

Growth without equity

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At the beginning of the twenty-first century, Chile shows paradoxical characteristics. While Chile is being touted as a champion of economic liberalisation, the country is finding that the free trade measures adopted are not reactivating its economy or reducing the persistent and high unemployment rate and the serious and prevailing inequality. The private sector is not receptive to monetary and tax incentives, and the old government is financing thousands of emergency jobs, an intervention that reminds us of the hardest times of the 1980s.

The global economic crisis is being used by the private sector to press for minimum environmental regulations, hinder tax increases needed to fund social programmes, reduce substantially the scope of basic labour reforms and impose a "pro-growth" business agenda.¹

The government is establishing a trade agenda that is at odds with its development agenda. There is considerable dynamism in pursuing the former, with the signing of various free trade treaties. This has not been the case, however, with agreements, treaties and conventions regarding international law, which are facing serious difficulties in their implementation.

Radical free trade is inconsistent with protection of domestic production by medium and small enterprises and traditional agriculture, which are the major generators of employment in the country. At the same time, persistent unemployment causes a feeling of insecurity among the population, reducing demand and negatively impacting the economy, employment and, consequently, the quality of life. The quality of life in Chile is worse today than it was thirty years ago.

Nevertheless, in official spheres, insistence is placed on a free trade strategy in accordance with the WTO regulations and following the concept of 'open regionalism', which has been promoted since the early 1980s and through the 1990s. Although Chile has made commitments with various countries in the world, a main objective is to conclude a free trade agreement with the United States.

Free trade at all costs

In late 2000, prior to the MERCOSUR Summit meeting in Florianopolis, Brazil, Chile was invited by President Clinton to begin negotiations for a FTA.² Although this gesture lacked value because Clinton's term as President was coming to an end, the invitation was welcomed. With this, the strategy for linking trade at the MERCOSUR level was postponed. Such strategy would have made it possible to reach a consensus on a sub-regional position regarding negotiations for the establishment of a Free Trade Area for the Americas (FTAA).

Despite the efforts of Chile, the US and others, the FTAA has not progressed at the speed expected by successive US administrations. Chile is seeking to make the FTAA feasible by signing bilateral treaties with Canada, Mexico and Central American countries, and it is eagerly endeavouring to establish such an agreement with the US.

The reasons set out for a trade agreement between Chile and the US are based on the fact that the US is the main destination (as a country) for Chilean exports, the main origin of its imports and the main investing country.³ It should be pointed out that the bilateral trade balance has traditionally shown a deficit for Chile, a deficit that reached USD 150 million in 2000.

Seeking partnership with big brother

Sales to the US follow the general rule for Chilean exports to all destinations. They are mainly natural resources (53.4%), followed by manufactured goods based on natural resources (36%). Less than 10% is manufactured goods not based on natural resources.

This ratio does not apply at a sub-regional level, because exports to MERCOSUR member countries are more elaborated or come from the service sector.⁴

Nearly 20% of total imports come from the US. In 2000, imports reached USD 3,338.5 million. Of this, 51.8% corresponded to intermediary products, followed by capital goods (39.5%) and consumer goods (8.4%).

The US is by far the main supplier of imports of telecommunication and information goods, valued in excess of USD 650 million in 2000. Mobile telephone equipment is 62% of telecommunications imports, and computers constitute 57.9% of information goods.

Regarding investment, according to the Economic Commission for Latin America and the Caribbean (ECLAC), Chile attracted some USD 41,800 million in the 1990s, recording unprecedented income in the areas of natural resources (33% to the mining sector) and services (22%). Investments from the US represented 29% of the total received by Chile. ECLAC reported: "[T]his income from FDI [Foreign Direct Investment] had a strong impact on the country's exports, mainly on mining and other areas linked to natural resources (forestation, agriculture and fisheries)."

Domestic debt

Among other negative impacts, Chile's economic strategy has caused an increase in the concentration of wealth. This belies the magic formula that a greater flow of investment and exports results in greater economic growth and

1 The "pro-growth" agenda established the priorities of economic policy for the next four years of President Ricardo Lagos' government.

2 Chile has sought to become a trade partner with the United States since 1991.

3 At present, Chile trades with nearly all regions of the world and has signed trade agreements or is in process of doing so with the main trade blocks in the world (US, EU), is a member of APEC (Asian-Pacific Economic Co-operation forum), and has signed investment agreements with nearly 50 countries.

4 The same situation occurs in exchanges with the Andean Community of Nations (CAN).

more employment for the country.⁵ In Chile, investment has concentrated on the purchase of companies in the fields of telecommunications, electricity, finance and natural resource exploitation, with scant value being added.

Despite dynamic international trade, the country has not managed to reverse the situation of exclusion and socio-economic and gender imbalances. This places a question mark on the strategy for “growth with social security” outlined for 2002.⁶

According to the latest CASEN survey,⁷ the percentage of unemployment in Chile—which threatens to become structural—is close to two digits, at 11.5% for women and 9.4% for men. Twenty per cent of the population is under the poverty line, while the level of extreme poverty is 5.7%, that is to say, 850,000 people. Of these, 20% of the poorest population corresponds to 32.5% of unemployed women and 23.1% of unemployed men.

Poverty also shows geographical imbalances, with pockets of poverty surpassing 32% and 27% (9th and 8th Regions respectively). The Metropolitan Region does not escape this scenario.⁸

Chile's income distribution is among the most unequal in the world. Ten per cent of the population receives only 3.7% of the national income, while the richest 10% receives 53.4%.⁹

Regarding employment, the trend in Chile is towards greater labour flexibility, insecurity and informality. Many are employed in the service sector, particularly in commercial and personal services. Sixteen per cent of women workers are employed in domestic services. Efforts have been made to formalise employment in the service sector and to extend social security and health benefits. Domestic services are not covered, however.

There are also deficiencies in the education sector. Increases in government expenditure have been insufficient to bridge the quality gap in education received by the lower income sectors and the wealthier ones. In higher education, the wealthiest 20% receive seven times more education than the poorest 20%.

In 2000, 106,000 children aged 14 to 17, equivalent to 10% of that age group, dropped out of school. Most of them (76%) came from 40% of the population with the lowest incomes.

Modernisation of rural activities, precariousness of employment

In the agricultural sector, a concentration of land holdings has taken place¹⁰ along with dwarf-holdings¹¹ in a peasant subsistence economy.¹² This has given rise to migration of the workforce from traditional agriculture¹³ to export agriculture and other sectors of the economy. Export agriculture has increased the presence of women in an activity that is increasingly important to the national economy.

Modernisation of rural activities has increased job insecurity.¹⁴ Twenty thousand temporary or seasonal women workers contribute billions of dollars to the country every year.¹⁵ They tolerate insecure labour and unsanitary conditions (eg, exposure to insecticides that are prohibited in their countries of origin, with serious risks of foetal malformation¹⁶). Despite some progress regarding social security and health care, the labour situation of these women workers has not improved and they continue to be prevented from forming trade unions or undertaking collective negotiations.

At the end of 2000, 83.6% of the poor population lived in urban zones and 16.4% lived in rural zones. Of the population living in extreme poverty, 79.2% was in urban zones and 20.8% was in rural zones. The relative impact of poverty and extreme poverty was higher in the rural sector (23.8% and 8.3% respectively), however, than in the urban sector (20.1% and 5.3% respectively).

The imbalance between the rural and urban population is also to be seen in access to education at the various levels (pre-school, basic and secondary education), becoming more acute in the first and last cases: in urban areas, coverage amounts to 92%, while in the rural sector it is only 76.8%.

Conclusions

The official agenda is moving towards accommodation of corporate demands, in the hope that national and foreign investors will create jobs to reactivate the economy and lower unemployment rates. Priority is given to free trade agreements, although these are of questionable benefit to the country, in particular considering the “equal conditions” between deeply unequal economies.

Trade negotiations comply with national legislation only and disregard commitments made in the framework of the United Nations. They progressively weaken internal protective frameworks, such as the monitoring of financial capital. Additionally, these negotiations continue to take place behind closed doors, without the participation of civil society and with biased information on the commitments and their implications.

This brings us to the following question: Are we trying to improve the life of people within the framework of an equitable globalising phenomenon, or are we trying to make the country more competitive for those sectors that are able to play by the rules of the multilateral financial institutions? Are we progressing towards the principles of international law, towards a “globalisation of rights” as set out in international conventions signed by the Chilean government, or does the international dimension include only the rules of the WTO? The issue is still pending. ■

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5 According to the economist Consuelo Silva, “[these] are emphasised by their weak impact on the generation of total direct employment and of female employment in particular. For example, mining, which represented a little less than 50% of total exports in 1998, did not contribute to more than 2.0% of total employment of the country and represented only 0.34% of all employment of women that year.” (*Revista Oikos*, Year 3, Nº 8, 1999)5.

6 ECLAC, in the document ‘Gasto social en América Latina’, mentions Chile among the countries having a high level of inequality and concentration of income in the 1990s: “...even in those countries that managed to maintain a high level of sustained growth, Chile among others, the distribution of income showed an enormous resistance to altering its high rate of concentration...”

7 Household survey, carried out in 2000, by the Ministry of Planning, MIDEPLAN. It leaves out domestic female workers.

8 A third of the population of Chile lives in the metropolitan region, gathered in 52 communes, in some of which poverty reaches 31%, according to the CASEN survey. At the extreme opposite, there are communes that record 0%. Source: *La Tercera*, 17 February 2002.

9 CASEN Survey, 2000.

10 In general, land is concentrated in the hands of 312 owners, who occupy an agricultural area of over 26 million hectares.

11 There are 17,000 middle-sized farmers with an average of 300 hectares. A further 9,000 farms occupy 15.5 million hectares.

12 These are 102,000 farms of less than 10 hectares each covering an area of a little over one million hectares.

13 The lack of support for peasant family agriculture, involving 376,000 farms occupying eight million hectares, is what leads them to become agricultural workers or to migrate to large cities. This happens despite of a letter of intent agreed in 2000 among the official sectors and peasant representatives.

14 There are a total of 1.25 million peasants. The number of peasants working as salaried agricultural workers dropped from 800,000 to almost 700,000 in 2000-2001, according to the National Institute of Statistics (INE).

15 Agricultura con Manos de Mujer, *El Mercurio*, 17 December 1999.

16 About 40 highly toxic internationally prohibited insecticides have been recorded. These cause diseases such as neurological damage, cancer, congenital malformation and even, death. *El Mercurio*, 20 August 2000.