of globalisation to ensure that social dumping is avoided and globalisation becomes more just (DGB, 2015). Even more encouraging is the campaign Stop TTIP, which is based on a broad alliance of social movements, trade unions and NGOs across the EU. It has already collected almost 1.5 million signatures in its independent European Citizens' Initiative (see <https://stopttip.org>). Considering this widespread mobilisation against further free trade agreements in the Global North, this could be the moment to mobilise at the global level against the disembedded free trade regime. Such broad alliances may have the potential to address the imbalance of power between capital and labour, and potentially turn the tide against neo-liberal restructuring. The main purpose of trade unions is to collectively organise workers around principles of solidarity vis-à-vis capital, to defend pay and working conditions and to ensure that workers do not underbid each other in their search for employment. As Ingemar Lindberg (2014) outlines in this respect, solidarity is not opposed to mutual self-interest. Avoiding the competition of workers over wages ultimately benefits all workers. At the same time, solidarity also goes beyond shared interests: "Solidarity has an element of identification that is typically based on a shared position in the organisation of production. Identity as a worker, being part of the working class, is a vital element in union solidarity" (Lindberg, 2014: 136). Equally important, however, solidarity is not the automatic result of this shared position in the organisation of production. Solidarity is developed in moments of joint struggle. "It is expressed in a willingness to stand up for each other and fight

together” (Lindberg, 2014: 136). Trade unions, as a result of their unique position within the social relations of production, representing workers at the very point of exploitation, have the potential of threatening directly the accumulation of surplus value by withdrawing their labour. The concrete question then is whether labour movements are able to engage in these collective struggles across borders, be it within global commodity chains, or be it in the defence of the public sector. The Southern Initiative on Globalisation and Trade Union Rights (SIGTUR) as a trade union network coordinates a large number of unions from the Global South. Can SIGTUR develop into the kind of agent that can facilitate trans-border solidarity actions? At its Congress in Perth in December 2013, the increasing power of TNCs and the threat of new free trade agreements such as the TPPA were identified as common threats by SIGTUR affiliates. Hence, preventing the TPPA would be based on mutual interests. Will the network be able to mobilise against the TPPA and for an alternative trade regime? What could concrete joint actions look like?

Samir Amin has always been sceptical about the possibility of transforming global capitalism from within the system. Instead, he has advocated strategies of delinking from the global political economy, which would allow more independent development. “Delinking promotes the reconstruction of a globalization based on negotiation, rather than submission to the exclusive interests of the imperialist monopolies. It also makes possible the reduction of international inequalities” (Amin, 2014: 21). It may be impossible for an individual country to delink on its own, but perhaps a group of countries may be successful in moving towards an alternative outside global capitalism. The Bolivarian Alliance for the Americas (ALBA) is one practical example of an alternative trade regime. At its beginning in 2004, this was a treaty between Venezuela and Cuba, with the former providing petroleum to the latter at very favourable prices in exchange for doctors and teachers from Cuba, working in some of Venezuela’s poorest states. Importantly, direct negotiations between the two countries had replaced a reliance on prices set by the market and, therefore, directly challenged capitalist dynamics. A focus on social welfare replaced the focus on profits that characterises neo-liberal economics. Since then, ALBA has expanded, and now includes countries such as Bolivia, Ecuador and Nicaragua. “Among its most resounding successes is the literacy campaign, the noticeable improvement of health standards and the progressive development of its own system of payment, the SUCRE currency, and the creation of the ALBA Bank” (Daza, 2012: 9). Combining the development of, and pushing for, joint demands, based on broad alliances of social class forces, with the deepening of alternative trade regime experiences could become a powerful dynamic towards more fundamental change. SIGTUR may be able to play a significant role in these struggles.

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