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Emerging Market Economy Forum

WORKSHOP ON STEEL TRADE ISSUES

STEEL TRADE AND GLOBALISATION:
STATEMENT BY MR. JOHN J. SHEEHAN

Please find attached the revised version of the document CCNM/EMEF/SC(98)18.

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**WORKSHOP ON STEEL TRADE ISSUES
STEEL TRADE AND GLOBALISATION
WORKERS' PERSPECTIVE
STATEMENT BY JOHN J. SHEEHAN
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PARIS, 27-28 MAY 1998**

1. During the last few months, various conferences have been held commemorating the 50th anniversary of GATT and the more recent establishment of the WTO by the Uruguay Round. However, the OECD/SC also is approaching a 20th anniversary arising from its inception at the Tokyo Round, with its then-unique tripartite structure. I make reference to these events because, upon reflection, they bear a special relevance to this workshop on the emerging market economies.

Worker Adjustment

2. In 1979, the steel industries of the Western members of the OECD were confronted with the so-called "steel crisis" which required deep restructuring to address the problems of excess capacity and the substantive involvement by member governments in their national industries through an intricate web of trade restrictions and state aids. Paralleling these market-disruption factors was a tremendous downsizing of the workforce. In order to cope with the industrial and social crisis, the Steel Committee made a strong commitment to an open market access policy, worker adjustment assistance and elimination of subsidies.

3. For different reasons, but no less severe, the emerging market economies are confronting their own steel crisis. As union representatives we are keenly sensitive to the twin manpower disasters of unemployment resulting from either the export-oriented policies of a "beggar-thy-neighbor" approach, or from the readjustment pains for workers in the restructuring enterprises without adequate social safety-net measures.

4. While the Secretariat has provided immeasurable services through these workshops by identifying the market-place realities to which the steel enterprises in the emerging market economies must adjust, much more needs to be identified in addressing the plight of workers in these economies. It would be most appropriate if the Steel Committee would devote similar attention to the human aspect of this restructuring as it did in the earlier period of its deliberations on the Western version of the steel crisis. The Committee has long recognised the value of transparency with regard to steel trade measures. Transparency in the steel employment conditions of the workers in the emerging market economies and in the manpower challenges would provide a more comprehensive perspective of the restructuring problems confronting these economies. Resort by governments and enterprises to dumping, subsidies, privatisation and job terminations constitute adverse employment impacts with which the OECD/SC is no stranger. The Committee is a forum in which the employment consequences of these actions can and should be discussed, especially since there are global ramifications.

Workers' Rights

5. Over the last 50 years (for GATT/WTO) and 20 years (for OECD/SC) there has been a substantial evolution in the scope, if not the mission, of these two operations. GATT has expanded from narrow negotiations on tariff reduction over a limited number of tangible products engaged in trade across national borders to a much more comprehensive agenda, which includes:

- an ever-widening array of both tangible (e.g. steel) and intangible products (e.g. intellectual property rights) being subject to trade disciplines;
- development and refinement of the rule of law regarding codes of fair trade practices on dumping and state aids;
- establishment of an effective dispute settlement process and;
- more recently, potential discipline on private sector competition policies.

6. Furthermore, the aspect of trade linkage to the social concerns over environmental protections and workers' rights is no longer being ignored since the trading system is deemed to operate in a borderless economy where national policies have increasingly less ability to discipline adverse consequences.

7. The OECD/SC also has reacted to the changing nature of the steel trade environment. It has advanced beyond just the need for transparency over governmental measures onto issues dealing with the non-market economies and, now, the emerging market economies. Its collection of capacity data (helpful for evaluating the consequences of excess capacity-driven exports); the participation by non-OECD member countries from CEEC and NIS the and workshops with the so-called Dynamic Non-Member Countries (DNMC) has placed the Steel Committee at the center of policy deliberations. These deliberations have also dealt with the environmental obligations and challenges to the steel industry since the industry is a major contributor to pollution and global warming, and since uneven or no existing enviro-standards may bestow unfair trade advantages.

8. However, its attention to the problems facing one of the social partners, i.e. workers, has stopped short of a more comprehensive approach. As a rather unique sector in the global economy, the questions regarding a sectoral treatment of internationally recognised labour rights --- at least the so-called core rights --- would be most appropriate and timely. Globalisation of the steel industry is forcing a need for this forum to address the question as to whether there is an adequate institutional opportunity for steel workers to obtain an equitable share in the benefits of trade liberalisation and whether there is an acceptable and recognisable voice for workers through which to express their concerns over globalisation, restructuring and compensation.

9. As the Steel Committee expands its involvement with all steel-producing nations, the agenda should include the issue of workers' rights, albeit a topic not comfortable for trade ministers. Recently Renato Ruggiero, Director General , WTO remarked:

“The increasing interdependence of the world economy underlies the necessity of having appropriate architecture to manage issues and policies which are becoming more interrelated. Finance, trade, development, environment, social issues are only some of *those growing interrelations.*”

Brookings Institute 4/4/98

10. He further remarked at another conference:

“Trade liberalisation is a hugely powerful engine for economic growth, but it can do little by itself to guarantee that wealth be equitably distributed. The essential point is that environment and social policies are needed to redistribute the benefits that trade brings....In our increasingly

integrated world, many of these policy solutions will have to be as global in scope as the global economy they must now address.”

International Institute for Economics, 4/15/98

11. The US Trade Representative Charlene Barshefsky stated:

“As the OECD has noted, trade and growth are an important way to advance those [core labour] standards....But we know from experience that market liberalisation alone is not enough. Addressing the issue within the context of trade policy is critical to maintaining support for open trade. If the trading system is not seen as part of the solution to exploitative child labour, slave labour or sub-human working conditions, many will assume it is part of the problem. The challenge for the system is to build a consensus that open trade should promote not only economic wealth, but fundamental worker rights.”

International Institute for Economics, 4/15/98

12. The 1996 Singapore meeting of the WTO Ministers reaffirmed the connection between trade and core labour rights when it “renewed a commitment to the observance of internationally recognised core labour standards”. It was a recognition that as trade liberalisation has advanced so, also, has social inequalities and social unrest. To assure that open trade lifts living standards, international institutions have a challenge to promote an awareness of core labours standards. A study released by the *International Institute for Economics* insists that:

“The most serious challenge for the world economy ... lies in making globalisation compatible with domestic social and political stability -- or to put it more directly, in ensuring that international economic integration does not contribute to domestic social disintegration”.

13. While not debating the type of linkage or interrelationship of the connection between trade and core labour rights, the Steel Committee is in an unique position within an unique industry to review whether the steel producing countries within the Committee’s expanding scope are adopting, to use Renato Ruggiero’s term, “appropriate architecture” to assure a sharing of the benefits of steel trade and whether trade is “promoting not only economic wealth, but fundamental worker rights” as advocated by Charlene Barshefsky.