

Non-agricultural market access

Speech delivered by Violet Seboni, 2nd Deputy President of the Congress of South African Trade Unions, to the SANGOCO workshop on non-agricultural market access (NAMA) on 24 June 2005

Comrades and friends

You could not be holding your workshop at a more important time – you know that on Monday COSATU will be embarking on national action as the start of a massive campaign to stop job loss. We will be pressurising business and government to take action to stop the job loss blood bath we are experiencing now.

We are taking action and drawing a line saying unemployment and poverty are already too high, and the job loss causing this, must stop now. It must stop now. In your workshop you too can draw a line – a line saying that job loss as a result of trade liberalisation must stop and must stop now.

The potential massive loss of jobs and economic capacity as a result of the trade liberalisation promoted through the current NAMA formulas at the WTO cannot go ahead. It must be stopped and it must be stopped now.

As COSATU we are not opposed to increased trade. But liberalisation must be undertaken in an informed manner and a way that will promote employment and development and not reduce it.

Unfortunately our experience of ill conceived trade and industrial policy has shown us what happens when government has regarded reducing tariffs as the primary goals instead of development. It has shown us the negative effects of using trade liberalisation as a way to increase competitiveness.

Many of our sectors have been cruelly lashed by the harsh winds of competition introduced through trade liberalisation – specifically lowering tariffs. The recent appreciation of the rand has aggravated these effects.

The clothing sector has lost 75 000 jobs as a result of rapidly increasing imports. Our footwear industry has practically disappeared. The furniture sector, which is hailed by some as a success story because it has increased exports, has also lost significant numbers of jobs as a result of trade. Plastics companies have retrenched workers, dairy farms have closed down, pharmaceutical companies turned manufacturing sites into distribution facilities for imported drugs. The list goes on and on.

Given that we are already losing thousands of jobs as a result of trade liberalisation, it is very disturbing to hear of the NAMA proposals in the WTO that threaten to lower tariffs – particularly those of developing countries.

The current proposals on the table at the WTO aim to get countries to bind more tariffs (that is commit more products to a maximum tariff that will then later be reduced). The main proposals are called the Swiss formula, with some variations.

These formulas introduce a new element in trade negotiations because they would make countries reduce virtually every tariff, rather than reducing the average tariff while retaining some scope to protect vulnerable or developing industries. The largest cuts would take place where tariffs are highest – which means precisely the industries that most need protection. In our case, that means for instance clothing, auto and equipment. If countries opt out of major tariff cuts, they have to commit to liberalise in other ways, in line with WTO requirements.

The technicalities of the formulas vary but one thing is common to both – both hold significant threats to us if they go through as they are.

- We will see tariffs being lowered – especially for industries that have enjoyed some protection until now - and imports increase as a result.
- We will see government losing policy space as it loses its scope to raise tariffs if it needs to, in order to support a particular industrial policy and or save jobs.

Some proponents of the formulas argue that only our bound rates will be lowered and not our applied rates, so we need not worry. Bound rates means commitment under the WTO, which are often higher than the rates actually charged by the state.

But there is still a massive threat. Firstly, if our bound rates are reduced we cannot raise our applied rates in order to protect jobs. Secondly, that argument is like trying to reassure a person that they will be o.k. with a noose tied around their neck – but while the noose is loose now, it is only a matter of time before it is tightened. It would only be a matter of time before the noose would be tightened and we would be throttled.

But it is not only job loss that is threatened by NAMA. The current NAMA proposals also threaten job creation. South Africa, like many other developing countries, has a history of colonisation. Part of that history was our economies being developed only as sources of minerals and resources that were sent to developed countries. Low wage labour regimes were linked to that.

We have therefore been relatively late industrialisers – and indeed we are struggling to develop our industrial sectors and complete value chains. New industries often need a high level of tariff protection to become strong enough to compete internationally. All countries that have industrialised started with very high tariffs for their new industries.

If we accept the NAMA formulas as they are we will be accepting this skewed economic structure as our future growth path. If we give up our ability to use tariffs to develop our industrial sectors, we will remain trapped in agriculture, minerals and resource based economies. If we open the doors to lowering tariffs using a rigid formula to do so, we will decimate our industrial sectors further, and be opening the doors only to further job loss, poverty and misery.

A last important political consideration I want to highlight to you is the danger of the current NAMA proposals being pushed through, even in the face of opposition, because of the undemocratic and untransparent way the WTO works and because of existing power relations in the world.

We have all heard stories of the bully boy tactics employed by some developed countries to get what they want in the WTO. For example, if a country representative in Geneva is refusing to accede to a certain request from a powerful country, a phone call placed to the President of that country quickly changes the developing country's position. Both false promises and real threats are used to sway developing country positions.

So it is all the more important that we do our own analysis of the impact of NAMA, that we place a counter pressure on our governments to pursue policies that will be good for us, and that we build alliances to strengthen our positions.

As COSATU we engage with government and business in detail in Nedlac on the trade negotiations. We have taken a strong line against unthinking trade liberalisation. But we need the support of the entire democratic movement to ensure that government trade negotiators hear the voice of our people.

Today's workshop is very important to COSATU in many respects. It will help us gather the experiences of workers, communities, activists, and academics, to support our claims that trade liberalisation has hit us and hit us hard. It will help us build our demands and develop motivations for those demands. It will help us in our campaign to stop job losses.

The last few Central Executive Committees in COSATU have had detailed discussions on trade. One of the outcomes was a renewed commitment to work with other organs of civil society around trade issues. This workshop is a good move in that direction and I know that COSATU and Sangoco will be convening further joint workshops this year.

Any trade union worthy of being called a trade union has to defend its members' jobs. That is what we are doing through our various actions and that is what we are doing in calling for government not to adopt any of the current NAMA formulas.

And any organisation worthy of being called a progressive organisation (and that is who I believe we are all here) has to defend the working class more broadly. That is what we are doing here by ensuring that corporate interests, specifically multinational corporate interests pushing for extensive trade liberalisation, are not given effect through the WTO operating in an undemocratic manner.

It is therefore comrades that I do not wish you good luck for today (since I do not really put my faith in good luck). Instead I wish you good struggle, since a struggle it is. And we expect to see you all on Monday at our demonstrations against job losses and poverty.