



It is not just Cosatu in SA that is striking about jobs. Across the developed world there is a growing (political) backlash against the economic consequences of globalisation.

The Doha round of trade talks to promote global trade has been in serious trouble for a while now. The basic reason is agricultural protection and subsidies in the developed world. “Old Europe” and the US simply do not have the stomach to open agriculture to market forces (something which SA did in the 1990s). Local lobbies exert too much pressure on politicians. The Doha round could be a powerful new spur for world growth and could counter high oil prices. Instead, it is being hijacked by the political protests of farmers.

Then there is the display of whingeing from the EU - terrified by the import of cheap bras, panties and sweaters from China. Responding to political pressure, the EU headquarters in Brussels clumsily tried to limit these imports. The bizarre outcome is that European consumers now pay more for their clothes, efficient companies that have adjusted (like those in the Nordic countries) are penalized, inefficient producers are given a lifeline and the Chinese are, in any case, still growing their market share.

In the UK Tony Blair took proposals to modernise health and education to his annual Labour party conference ... and was promptly voted down. In Germany the electorate balked at a clear choice between status quo and reform; in France the government surrendered, for the umpteenth time, before labour unrest and backtracked on a privatisation deal. And in SA Cosatu wants to go out on strike action every Monday in October.

What is going on?

Peter Jay, the British political-economic guru, predicted back in the 1990s that poor countries will benefit hugely from globalisation (think China, India, Chile); but the working classes in the rich countries will suffer a decline in wages.

Why?

First, millions of new skilled workers in China, India and elsewhere supplied **more labour**, blue collared and skilled, to the market place. More supply leads to a decline in prices and thus we see that textile and steel workers, and also computer programmers and

call centre operators in India and China, can deliver the same output at cheaper prices than their counterparts in the developed world. Result: wages in those sectors in the rich world are under pressure. Secondly, remarkable **increases in productivity** meant that less labour is needed to manufacture the goods the world wants. *The Economist* calculates that less than 10% of jobs in America are manufacturing jobs – but the US is still the world’s biggest manufacturer; in value it produces twice as much as the much-feared China. So the US needs less and less workers to produce more. Result: fewer manufacturing jobs in rich countries. There are many other jobs, but one might not have the skills or aptitude to get one of them.

Cosatu illustrates the issue perfectly in SA. It is upset about job losses in sunset industries (textiles, mining, agriculture), but nothing will bring those jobs back. It does not matter how much they strike. And few retrenched workers make it into other industries.

So What?

Globalisation is beginning to hit the developed countries. The result is what Robert Reich (Bill Clinton’s Labour secretary) called “a Third World economy” in developed economies. There is no way out for them, they will just have to adjust: share the pain, support reform, help open up the world system. Success will help push growth along; failure means that trade and growth will stutter (especially if the oil price remains high).

Success requires political leadership of note; to the point that leaders go against their traditional power bases – Blair in the UK, Bush in the US and Mbeki in SA. Not to mention the French! And this is where I think Cosatu’s strike misses: it will not sway government policy. It has not in the past; it will certainly not do so now.

On the contrary, I think the government goal of 6% annual growth by 2014 is set to launch us on more reform, not less; more globalisation, not closed economy thinking. Whether or not we make the 6% is almost immaterial. What is material is having the ambition and doing what needs to be done – the figures will then look after themselves. The ambition has been set. Now for the doing.