

Economic Liberalisation and Human Rights

Opening statement for a panel discussion organised by the
Legal Assistance Centre (LAC)

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24 September 2002

There is a definite link between economic liberalisation and human rights as the process of economic liberalisation (also known as globalisation) has had a huge impact on people's lives all over the globe. In order to assess this impact, it is essential to first define our understanding of economic liberalisation and human rights, which I would like to do at the beginning of my statement.

Economic Liberalisation

Economic liberalisation has been a key component of the process of globalisation that has occurred over the past 25 - 30 years. This process is based on the ideology of "neo-liberalism" and has its roots in regimes of Margaret Thatcher in the UK and Ronald Reagan in the USA. They dismantled their welfare states in response to a global economic crisis in the early 1970s. During that time the rising costs of labour in the USA and Western Europe and the rapid development of capitalism in the newly industrialising countries of Asia had led to massive increases in global production. This resulted in increased competition and reduced profit rates. Global production had overtaken global consumption and this "crisis over overproduction" led to lower profits for the companies.

The response by capital has been the reorganisation of the global capitalist system in the form of:

- ◆ the development of highly flexible manufacturing technologies which produce high quality goods for specialist markets;
- ◆ the rapid growth of the tertiary sector (service industries);
- ◆ the trend towards smaller batch production and the development of small firm networks (using sub-contracting opportunities as bigger firms divide up and outsource parts of their production process);
- ◆ the deregulation of collective bargaining; and
- ◆ increased flexibility and segmentation of labour markets leading to the rise of insecure forms of employment, for example casual work.

Parallel to this restructuring of production has been the emergence of "financial speculation"¹ and the ideology of "neo-liberalism". This ideology was pushed for by what has become known as the "Washington consensus": the IMF, the World Bank, and the US Treasury. During the 1980s and 1990s the neo-liberal economic philosophy has become so widespread and entrenched that its prescriptions today go largely unchallenged by governments world-wide. The basic ideas behind neo-liberalism are:

- the state should reduce its role in regulating the economy and allow market forces to allocate resources;
- the market is the most efficient way of allocating resources;
- the state should reduce levels of social spending so as to limit budget deficits;
- countries should liberalise and open their economies to foreign trade and investment and stop protecting their own industries;
- corporate taxes should be reduced since they are seen to restrict foreign investment;
- countries should adopt open-door policies on profit repatriation by transnational companies;
- labour markets should be deregulated to allow the "flexibility" required for business expansion and economic growth (i.e. work process flexibility, wage flexibility and employment flexibility);
- centralised collective bargaining leads to labour market rigidities and should be abolished;
- wage increases should be kept in check as they are seen to push up inflation;
- private management is seen as more efficient than public management;
- private sector involvement and investment in state-run enterprises and services should be encouraged

Countries that were not willing to adopt such policies have often come under heavy pressure from the World Bank and IMF. They made economic liberalisation a condition for qualifying for a loan. In other words, countries which needed loans from these international financial institutions were forced to implement neo-liberal programmes of economic reform. Such programmes became known as Structural Adjustment Programmes (SAPs) which I will discuss a little bit later.

Human Rights

The impact of economic liberalisation on human rights can only be assessed meaningfully if we broaden our understanding of human rights beyond civil and political rights to include economic and cultural rights. This is in line with

¹ Financial speculation is the buying and selling of shares, currencies, stocks or bonds by companies or individuals. They do this in the hope of making profits from price changes, for example buying shares or currencies at a lower price and then selling them at a higher price again. In the global economy, such speculative investments are now larger than investments in production.

international trends as the co-ordinator of the Social Watch International, Roberto Bissio, pointed out:

"More and more experts and countries want "a rights-based approach to development". Under international law, human rights are not limited to civil and political liberties (such as freedom of expression or the right not to be jailed without due process). They also include social, economic and cultural rights, all of which have been defined as 'indivisible' by a summit of world leaders in Vienna in 1996".

In other words human rights include meeting people's basic needs and this is a useful criteria to assess the impact of economic liberalisation.

The effects of economic liberalisation

Successive UNDP reports and other studies have shown the results of economic liberalisation during the past 2 decades. This process has affected different countries differently, depending on their level of economic development. For instance, 90 percent of the world's Transnational Companies (TNCs) have their headquarters in the USA, Western Europe and Japan. This is where most manufacturing of goods takes place as about 85% of all high-tech goods are produced and consumed in those countries. TNCs invest much more there than in developing countries like Namibia. In the global economy, Africa is still mainly an exporter of raw materials and receives little investment in the manufacturing sector. Africa as a whole accounts for less than half a percent (0,5%) of global investments today.

Although we have seen a large increase in the global production of goods and services over the past 2 decades, for example electronic goods, cars, computers and hotel chains, only a small portion of the world's people can enjoy such goods. Most have become poorer as globalisation resulted in increasing inequalities between the rich and poor. The following statistics illustrate this point:

- ◆ The world's richest 358 people own as much as the world's poorest 2,3 billion people.
- ◆ Almost all African countries have a lower per capita income now compared to the per capita income they had in 1980.
- ◆ The poorest 20% of the world's population have only 2% of the world's income.
- ◆ The richest 20% of the world's population consume 90% of the world's economic goods.
- ◆ In 1965, the richest 20% of the world's population earned 30 times as much as the poorest 20%. In the year 2000, the richest 20% earned 74 times as much as the poorest 20%.
- ◆ About 4 billion people (more than two-thirds of the world's population) live on less than US\$ 2 per day, unable to meet their basic needs.

It is interesting to note that parallel to the growth of poverty for the world's people, the profits of the world's top 200 TNCs grew by 362% between 1983 and 1999.

These results are no accidents but they show who the winners and losers of the economic liberalisation are.

Economic Liberalisation in Africa

In Africa, economic liberalisation was mainly introduced through the Structural Adjustment Programmes (SAPs) of the World Bank and the International Monetary Fund (IMF). According to the IMF and World Bank, SAPs were meant to lead to economic growth and improve a country's competitiveness. In reality, however, SAPs were designed to ensure that developing countries repay their loans debt in 'hard currency' such as US dollars. This led to a policy of 'exports at all costs' because exports are the only way for developing countries to obtain such currencies. SAPs therefore led to a switch in production from what local people eat, wear or use towards the production of export goods that can be sold in the industrialised countries. Since the 1980s almost all African countries followed these policies.

SAPs prescribed nearly always the same measures as a condition for new loans. These were:

- reduction of government deficit through cuts in public spending (cost recovery programmes);
- higher interest rates
- liberalisation of foreign exchange rules and trade (deregulation);
- rationalisation and privatisation of public and parastatal companies;
- deregulation of the economy, for example:
 - liberalisation of foreign investment regulations
 - deregulation of the labour market, e.g. wage 'flexibility'
 - abolishing price controls and food subsidies
- shift from import substitution to export production.

These measures forced African and other developing countries on a path of increasingly deregulated free market economies and integration into the global economy in line with the ideology of neo-liberalism.

Through the structural adjustment policies the IMF and World Bank basically determine countries' macro-economic policies, they take control over central bank policies and over public expenditure through the so-called 'Public Expenditure Review'. SAPs promote the policy of cost-recovery for social services which means that services will only be offered to those who can pay for them. The IMF and World Bank promoted the gradual withdrawal of the state as a provider of basic health and educational services. Under its 'Public Investment Programme' the IMF even decided what type of infrastructure should be built. The IMF also imposed a system of international tender ensures that public-works projects are carried out by international construction and engineering firms.

Although several countries were sceptical about such neo-liberal policies they were forced to abandon socialist or even social democratic ideas. In this way, the "debt trap" provided the IMF and World Bank with a very effective instrument of controlling policies in developing countries. However, it is important to understand how the political and economic elites of developing countries played a crucial role in the adjustment process. These elites often used the initial loans for their own benefits. They continued a life in luxury while telling their people to tighten their belts. Even under SAPs they were hardly the ones who suffered and sometimes even benefited from such programmes. When public services deteriorated or disappeared they could afford private schools and hospitals. They often benefited from privatisation by obtaining functioning enterprises at give-away prices and they benefited from low labour costs as a result of labour flexibility.

Despite the IMF and World Bank claims of SAP successes, these programmes have not created wealth and economic development. SAPs did not benefit the poor and failed to protect the delivery of social services. The IMF/World Bank claimed that the elimination of protective tariffs would make domestic industries more competitive. In reality, domestic manufacturing often collapsed and imported consumer goods replaced domestic production. Other results of SAPs were:

- Privatisation allowed international capital to buy state enterprises at very low costs.
- Tax reforms under SAPs (like the introduction of VAT) placed a greater tax burden on middle and low-income groups while foreign companies received generous tax holidays.
- Deregulation of the banking system led to very high interest rates which made most goods unaffordable to the majority.
- Elimination of subsidies and price controls, covered with devaluation led to price increases and reduced real earnings in the formal and informal sectors.
- Deregulated foreign exchange controls allowed foreign companies to repatriate their profits.
- Cost-recovery programmes in the health sector increased the inequality in health care delivery, reduced health coverage and increased the number of people without access to health care. Diseases like cholera, malaria and yellow fever are on the increase again.
- Various NGOs funded by international aid agencies have gradually taken over government functions in the social sector.
- Cuts in public sector employment (for example 300 000 civil servants were retrenched in Zaire - now DRC - in 1995), coupled with bankruptcies of local companies led to large increases in unemployment.
- Liberalisation of the labour market led to the elimination of cost of living adjustment clauses in collective agreements and to the phasing out of minimum wage legislation.
- Export orientation in agriculture eliminated subsistence crops and accelerated the exodus of the unemployed towards the cities.

Overall, SAPs have reversed some of the gains made by African countries in their first years of independence when they attempted to find a development strategy that would benefit their own people. Structural adjustment programmes are therefore seen by many developing countries as the new tools of colonisation. This is even recognised by organisations in industrialised countries. One of Britain's leading environmentalists, Charles Secrett recently wrote:

The vicious cycle of downward development prospects is made worse as Northern governments use majority voting rights in the World Bank and IMF to stipulate further that developing countries should liberalise markets, cut public spending and privatise utility, health and education services as conditions for additional lending and aid. As with commodities, Northern companies are best placed to dominate market share and profit. Overall, the free trade agenda amounts to a triple whammy against the developing world'.

The developments over the past 2 decades have shown that economic liberalisation is a direct threat to human rights in Africa and elsewhere developing countries. Liberalisation policies have undermined social welfare systems, increased poverty and deprived the majority of the world's people from their basic economic right to a decent living. They have placed companies' rights to make profits above people's rights to make a living.

Although the World Bank, IMF, neo-liberal economists and many governments (even in developing countries) still seem to believe that they can benefit from economic liberalisation/globalisation, the tide is beginning to turn. Even the World Bank's former chief economist, Joseph Stiglitz admitted:

'The IMF push for capital-market liberalisation for all nations was driven by financial-market ideology. They have conceded defeat but only after the damage was done'.

Billions of people have paid the price for such failed policies and it will be up to us to learn the lessons and move away from crude economic liberalisation programmes towards a strategy that puts people's basic rights, needs and interests at the centre of development.