EDITORIAL

TRADE WARS AND THEIR IMPACT ON SOCIAL CONTRACTS

In recent weeks an unusual war has broken out as global trade winds blow hard around the world regarding who shall be appointed to head the World Trade Organization (WTO). Presented, on the surface, as a choice between two personalities, both with good credentials, the expected walk-over of the western candidate ground to an at least temporary halt when the forces backing a developing country candidate stuck firmly to their insistence that it is time to break the monopoly of western dominance if greater equity is to be achieved in terms of trade for poorer nations. Why the hastle? There are undoubtedly multifaceted answers to this question, but one major issue is that of labor markets and the freedom of poorer countries to export products resulting from low wage labor forces. Rich countries see this as a threat, stigmatizing it as a dumping exercise and would like to be able to impose various types of sanctions, as indeed they have done in the past. They see low wage labor as undermining their high wage economies and therefore as something to be stopped by legal force. In other words to use poverty to advantage in order to eradicate its very essence is seen from this perspective as a crime.

Low cost labor is one of the few advantages that accrue to poor countries in the trade wars and even that is in substantial measure an advantage that transfers to multinational companies which translocate production plants to poorer countries to reduce their production costs. The WTO war of words is not so simple either from the viewpoint of developing country allegience: many nations in Africa for example are still tied into trade networks dominated byt their former colonial masters, so that toeing the line in the diplomatic struggle of the moment is a tune not necessarily done from free choice. The WTO (GATT) "tradition" is to decide by "consensus", which translates into expected obedience to instructions from the industrial giants. To challenge this hegemony is to underscore the inequity of economic power in determining trade positions and hence major contributing factors to the wealth and poverty of nations.

With control over economic detemninants go some of the options for social contracts. WTO is in essence one component of a trio of powerful agencies influencing this control and hence the economic health of poorer nations: the other two are the International Monetary Fund (IMF) and the World Bank (WB). All three are seen to be heavily under the influence of the US and hence of free market dictates, particularly of the kind advocated by the Chicago school of economic theory. This school stresses the ability of the market to regulate itself and to contribute to the building of greater and greater efficiency in production. What it does not deliver on is social contracts, which can in theory benefit from market stimulus but in practice requires considerable state intervention. In the rush to privatize many if not most public agencies this theory tends to neglect much of the evidence that social contracts are, justly, beneficiaries of government planning, even if they may entertain effective inputs from private sector contracting of public social functions. Given the cumulative foreign debt mounted by developing countries in response to IMF and World Bank loans, and the temms underlying those loans, the outlook is not promising from the viewpoint of their populations struggling for survival. Thus, the required reduction in public spending cuts into welfare, the maintenance of interest payments drains foreign exchange, the loss of local currency value makes foreign take-overs of cheapened capital assets more likely, so that real economic power passes to the creditor nations and newly won democracy is forced to relinquish monetary control. The net effect is loss of freedom to assist the poor even if the will is there: the western giants win cheap assets and laugh all the way to the banks they now control.

Health is a key social contract that comes out the loser. It is of importance that the US health system is clearly the most cost ineffective in the world, yet under the dictates of the World Bank it is largely American health system formats that are pushed into place in countries that gain little from such hegemony. The Bank has recently embarked on a propaganda safari entitled "Flagship Program" to drive home the American model of health care financing, using some developing country facilities and institutions to mount the propaganda war to entrap middle level health system managers into believing that the credos of the richest country's private health structure can be transferred to advantage in some of the poorest nations. The traditional acceptance that disease burden requires social contracts made essentially free to the recipients focused on prevention rather than on expensive curative services is forced to the sidelines to watch the match of the supermeds and their extravagant health insurance-based solutions. This transfer of emphasis from preventive to so-called curative medicine is of course a mirage to encourage private sector dominance in nations where most people cannot afford enough to eat.

The WTO role in the western conspiracy transfers the battle of minds to the trade arena, where cheap labor has constituted a slim lifeline in the past for the poor. Domestic politics in the US dominate foreign economic policy as in any country. Thus any threat to high wage labor is seen as a battlefield. The shortest way across that field is to pressure poor nations not to sell in the open market the products of their cheap labor at low prices, so to preserve the privileged position of the expensive labor in American industry. The cry against tariffs is of course hushed when it comes to mounting barriers against cheap labor-produced goods. The European Community is of course not blameless and indeed is a strong partner in crime. The problem for the poor nations is that they need these rich markets, a factor that reduces their ability to protest publicly too loudly, so catching them in an impossible dilemma. By having a champion in the WTO administrative corner they can sense the possibility of a little gain but at the same time fear the possibility of retribution from those who wield the ultimate weapons of mass economic subjugation.

This scenario does not mean all the villains are on one side, on the contrary it underscores the uncertainties of economic theory, in particular the poorly researched implications of the wholesale devotion to free market economics. Social contracts administered by the public sector are crucial to attaining some semblance of equity in health, education, social security and other key functions. If contracting out to private sector components can be administered under public sector control then there is hope that the much lauded efficiency factor contributed by the private sector can contribute effectively, but under conditions where private profit does not come before public benefit. Developing formulae to underpin this option is an immediate challenge to public health, but one that health ministries are generally poorly equipped to tackle. Academic health economists are heavily geared towards microeconomic admonitions and mostly somewhat divorced from macroeconomic power structure, occupying a somewhat lowly position on the academic economic totem pole. In reality it is macroeconomic planners themselves who must incorporate health support in their grand visions. That is perhaps an overoptimistic expectation in the real world, so the picture is not such a happy one. However, it is to the health economists that the burden of action must be passed for want of any alternative. It requires a dramatic change of orientation to take on the might of the WTO/IMF/WB global economic triumvirate, but that is where the ultimate battle is to be fought. Labor is the source of income, income underscores purchasing power, which in turn underlies ability to pay for disease prevention and access to health services, directly or through the taxation system. Greater equity in labor opportunity requires the willingness of rich countries to accept that differential cost of industrial output must be solved in ways other than by punishing the have-nots of the world who struggle for survival. The health systems of poor nations need to make their voices heard in the context of support for labor, which they have, versus capital which they do not have in abundance. If global capital is allowed to run the whole show then poverty will envelop much of the world.

This tying together of trade, commerce and equity is not a popular theme in the tough game of survival but in reality it is the game itself. Disease is part of the poverty trap, part of the barrier to labor productivity and hence of access to a healthier, more enjoyable life. Escape from the poverty trap depends on global economic policy and influence on that policy, which currently rests almost entirely with rich nations. Power to influence the global economic triumvirate must be shared if the global economy is to yield high equity.

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