

WTO backs help for workers hit by globalization

By Jonathan Lynn

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GENEVA (Reuters) - Government schemes to help workers displaced by trade liberalization can promote public support for trade reform, the benefits of which are increasingly under question, the World Trade Organization (WTO) said.

In a report published on Tuesday, the global trade body also said such programs can be justified on fairness or efficiency grounds, although they may be difficult to target.

WTO Director-General Pascal Lamy said few would contest the benefits that globalization had brought in terms of greater prosperity for hundreds of millions of people.

But many people in different countries had shared little, or not at all, in these benefits, he said in an introduction to the wide-ranging survey of the impact of globalization -- the integration of world markets for goods, capital and labor.

"The challenges facing national governments in managing globalization are formidable, and success in spreading prosperity more widely requires a common purpose," he said.

The report is particularly timely given the U.S. presidential election campaign, where trade and protectionism are issues and Republican contender John McCain advocates education and retraining for workers displaced by global trade.

Trade liberalization has allowed firms in rich nations like the United States to transfer some operations to lower-cost countries, a process known as offshoring.

Poverty And Inequality

Reliable data on offshoring are not available, but looking at proxies such as trade in components versus trade in finished goods suggests offshoring has grown rapidly since 2000, it said.

On the other hand, countries seeking to attract offshoring need good transport and communications infrastructure and an institutional framework where contracts can be guaranteed as well as low costs. That puts many low-income countries at a disadvantage to middle-income ones, the report said.

Trade opening can help fight poverty, the report notes, pointing to the growth of developed countries since World War Two and more recently in export-orientated East Asian states, but it can leave some groups worse off.

The best example of globalization is the way big developing countries like China and India have become part of the world economy again. China is the world's second biggest exporter after Germany and the biggest supplier to the United States.

Goods from such low-cost suppliers help consumers in rich countries save money, improving living standards.

The report cited studies showing the greater availability of imported goods through the North American Free Trade Agreement (NAFTA) and China had boosted real incomes in the United States by 3 percent on average.

But competition from low-cost countries can make consumers in rich nations and other developing states fear for their jobs.

Some voters will vote against trade reform because they do not know whether they will be winners or losers, while small industries fearing they will lose out lobby strongly against liberalization, the report said.

Individual gains from trade may be small because they are distributed widely within a society. But losses tend to be concentrated in relatively small groups and are therefore significant for individuals, it said.

"Even though overall gains from trade opening exceed overall losses, individual losers have a higher incentive to lobby against trade reform than the winners," the report said. Research suggests trade contributes only about 20 percent of rising wage inequality, with other factors, especially technological change, far more important, the report said.

Globalization is also driven by technological change, especially improvements in transport and communications, which can make a bigger difference than cutting tariffs.

The fall in long-distance air transport costs over the past half-century has been particularly significant, it said.

But trade can foster inequality in developing countries by encouraging technological change, it noted.

(Editing by Catherine Evans)