

Third Annual Conference on Engendering Budgets

Women and the New International Trade Agreements:

Will the Provision of Education, Health and Social Welfare Services in Israel be Opened to Multinational Corporations?

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Welcoming and Keynote Addresses

Edited by Barbara Swirski

Julia Scherf, director Heinrich Boell Foundation, Israel:

I would like to thank Barbara Swirski for putting this conference together and inviting Mohau Pheko to speak on international trade and women. The Heinrich Boell Foundation here in Israel has an office at 24 Nachalat Binyamin Street in Tel Aviv. We support the pluralism of civil society in Israel and invite women's groups working on the environment, minority issues, social rights, and workers' rights to tell us about their programs. We offer use of our conference room, which seats 50 people, free of charge, for meetings. The only limitation is that you have to call in advance to make sure it is not in use. We are the foundation of the Green Party in Germany. Our headquarters are in Berlin. Three and a half years ago we put trade on our agenda, for in the globalized world its impact is ever increasing. We work in Israel and in 22 offices around the world. The impact of globalization on the local level is of great concern to us. This event is especially important for me because it concerns a specific local situation. The aspiration for gender equality in the provision of services and the awareness of inequality in society are shared not only in Israel, but also in Africa, America, Asia and Europe.

The thing about Israel that shocks me most when I think about trade in the international context is the inequality. In Israel you have very developed parts of the country - think about Herzliya or the new air terminal. But not far away, you have a third world situation in some urban areas, like the old bus station in Tel Aviv, Arab villages that have high unemployment rates, foreign workers without rights and the situation of the Bedouin in the Negev. You have the third world right next to the first world in one very small country. This situation was clear to me when I came here three years ago. I hope that awareness of this situation will create a good basis for more effective thinking about the differential effect of trade on different people in different countries.

Finally, I would like to tell you that I was privileged to participate in one of the conferences of the World Trade Organization (WTO). I went to Cancun in Mexico with a small Israeli NGO delegation, and we all came back amazed by

the multitude of international activities going on. I was impressed by how committed people from different countries are to work together, despite the physical distances that separate them, to create more social justice and more equitable trade. I am very grateful to be able to listen to presentations like the one we are about to hear from speakers who know how to explain to non-economists what exactly international trade is all about and how it impacts on the local situation, especially for women.

Mohau Pheko, keynote speaker:

Good evening and Shalom! It is a great pleasure for me to be in Israel. This is my first visit.

I am particularly pleased to be here talking about one of my greatest passions (besides my daughter), which is international trade. I love talking about this subject not only because I am a trader myself, but also because I realize the importance of taking action when not everything that is happening in international trade works to the benefit of women. I hope that this evening will be a learning and sharing experience for all of us because I am sure there is a wealth of knowledge in this room. This is a wonderful moment for me and I want to thank the Adva Center for inviting me.

First I will talk a little about what trade is; then I want to go into the heart of the matter and talk about the World Trade Organization and how it works. Finally, I want to explain why it is critical for us as women and men to pay attention to GATS - the General Agreement on Trade in Services.

Now, we all live in a world that has been trading for a long time: we all buy and we all sell; we all negotiate on the market on a day-to-day basis. For me trade is not just about moving goods across borders and making huge profits. It is an instrument of development; somehow this has got lost in the debate. I believe trade is about people; it is about our way of life, our dreams, our aspirations and our ability to have a good standard of life. By being able to buy and sell in the marketplace as people, we build social relationships and that gets forgotten when we look at trade through the eyes of neo-liberalism. For example, it is almost obscene that in the European Union alone, 20 billion US dollars are being used to store surplus food, while on the other side of the world, in the South, there are people who are starving.

When you look at farmers in Africa, you see that 75% of the people who work on farms, who produce our food every single day, are women. When you pit them against huge agricultural companies, what you are doing is pushing people out of making a living, pushing them out of food security. When you think that every day there are people who are not able to put food on the table for their families, you know that something is wrong with the system.

We need to deconstruct and demystify the language of economists, especially trade economists. I sometimes think that their language is used to make very

obvious, very commonsense things that we all understand on a daily basis confusing. You will hear a lot about *tariffs*; when one country sells goods to another, it is charged a special tax -- a *tariff* -- for bringing that good into the country. If I want to bring a product from South Africa into Israel, the Israeli government will charge me a tariff to bring that product in. Now, in the World Trade Organization, the idea is to remove all tariffs, so that we can move goods back and forth across each other's borders without paying this special tax. In trade you will also hear about *quotas*. For example, if I am selling cotton, Israel will tell me that I am only allowed to bring in so much cotton per year and not more than that. In trade, each country limits or decides how much of a product outsiders can bring in, and obviously it is a way to protect home industries.

The marketplace for me is where goods and services are sold; it is not a ghost that moves around. They say, "the market is doing this" and "the market is doing that." We all go to the market and we all buy and sell goods, but somehow when you hear about it on the news, and they say, "the market is doing this," it is almost as if they are talking about a human being. Trade *liberalization* means reducing tariffs and quotas, so that goods can move back and forth with ease between countries.

Free trade is the good that the World Trade Organization is trying to sell us. If we listen to our finance ministers, we will find that they are also talking about *liberalizing*, *deregulating*, and making sure that private companies are able to do business better in our countries.

Globalization is a term that everybody has become familiar with. Globalization means different things to different people. I would say that globalization is the name for an ongoing process in which trade, investments and information travel across international borders with increasing frequency and ease.

I think it is important to be aware of the principles that govern international trade; they are what really shapes trade in today's world. The first principle is called *national treatment*. It means that every country is supposed to treat goods in the same way. If a foreign company brings cotton into Israel, that company needs to be treated exactly like local producers. Countries are not allowed to grant subsidies to local producers, as subsidies distort competition. Now, in the countries of the European Union, many governments do help their farmers by giving them either technical or financial assistance. In Africa, where I come from, many farmers do not get either financial or techassis. You then have two farmers competing in the marketplace, one who gets assistance and the other who does not. It is the financial subsidies that are the most problematic, because obviously if I'm getting assistance I can play around a little bit with my pricing; I can lower my price in order to compete better and bring my goods into the market with much more ease than the person who does not receive financial assistance.

Another principle of the World Trade Organization is called *most favored nation*. It states that if you give a benefit to one country, as a member of the World Trade Organization, you must give the same benefit to all other

member countries. The problem is that we are not all equal as nations; I cannot scratch your back if your back is much bigger than mine.

Now, for a bit of history of trade. The General Agreement on Tariffs and Trade (GATT -- not to be confused with GATS), the predecessor of the World Trade Organization, was two things: an international agreement and an organization founded circa 1948 by 23 countries to regulate trade between them. It was not as binding as the WTO, and governments could decide how they wanted to participate. GATT was also an international organization created to support trade agreements. From the outset, it was a rich men's club, because it was mostly the rich countries that formulated the GATT agreement; many poor countries, for example, African countries, were still under colonialism. Under GATT, you could not just bring anything into a country if that country felt it was going to hurt local industry. As I mentioned before, all countries protect certain industries in order to protect their workers. Under GATT, it was felt that states should be allowed to decide what products come into their countries, how much comes in, and so on. In the 1990s, all that started to change. The very definition of "trade" expanded from goods into services into investment and into culture -- areas that had not been tradable under the GATT agreement.

[. . . omission due to technical problem with the recording]

Looking at the multilateral trading system - *multilateral trading* means that many countries are trading with one another. In the case of the World Trade Organization, you have 148 countries trying to trade, trying to build consensus. It is difficult enough in marriage and in other one-to-one relationships to build consensus; it is much harder to do so among 148 nations with different agendas and different needs. But what is very clear is that neo-liberalism has emerged as the driving ideology behind the WTO. Now, one of the tenets of neo-liberalism is that the private sector is the best provider of goods and services. The idea is that corporations can run hospitals, transportation systems, schools, universities and so on, because governments are corrupt and inefficient. Many of us buy into this argument. What we don't see is that when private companies begin to provide public services, the school fees go up, the health clinic fees go up, the cost of transportation goes up and those who earn very small salaries are no longer able to afford those services.

Why do we need government if the private sector is going to run everything?
Why do we need elections?

Privatization is an excellent entry for *liberalization*; they are twins that come from the same mother. They do two different things but they help one another. The government of Israel is planning to privatize the banks and the phone companies, and everybody says, "Oh it's very good to privatize the phone company; there will be more competition and we can get lower prices." Well, the very same thing is happening in South Africa, and I can assure you we are not getting better prices; all the telephone companies charge the same price. All you get to choose is the color of the logo you prefer. Privatization is a very good entry for liberalization, because it gets you used to paying for a service.

Once you are used to paying for a service, it is liberalized; that is, companies from other countries are allowed to come into Israel to sell the service at a profit. I said trade is about people, and when people start losing jobs, something is wrong with the system.

Neo-liberalism also brings in authoritarian tendencies; trade negotiations are done in secret. You don't know what they are negotiating at the WTO. All you see is your ministers sitting at some WTO conference. You don't know why he is there, what he is talking about, whom he consulted beforehand and what he is going to come back with. And he hasn't come to you and said, "This is what I'm going to negotiate on your behalf." He comes home with this deal that you are supposed to take on because he signed a binding agreement that you know nothing about. This is what the WTO brings. We also see the beginning of virtual democracy, with key decisions being made by very few people but no popular support for those decisions. If these decisions are so good for us, why don't they come and talk to us about them? We might have some useful suggestions. Where there is popular participation, the policy choices and the outcomes are much better.

I want to move on to GATS. For me GATS is what I call "privatization by stealth," because they use such nice language, such romantic language, such sexy language, they seduce you into thinking you are getting something that is really fantastic, but at the end what you end up holding is really quite messy. The General Agreement on Trade in Services was signed by all member governments of the World Trade Organization in 1994. The previous GATT agreements covered goods only. The General Agreement on Trade in Services (GATS) potentially applies to just about every service you can think of: water, electricity, banking, transportation, telecommunications, health, education, even prisons. In South Africa, even the prisons are being privatized. I was shocked the other day when confirming my air ticket from Johannesburg to Iceland. I called this guy at South African Airways to confirm the flight and he gives me my reference number. I say, "Well, can I go to the Johannesburg Airport?" He says, "No, ma'am; I'm not in Johannesburg - I'm in Lucope [a prison]." I say, "Lucope? What are you talking about?" "Yes," he says, "I'm in Lucope; I'm a prisoner in Lucope." This is horrendous; prisoners have become free labor.

They are doing it in India as well. This is a model copied from the United States. Now we have got all these prisoners who have our ID numbers and they are asking us all these questions.

The aim of GATS is to promote international trade in services and to remove the barriers to such trade. Countries prepare requests and offers. The EU has prepared requests to many countries, including Israel. A request is to say, "We would like to come and participate in your financial services, your professional services, your transportation services, even your cleaning services." I do not know why the Europeans would want to come all the way to Israel to participate in cleaning services, as I think Israelis are capable of cleaning their own homes and businesses. The EU countries have requested Israel to allow them to compete with Israeli companies in the areas of

business services, building, cleaning, washing and postal services -- handling and sorting. I am sure you have lots of people who can sort your mail. The EU countries also want Israel to remove the ban on *commercial presence* -- the ban on people actually doing business physically in Israel. Israel does not allow much of that. Another area in which European countries want to get involved here in Israel is the provision of water for human use and the handling of waste water. In my country, drinking water and sanitation go together; you cannot sanitize a place if you do not control the water. We have to take a good look at the language: you cannot "handle" water if you do not eventually want to control the water.

I repeat: we have to look at the whole picture: the purification of the water, the distribution of the water, and so on, for they are very clever and do not tell you their real aims. What we need look at is what end product is going to look like if foreign corporations come into our countries and begin to provide all of these services. We have to ask, what happens to women, what happens to jobs, what happens to workers in these areas? The people who stand to gain from international trade in services are the transnational corporations; they are the biggest drivers of this kind of trade, because services are huge money-making industries. The profits from the liberalization of water -- allowing companies like Suez and Bywater to come into your country and handle water provision -- is one trillion US dollars per year. Now many countries have resisted giving up provision of their services. But the more developed countries are pushing to include more and more services in WTO agreements.

What is happening in my part of the world is that many African countries are saying, "Well, we can give up water if we can get a concession on agriculture," not realizing they are going from the frying pan into the fire.

When it comes to services, I think the biggest argument is around public services: health care, education, water, and energy. Many of our governments - and our own parents - worked hard to build these assets for us, so that each generation would have the right to water and to education. Our countries have been even kinder: they have signed human rights conventions that ensure that their commitment to giving us public services is enshrined in the United Nations. Yet they write these rights away all the time. Now the issue is no longer *people's rights* to water or education, but about how *efficiently* we can provide education, how *efficiently* we can provide health services. They are selling off services that our parents got free of charge. I think this is probably the most dangerous thing, especially for women.

It is women -- in Israel too -- who dominate as workers in the public services as well as as users of these services. Thus, if you take those services away from the state and give them to the private sector, you are going to deny millions of women the ability to afford them. Moreover, you are destroying their jobs and denying them the privilege of working. Under GATS, "services" include no fewer than 160 services, and there is no agreement, by the way, about what a service actually is. There are four ways in which a service can be provided under the General Agreement on Trade in Services. The first is

one we probably all use, as we employ the internet or telephone to make contact across the border: *consumption abroad*. I am consuming a service abroad here as I sleep in a hotel or take a taxi. Then there is *commercial presence*. In South Africa we have what we call DS TV: a satellite television company that also dominates the news. McDonalds has a commercial presence in Israel. There is also the *presence of natural persons*: nurses, doctors, educators and IT specialists come from other countries to work in Israel.

The *presence of natural persons* mode of trade is probably the most contentious, because it is quite easy for capitalists to agree on money moving across borders but it is very difficult for them to accept people moving across borders.

What is really at stake, and why should we as women and men pay attention to the World Trade Organization in general, and the General Agreement on Trade in Services in particular? The problem with GATS is that it has the potential to reduce the power of governments to regulate services. That is because by selling services to multinational corporations, governments lose the power to control those services. For women, this means that they may not be able to access or afford a service and that many may lose their jobs. It is very difficult to negotiate with somebody who is trying to make a profit from the particular service you need.

When the state abdicates its responsibility for ensuring that everybody gets a particular service, it is time to question what citizenship means. Opening up public services to competition from private firms is also very problematic in my country. We have opened up health care, we have opened up education. Israel, too, is opening education to the private sector -- in limited ways. But where does it end? As parents, first you contribute a little bit to school sports days, then you contribute a little bit to a school project, then you contribute a little bit to something else, and every single month you find you are contributing to something. At the end of the day, you are paying school tuition and "free education" has disappeared. Those schools where parents are not able to contribute extra out-of-pocket sums become marginal schools, and everybody, of course, wants their kids to go to the best schools. But I would like to ask, what is the role of the state and why should the state not provide services like education for all of us?

The other great danger: foreign corporations come into countries saying they are going to create competition, but what we get are monopolies. When you have five different telephone companies offering the same rates and the same benefits, that is not competition; that is clearly a monopoly or cartel.

Multinationals are unaccountable to communities. For example, now in my own country, if you don't pay your water bill, they turn off your water. Who are you going to talk to after they cut off your water? Go and tell the private company, "Please, I don't have the money; turn on my water." They don't care - these guys are making a profit. This is what is happening in South Africa, and I hope it's not going to happen in Israel.

Finally, I think we have to keep an eye on our public services, because we as women are the workers, we as women are the users, because trade has differential impacts. We have lower salaries than men. When you begin to liberalize public services, the working conditions of the women employed in them deteriorate. I note that you have export processing zones here in Israel where no trade unionism is allowed. The majority of people who work in such zones are women. And in most places, the conditions are terrible. If you are pregnant you can't go to the health clinic during working hours, even if you have a crisis. For me, the most important thing is that when we turn a service into a commodity and say that a person cannot receive it unless she pays for it, something is wrong with our government, something is wrong with our values. In order to change the values and preserve the things that are important to us, we have to begin to turn trade around so that it becomes an instrument of development that benefits everyone.

I hope you will get excited and passionate in Israel and join the global fight to ensure that public services remain in the domain of the state so that everybody can benefit. Thank you very much.

Orly Vilna'i: Thank you, Mohau, for this fascinating lecture. You haven't finished yet because we have questions. Let me ask the first: Is there any example of a country joining GATS but trying to get out of it after understanding its negative effects?

Mohau Pheko: Nigeria recently became a democratic country after a long period of military governments. When the issue of the WTO was put before the Nigerian parliament, it was totally scandalized, and there was a move by the back benchers, and the junior parliamentarians in particular, to get Nigeria out of the WTO. It is still a raging debate, because obviously junior parliamentarians are not as strong as senior parliamentarians. Nevertheless, Nigeria is the one country that can symbolize the recognition that something is wrong with the international trade system.

Even if the GATS involves benefits for some in the North, there are certainly disadvantages for people living in the "South" of the North, and I know that many countries have actually reversed privatization deals. For example, the energy sector in the state of California is in reversal [after being privatized] because they have lost money. The efficiency model simply didn't work. The same thing happened with the railway system in the United Kingdom. What I want to say about GATS is that when you look at what is happening in the Union or the US, you find that these countries have **not** privatized their public services, because that would cause an outcry, and absolute outcry. While the most powerful countries are asking us to liberalize our public services, they are having a very rough time liberalizing their own.

In terms of what we can do as women, we don't have to know what the WTO is all about, but we do have to know what is happening to our water sector, what is happening to our education sector. We have to question our parliamentarians, question our finance ministers. I think that if you question

them enough they begin to understand that they are being monitored and that perhaps they ought to be careful!

Orly Vilna'i You know what happens when you question them: They give you the answer to an entirely different question!

Sawsan Zaher: Thank you very much for the fascinating lecture. I come from a feminist organization for Arab women, called Kayan [*Being*] located in Haifa. I wanted to ask if there are any other highlights or impacts that are especially relevant for minorities, such as the Arabs in Israel, and whether you can compare those impacts to impacts on minorities in other countries.

Mohau Pheko: I would say that Arab communities in Israel are probably part of the "South" in the North. One of the wonderful things that can happen is the creation of linkages and networks to other parts of the South that allow you to share experiences about what you and they are doing. I think that linking up and networking with other groups is critical.

Barbara Swirski: You mentioned at the beginning of your lecture that trade should contribute to, not hinder development. Can you give a few examples of how you think international trade can contribute to development rather than hinder it.

Mohau Pheko: Trade creates opportunities to generate wealth, but I don't think that wealth should be just for a few people. This is where the role of the state comes in: to ensure that the proceeds of trade are distributed so that those who have the least get some of those proceeds. South Africa is a gold trading country, and yet we still have millions of people who do not have access to water and millions of people who do not have access to electricity. We also export energy to other countries. I think that rather than going just to shareholders, the proceeds could flow back into the communities that still need to be lifted up. This is really critical: here is how trade can become an instrument of development.

I think it is the job of the state to ensure that the wealth of the nation is distributed more evenly. The market cannot do this -- this ghost they talk about as if it were self-correcting. That is why we have states, and I believe that the state must play a role in distributing the proceeds of trade.

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