

Globalization, Poverty and Migration A Speech by Seth Klein to the MOSAIC AGM

Seth Klein
September 2000

Good evening, and thank you very much for this invitation. I'm very honoured that you've asked me to speak at your AGM, and I welcome this opportunity to develop ties between our two organizations.

The topic you've asked me to address Global poverty and economic refugees is, I think, an ideal starting-point to discuss where the work of the CCPA and MOSAIC intersect. It is a topic that links the research work we do in the area of globalization, with the work you do assisting those moving across borders.

I'd like to spend the time I have with you establishing some of the facts about global poverty and migration, dispelling some myths about both, and laying out the case for a simple thesis; namely, that a steady growth in migration and economic refugees is an inevitable result of the poverty and inequality produced by free market globalization and neo-conservative policies. We cannot have the latter without the former.

I believe I was invited to speak on this topic tonight because of an article I wrote last year in response to the disturbing public and media reaction to the Chinese migrant ships that arrived last summer.

I wrote a piece called "Reaction to Chinese migrants exposes globalization's double-standard", which aired as a national CBC radio morning commentary, and was subsequently picked-up and run in a number of newspapers.

Now I should say that a big part of my job involves public media work. I frequently write opinion pieces for the newspapers, and regularly go on various right-wing open-line radio shows to discuss hot-button issues like taxes (believe it or not, this is one of the parts of my job I most enjoy).

But, I have never had a response that came close to the reaction I got to my piece on the Chinese migrants. I was deluged with emails and calls and letters for about a week.

Now the good news is, over 90% of the response was very positive. The most common reaction went something like: "Thank you so much for writing that piece. I have been arguing with my co-workers or family, but I was having difficulty articulating what felt so misguided about the popular reaction."

(I was having such a difficulty myself. Which is why I finally put aside some time to do some quick

research and collect my thoughts.)

The core argument of the piece was that regardless of whether the Chinese arrivals are genuine "convention" refugees (a definite possibility given China's human rights record) or mainly "economic" refugees, the "send them back" reaction reflected a troubling lack of understanding about global migration and the world economy that free-market globalization is producing.

Interesting, isn't it, that many of the same people who push for the free movement of goods, services, investment and business professionals, react with outrage or horror at the movement of workers. Odd, isn't it, that many of the same people who will sternly tell Atlantic Canadians (or coastal British Columbians) that rather than accept income support, they must move to where the jobs are, have no compulsion attacking Canada's so-called "lax immigration laws," even when so many immigrants are acting on this very advice.

Adam Smith is generally thought to be the intellectual father of free-market capitalism, due to the ideas he laid out in his 1776 book *The Wealth of Nations*. (In fact, if you ever have the pleasure of speaking at a Fraser Institute event, they will present you with an Adam Smith tie.) But Smith displayed little of the hypocrisy of modern neo-conservatism. He believed in the free flow of capital and free trade, but he also advocated repealing the Poor Laws that produced, to quote Smith "the difficulty the poor man finds in obtaining a settlement, or even in being allowed to exercise his industry in any parish but that to which he belongs." Smith understood that if capital was mobile but people were not, standards for workers would forever be pushed towards the lowest common denominator. If standards were to progressively improve, however, workers needed the freedom to move to where wages and working conditions were better, thereby forcing capitalists to improve conditions, or risk finding themselves with no one from whom to extract their profits.

It is entirely predictable that people follow money. They always have. Perhaps more than anything, this is the history of immigration. It's what brought so many of us here. In the ideal world, given sufficient opportunities for employment, income, personal fulfillment, a more equitable distribution of resources and wealth, and the protection of human rights, most people choose to stay close to loved ones and their culture at home (although some will always have the itch to move). I believe this is as true for British Columbians and Newfoundlanders as it is of East Asians, South Asians or Latin Americans. But we have yet to build such a world. And in the absence of such a world, people move.

Ultimately, we cannot accept growing inequality, on the one hand, and not expect people to move, on the other.

Our governments have now sent numerous Team Canada missions to Asia and Latin America. One of the goals of these missions is to help Canadian corporations set up shop in the free-trade export-

processing zones of the developing world industrial parks and cities where workers come cheap, taxes are virtually non-existent, and labour and environmental regulations go unenforced. It's wild-west capitalism, where national borders are already passé for all but the workers.

This arrangement serves First World companies well, but it is premised on the exploitation of cheap Third World labour.

To offer but one example: human rights groups estimate that a living wage in China would be 87 cents per hour. Yet according to a recent study by the U.S.-based National Labour Committee, companies such as Walmart, Ralph Lauren, Ann Taylor, Esprit, Liz Claiborne, K-Mart, Nike, Adidas and others, through their sub-contractors, pay a mere fraction of this, some as low as 13 cents an hour. The profits flow back to First World shareholders. And now people are following the money.

(These are, incidentally, some of the many transnational companies that spent \$12 million last year pushing free trade with China through the US Congress.)

The country with more export processing zones than any other is China. By conservative estimates, there are 18 million people working in 124 export zones. Interestingly, one of the first of these zones was established in 1980 in Fujian Province, the source of last summer's migrant ships. More recently, China has "opened" many of its coastal cities, including, the Fujian provincial capital, to foreign investment with various export incentives.

When the National Labour Committee investigated 21 factories in China in 1997, they found forced overtime, 60-96-hour work weeks, 10-15 hour shifts, crowded dormitories, and below-subsistence wages. According to their report, "There are four million apparel workers in China, the vast majority of them young women, migrants from rural areas, 17 to 25 years old. Many are unaware of their legal rights, and none had heard of the American companies' `codes of conduct'." Many are fired once they turn 25, or if they become pregnant. Virtually all attempts to establish independent unions have been crushed.

And the situation is not improving, despite the claims of free trade advocates. Standards are, in fact, falling, as production is shifted from publicly-owned firms to private, foreign-owned firms.

We cannot, in good conscience, continue to reap the rewards of this unjust system in the form of cheap goods from China, and then react with horror when the inevitable flow of people follows. Desperate economic, social and political circumstances lead people to take desperate actions and a month at sea on a rickety ship is certainly that.

Our work at the Centre is often about dispelling common myths about our economy and society. So let me dispense with a few.

One myth that some spent last summer and fall spinning is the line that Canada's alleged lax immigration laws make us a global sucker a target for many of the world's migrants and snakeheads. This is an absurd proposition. Our global economic order, in which both corporate profits and debt interest payments flow to rich industrialized countries (far outstripping the meager level of foreign aid going to Third World countries), keeps billions impoverished and has resulted in millions upon millions of economic refugees. Yet the vast majority of these global migrants are being absorbed, not by wealthy countries, but by the poorest countries least able to afford the costs and with the bleakest economic prospects.

There are, according to UN sources, at least 100 million people on the move around the world. Of these, Canada accepts about 200 thousand immigrants and about 25 thousand refugees a year.

Last summer's Chinese migrant boats carried to BC a mere 600 or so people a fraction of Canada's meager immigration and refugee quota, and a drop in the global bucket. And yet this non-crisis was seized upon by the mainstream media and some politicians seeking to capitalize on our political culture's least attractive tendencies, to sell papers, sell ads, sell right-wing parties, and "tighten up" our immigration laws.

A second myth, to which I've already alluded, relates to the false impression that wealthy countries, through their official development assistance, are doing all they can to alleviate Third World poverty.

Most people fail to appreciate that there is a net outflow of capital from the south to the north in this world. Between 1984 and 1990, for example, developing countries were forced by World Bank and IMF-imposed structural adjustment policies, to transfer \$178 billion to Western commercial banks. During those same years, the net outflow of financial resources from Africa alone to the World Bank and IMF totaled about \$5 billion. I'm only just touching on the outrageous policies that have been forced onto the poorest countries, which have sent foreign creditors far more than has been spent on core health and education services. Indeed, so great is the drain of capital from the South to the North, that one former World Bank director has remarked "Not since the conquistadors plundered Latin America has the world experienced such a flow in the direction we see today."

Meanwhile, official development assistance from the world's richest countries has been in steady decline.

In fact, to the extent that capital continues to flow to the Global South, about half this capital now takes the form of short-term investment what has come to be known as "hot money." The massive

expansion of financial markets in recent years from currency and securities trading to the explosion in new derivative instruments is wreaking havoc with national economies, and causing a great deal of hardship.

This capital has come to be known as "hot money", because it can abandon a country with the click of a mouse, as soon as some investors get nervous or want to reap a profit.

This unregulated flow of capital precipitated the Mexican peso crash in 1994. It is largely responsible for the currency crises that hit Southeast Asia in the summer of 1997. And unless there are international agreements to re-regulate these capital flows, future financial crises are inevitable.

Which brings me to a final myth, one that dominates the debate about corporate globalization, and that is that globalization has helped the world's poor.

When various business columnists and pundits were reacting to the successful scuttling of the WTO negotiations in Seattle last year, they locked onto a particularly disingenuous line of attack, arguing that "The protesters just care about themselves." A couple weeks after the protests, the Economist magazine ran a picture of a poor child from India on its cover, with the caption: The real losers from Seattle.

This is utter non-sense.

The evidence suggests the opposite. As the history of industrialized countries demonstrates clearly, the path to riches came not from free trade, but from regulation and tariffs to protect emerging industries from bigger rivals. Only when these industries became strong did the appetite for free trade gain strength.

Canada, the US, the UK and other European nations all pursued this industrialization strategy, as did the most successful Asian economies in recent times (who were very careful to manage their international trade flows). The experiment of imposing free market reforms via the IMF and World Bank in the past two decades, on the other hand, has been an unmitigated disaster for regions like Africa and Latin America. Simply put, no country has gotten rich by leaving the process of development to market forces alone.

Beginning with the Third World debt crisis of the late 1970s and early 80's, the IMF and World Bank started to impose a package of neo-liberal reforms on developing countries as a condition of debt assistance, a package that came to be known as structural adjustment policies, but which for all intents and purposes meant opening up local economies to transnational corporate investment and free trade.

Of course, opening up borders to foreign investment and transnational corporations may provide benefits to certain segments of the population of a poor country. In every poor country, there is always some 5-10% that live at very high standards of living. When this group benefits, it may even bring up the country's GDP, but the gains remain an illusion for those at the bottom.

The result for many poor countries is that GDP can go up as a result of liberalization, thereby winning the praise of the IMF. But in the fastest liberalizing countries, income inequality has skyrocketed, with the standard of living for the poorest of the poor getting worse on a variety of indicators.

Moreover, even the World Bank's own data shows that economic growth in the developing world has declined dramatically over the last 20 years, compared to growth rates in the pre-neo-conservative 60's and 70's

And the evidence clearly shows that what growth there has been has not been well shared.

According to the latest UN Human Development Report, the richest one-fifth of the world's people consume 86% of all goods and services, while the poorest fifth consume just 1%. More than 80 countries still have per capita incomes lower than a decade ago. The UN report states that inequality has been rising since the early 1980s, and concludes: "The past decade has shown increasing concentrations of income, resources and wealth among people, corporations and countries."

If anything, an understatement: We now have a world in which the top three executives at Microsoft have the same combined wealth as the world's poorest 48 countries; in which 225 billionaires have more wealth than the poorest 47% of humanity.

We face one other challenge, and that is that neo-conservative policies and corporate globalization not only impoverish the Global South, they also have another effect—they understandably produce increased feelings of economic insecurity among working people here in wealthy industrialized countries as well, creating fertile ground for anti-immigration sentiments.

The immigration "crisis", as it is frequently described, too often taps into people's economic insecurity. It is an easy target, redirecting people's attention from (and masking) the real sources of economic insecurity: free-market globalization, social spending cutbacks, financial deregulation, corporate downsizing and the shift to self-employment and contingent workforces, and growing income inequality.

Canada must become more open to working people seeking immigration and refugee access to Canada. At the same time, however, we must also redress the source of economic insecurity facing working people already in Canada. More open borders must be accompanied by policies that move us towards full employment and that increase the wages and earnings of working people.

As I've said, migrant boats are the inevitable social fall-out of free market globalization. And until we have a global economic order based on justice and a great deal more social and economic equality, more boats (and planes) will come. We can either respond with higher gates, a beefed-up military and other hypocritical measures, or we can push for a new international system that stops sucking the Third World of its resources and capital.

What we need, of course, in response to the economic insecurity is solidarity, not immigrant scapegoating. We need fair trade and a global rules-based trading system that puts the needs of people first, not global trade and investment agreements written in the interest of transnational corporations. We need to replicate at a global level the best of what we have sought to build together at a national level; namely, we must push for international policies to regulate the activities of corporations and to redistribute some income and wealth, in order to ensure that people and communities are protected, that everyone has an adequate income and equal access to important services, and that no one is relegated to lives of poverty. And in such a world, in which resources and wealth are more equally shared, people will experience real choice about whether to stay in their homelands or move if they so desire

Thank you.