

Social Exclusion, Jobs, And Poverty In The Americas

Hemispheric Social Alliance & Common Frontiers-Canada

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Introduction:

Unregulated Globalization Exacerbates Social Exclusion

Members of the Hemispheric Social Alliance (HSA) have consistently expressed alarm about the dangers of unregulated globalization: growing levels of poverty and inequality, social disruption and marginalization, and environmental degradation. In the past two years, especially since the Asian crisis of 1997, others have begun to echo our concerns.

International organizations like the United Nations and the World Bank have documented what we already know to be true in the Americas: *conditions of inequality and poverty worsen with liberalized trade and investment*. The Western Hemisphere is home to both the world's wealthiest nation as well as to some of its poorest and least-developed countries. The gap between rich and poor, however, exists *within* as well as *between* nations. In virtually every country in the Americas, including the United States, small, wealthy elites exist in tandem with the impoverished—those struggling to make a living in urban areas or to earn a respectable livelihood from farming or fishing in rural areas. Homelessness and un- or underemployment are problems in nearly every country. Migrants search for land or work. In several nations, indigenous people are geographically, economically, and politically marginalized, pushed into ever-smaller and less productive areas of land that can no longer sustain them.

Today, too many people in the Americas have become excluded from secure employment and access to property, housing, credit, good education, health services, enjoyment of their own culture, and a clean environment. Social exclusion has in turn led to a disruption of social cohesion—an increase in insecurity, migration, environmental degradation, and crime. Too many of us are unable to exercise our

democratic rights to shape our national economies so that they meet everyone's needs rather than those of a small group of traders and investors. Too many people are excluded from meaningful participation in the economic, social, and political affairs of our nations. Too often, those excluded are female, young, and/or non-white. The socially excluded bear a long history of repression, particularly when they have questioned the dominant economic model.

Social exclusion is not new in the Americas. It is the consequence of an increased concentration of wealth without a strong effort to share the benefits of growth among all members of society. It is the accumulation of wealth without an effort to build social capacity, increase social cohesion, and ensure protection of human rights and the environment. Ironically, while our economies and government policies become more integrated and concentrated, our societies disintegrate and fragment. The process of globalization exacerbates differences in gender, race, culture and ethnicity, physical and mental ability, age, and sexuality.

As the HSA has argued at previous trade ministerial meetings, at the two *Summits of the Americas* (Miami, 1994; and Santiago, 1998), and at the European, Latin American, and Caribbean Leader's Meeting (Rio de Janeiro, June 1999), our nations should work towards a central goal: ending social exclusion and poverty. Trade and investment must not be ends in themselves, but rather instruments for achieving just and sustainable development.

The HSA has identified four issues of concern regarding the relationship between liberalized trade and investment on the one hand, and social development and environmental protection on the other. For each issue, we have compiled a series of recommendations. Below, we discuss each issue in detail and present our recommendations.

Issue No. 1:

Increasing Poverty And Inequality

In the last quarter-century, most countries in the Americas have initiated sweeping changes to their economic and social policies. The term "liberalization" describes this trend, characterized by a swing back to the "free market" stance dominant before the World Wars and a retreat from the post-war Keynesian philosophy that shaped many national and international social and economic policies. The role of the state as

regulator of the economy and redistributor of wealth has been demonized. State enterprises and functions have been privatized and deregulated. Wages have been kept low and interest rates high. At the heart of this neo-liberalism lies the same idea that guided earlier forms of economic liberalism, namely, private capital should have free rein to pursue its own interests, nationally and internationally.

The HSA fundamentally disagrees with this approach. As we stated in *Alternatives for the Americas*, our objections do not centre on the question of whether or not to open our economies to trade. Rather, we pose two fundamental issues to consider when envisioning national and international trade. These issues are: (1) whether to create and defend a national plan or to let the "market" determine the plan, and (2) whether capital, especially speculative capital, should be subject to international regulation.

Many Latin America and Caribbean countries were pioneers in neo-liberal economics. In the 1970s, for example, Chile began a drastic structural adjustment to its economic system under the dictatorship of General Augusto Pinochet, following a bloody coup that rolled back a people's movement. During the 1980s, the World Bank and the International Monetary Fund (IMF) promoted "structural adjustment" programs throughout the Americas, designed to create hospitable environments for foreign investors and for the movement of goods across national boundaries. "Free trade" agreements usually followed on the heels of these programs, locking in neo-liberal policies and further facilitating the flow of goods and services while opening new sectors to foreign investors. These policies foster the continued and systematic pillage of natural and human resources in many countries in the region.

Well before the North American Free Trade Agreement (NAFTA) came into effect in 1994, its three participating countries experienced dramatic neo-liberal economic shifts, which have continued into the NAFTA era. Since 1982, Mexico has undertaken its most dramatic economic transformation since the Second World War, reversing long-held social policies, eliminating progressive institutions, and reforming laws defending public ownership of land and resources. Canada and the United States have also experienced their own neo-liberal reforms, cutting back welfare and unemployment programs, privatizing state enterprises, reducing the regulatory role of the state, and promoting international investment and trade above other domestic interests.

As structural adjustment policies became commonplace in the Americas during the 1980s, the problem of poverty worsened. The neo-liberals, however, argued that conditions would improve after the belt-tightening. Just last year, at the Santiago Summit, our governments stated their conviction that prosperity could be created "through economic integration and more open economies." This view, however, is not substantiated by fact. If anything, conditions have deteriorated for working people and the poor at the end of the 1990s.

The income gap has been widening in the Americas during the past few years, even as trade and investment have increased. According to the United Economic Commission for Latin America and the Caribbean (ECLAC), income inequality worsened in seven out of 12 countries studied from 1990 to 1997. As a sub-region, Latin America has the worst income distribution in the world. But conditions of income inequality have remained the same or deteriorated even in rapidly growing, highly liberalized economies, such as Chile, and in Canada and the United States, the wealthiest countries in the Americas. The United States boasts the greatest degree of income inequality among industrialized nations.

Poverty is still a prominent feature of both North and South America. Following the "lost decade" of the 1980s, the early 1990s showed some improvement. But, in most nations, today's poverty rates are at similar or higher levels than they were in 1980. For example, after several years of steady economic growth, the poverty level in Latin America was still at 36 per cent in 1997, down from 41 per cent in 1990, but nearly the same as it was in 1980 (35 per cent). In absolute numbers, the ranks of the poor have increased steadily in Latin America, from 136 million in 1980 to 204 million in 1997. More than one of every three persons is poor. Some 90 million, or 15 per cent of the total population, are indigent—living in extreme poverty and unable to meet basic needs—a proportion that, again, has not improved since 1980. In rural areas, poverty levels increased from 28 per cent in 1980 to 31 per cent in 1997.

According to the Pan American Health Organization (PAHO), there are still 105 million people in the Americas without regular access to health services. Access to education is still heavily dependent on income levels in many countries in the region. ECLAC reports that at least five Latin

American countries will fail to meet the goal of achieving universal access to primary education by the year 2000.

In the three NAFTA countries, poverty has shown no sign of disappearing, despite spectacular growth in trade and investment. Canada, ranked as the No. 1 country in the United Nations Development Programme's Human Development Index, has had to admit to a "national crisis" in child poverty, with nearly 1.5 million children (one in five) living below the poverty line, a proportion that increased by 45 per cent between 1989 and 1995.

Despite the stellar economic performance that makes the United States the "envy of the world" according to its government, one in five Americans lives in poverty. Two million people find themselves homeless in the United States at some point during each year. Average real wages and family income have declined in the country over the past 25 years.

Mexico, destined to join the "First World" through its access to the lucrative North American market, has seen a tremendous increase in poverty in recent years. Poverty levels in that country rose from 50 per cent in 1981 to 66 per cent in 1994, precisely during the period when Mexico implemented structural changes aimed at economic liberalization. Following the signing of NAFTA in 1994, poverty increased further.

As the above examples make clear, poverty remains a reality in the Americas, despite the fact that our nations have dutifully followed the prescriptions of the IMF, the World Bank, NAFTA, and the World Trade Organization (WTO). Poverty remains a reality despite our governments' agreement, expressed at the Santiago Summit of the Americas, that "overcoming poverty continues to be the greatest challenge confronted by our hemisphere."

The neo-liberal form of globalization that dominates in the Americas is neither the best nor the only way for us to integrate with the global economy. Liberalization gives a comparative advantage to the wealthy—those with more capital, land, and skills—by increasing the concentration of these assets and favouring returns from capital over returns from labour. This inevitably leads to more inequality, even if the economy is growing. Workers and the environment are bound to suffer when economic systems emphasize cheap labour and exploitable natural resources as key means of building competitiveness.

Worsening terms of trade, international debt, and unregulated investment policies have also limited the ability of nations to advance in equitable human development. Many countries in the Americas depend on commodity exports to sustain their economies, a dependence that has grown under trade liberalization policies. Yet commodity prices have fallen sharply in the past few years, drastically reducing revenue in these countries. From 1980 to 1997, for example, the price of rubber fell by 52 per cent, coffee by 64 per cent, and sugar by 73 per cent.

Contrary to moral principles, international creditors increased interest rates unilaterally in the 1980s, from roughly three per cent to 20 per cent. As a result, full payment of external debt is now literally impossible in several countries. Latin America and the Caribbean pay 33 per cent of their export income in debt servicing, a higher proportion than in Asia or Africa. The use of foreign investment for short-term, speculative purposes also draws attention and resources away from productive, long-term, and integrated development in these regions.

The role of private suppliers in the planning and delivery of health, education, and social welfare services has increased. The privatization of social services and the civil service has led not only to job losses but also to reduced service levels for many sectors of the population.

Our nations have already committed themselves at several United Nations summits to eradicating poverty; providing universal access to education, health, and adequate shelter; promoting and defending the rights of women; improving conditions for children; and respecting the cultural integrity of indigenous people. Yet the current path of liberalized trade and investment works against these goals.

The current economic and social crisis that affects much of our hemisphere is a warning sign that further liberalization is a dangerous path. The overall economic growth rate was only 2.3 per cent in Latin America and the Caribbean in 1998, and average growth for 1999 is expected to be less than one per cent. Many countries of the region are currently in recession.

A strategy for economic integration for the Americas cannot succeed in creating "prosperity for all" unless it rejects the neo-liberal approach, directly confronts the structural obstacles to sustainable development, and consciously builds strong, integrated domestic economies with the full participation of all members of society.

Recommendations Regarding The FTAA And Poverty And Inequality

Economic liberalization in the Americas has not contributed to eradicating poverty or inequality. We believe that unless these problems are confronted directly, expanding the economy will only increase inequality among people and nations. Furthermore, decisions that affect the region's economy must not be made without a public airing of the issues. The voice of the people must complement executive democracy.

A.1. Governments must ensure that human needs are central to development and that hemispheric trade serves these needs and is guided by the principle of social justice.

A.2. Any hemispheric trade agreement must include, as a principle objective, the eradication of poverty and inequality within and among nations, between men and women, and across ethnic, cultural, and racial boundaries.

A.3. Creditor nations should cancel the following types of foreign debt in the developing countries of the Americas: the unpayable debt (that which cannot be serviced without placing a burden on impoverished people); the debt that has already been paid in real terms; the debt for improperly designed policies and projects; and the odious debt incurred by repressive regimes. (These are key elements of the Jubilee 2000 campaign, as stated in the Rome Declaration, Nov. 17, 1998. Please see our paper on *Investment, Finance, and Debt* for related recommendations.)

A.4. Before implementing any hemispheric trade agreement, governments must commit to a plan of action, with targets and timelines, to fulfil human development commitments undertaken at the following United Nations conferences (see also Section 4):

- World Summit for Children (New York, 1990)
- United Nations Conference on Environment and Development (Rio, 1992)
- World Conference on Human Rights (Vienna, 1993)
- World Conference on Population and Development (Cairo, 1994)

- Global Conference on the Sustainable Development of Small Island Developing

States (SIDS) (Barbados, 1994)

- Fourth World Conference on Women (Beijing, 1995)
- World Summit on Social Development (Copenhagen, 1995)
- World Food Summit (Rome, 1996)
- United Nations Conference on Human Settlements (Habitat II) (Istanbul, 1996)
- 51st World Health Assembly (Geneva, 1998)

A.5. In light of the fact that the privatization of public education and health is already underway, and that privatization deepens inequalities, reduces service levels, and increases the burden on teachers and caregivers, many of whom are women, governments must:

- a. exclude health and education from trade agreements;
- b. take responsibility for the quality of these services;
- c. ensure these services are universal, comprehensive, accessible, and accountable; and
- d. recognize, respect, and defend the rights of indigenous people to practice, preserve, and develop traditional medicine.

A.6. Donor nations in our hemisphere should carry out their commitment to the United Nations to channel 0.7 per cent of their GNP for international development. Governments entering into bilateral cooperation agreements should implement the reciprocal United Nations 20/20 Initiative, which stipulates that, as a minimum, 20 per cent of foreign aid and 20 per cent of host government revenue be spent on basic social services. With the participation of civil society and local communities, governments should evaluate the impacts of the policies and programs of the World Bank and the IMF. Poverty alleviation programs should treat the poor as actors engaged in the transformation of their societies, not as powerless victims.

A.7. When entering into any hemispheric trade agreement, governments must take into account the vast differences in levels of economic development in the Americas by establishing mechanisms for compensatory financing for social development, as in the European Union. Economic asymmetry must also be taken into account in

rounds for the reduction of trade barriers. Our governments should discuss community-based proposals for alternative models of development that promote respect for the social, economic, and political organization of indigenous peoples.

A.8. Governments must recognize their role and duty to:

a) facilitate democratic debate on international trade issues, ensuring the participation of civil society (see Section 4);

b) enact economic and social policies that strengthen the well-being of all inhabitants, recognizing the particular history and rights of indigenous peoples;

c) address the particular needs of women in both national budgets and the use of any foreign aid fund; and

d) promote a new development model based on popular participation in the planning, decision-making, implementation, and evaluation of development plans.

Issue No. 2:

Declining Job Security And Labour Standards

Proponents of free trade and increased economic liberalization, such as the Business Forum of the Americas, have argued that liberalization will create jobs and prosperity by increasing business opportunities. In fact, working people throughout the hemisphere have seen a tremendous loss of long-term, secure employment, which has been replaced by short-term, insecure jobs with fewer benefits and lower pay. Liberalization threatens internationally recognized labour rights throughout the hemisphere and has had a serious negative impact on the exercise of the right of association, collective bargaining, and the right to strike.

From 1971 to 1998, a period during which nearly every government in Latin America reduced trade regulations and capital controls, 17 out of 18 Latin American countries showed a deterioration of employment, real wages, or both. According to the International Labour Organization (ILO), Latin American workers' buying power declined dramatically during the 1990s, dropping to 27 per cent below what it was in 1980.

Very few jobs have been created by the so-called "modern sector." Almost all (85 per cent) of new employment growth has occurred in the informal sector, in which workers are excluded from benefits such as health plans, job protection, and social security because their jobs are neither unionized nor registered with their governments. Most domestic workers are also hired informally, without legal benefits or job security. Between 1990 and 1996, the informal sector grew in nearly every Latin American country, comprising 57 per cent of the non-agricultural labour force in 1996.

More women are working in the Americas than ever before. While more opportunities are opening up to women, they are disproportionately represented in the lowest-paid jobs with the worst working conditions, and few unions. Many of those working in the *maquilas* (export-processing zones) and in agro-export enterprises are women. Twenty-three per cent of all working women in Latin America earn less than the minimum wage, compared to 11 per cent of working men. Women earn 25 to 50 per cent less than men in Latin America, and approximately 20 per cent less than men in North America.

In both North and South America, employers have capitalized on women's apparent interest in part-time work, piecework, or home-based work that allows them to combine work and child-care responsibilities. While these work arrangements may appear to be a popular "choice" for women, in reality women have few alternatives in the absence of publicly funded day care and other means of family support.

New positions in manufacturing are primarily low-waged jobs in export-oriented industries that produce parts for transnational companies. Globalization has led to increased subcontracting, especially of women workers. These subcontractors are often outside the scope of labour regulations. In the public sector, restructuring and privatization have led to massive layoffs, intensified by conditions imposed under the "bailout" plans organized by the IMF. In some countries, new jobs have been created in agriculture, but they are mostly on agro-export farms picking fruit or vegetables. Hours are long, and working conditions are often poor and dangerous.

Occupational hazards are a serious problem throughout the region. PAHO reports that there are 300 worker deaths per day in Latin America and the Caribbean due to workplace accidents, a figure that has been rising.

Since 1981, many of our fragile social security systems have been privatized and restructured, processes that have not only harmed the beneficiaries but also placed them in increasingly vulnerable situations. As economic conditions have worsened, the worst forms of violence and sexual exploitation of women, especially of teens and young girls, has increased notably.

National and international migration has continued to rise in the Americas, despite the opening of markets, which was theoretically supposed to keep workers at home, benefiting from economic growth. Economic liberalization has concentrated job opportunities in very few locations, leaving other areas poor and abandoned. People often have no choice but to migrate in order to earn a living. In Brazil and Mexico, millions of indigenous people and landless farmers have had to migrate seasonally or permanently, hundreds of kilometers from their homes, in order to find work in agro-export firms or assembly plants. Tens of thousands of job seekers travel routinely from Paraguay, Peru and Bolivia to Chile and Argentina; and from Nicaragua to Costa Rica -- destinations where economies are more integrated into international markets. In the United States, the proportion of illegal immigrants working in the lucrative California agriculture industry increased from 10% in 1990 to 40% in 1997, despite a crackdown on illegal border crossings and harsh new anti-immigrant legislation.

While contributing economically both to their original homelands and to their new places of residence, as well as enhancing the competitiveness of the firms for which they work, migrant workers and their families are nevertheless the victims of discrimination and mistreatment. They are caught between the desire of employers to hire cheap labour and the xenophobia of host governments. Rather than a diminishing trend, immigration is becoming a key feature of our hemisphere's unbalanced economy. In their zeal to provide borderless treatment for capital and goods, our governments are forgetting their obligation to guarantee full social rights to migrant workers, in accordance with international conventions, and to promote balanced social and economic development, which would reduce the need to migrate in the first place.

Several American states and Canadian provinces have instituted "workfare" schemes, under which recipients of social assistance are required to work in a punitive and demeaning system in order to maintain their benefits. Workfare replaces jobs in public and private sectors, especially municipal works. Use of prison labour in the United States has

increased so much in recent years that some critics have speculated that the mushrooming growth of mega-prisons is part of a cheap labour strategy for North America.

Child labour is a persistent reality in most countries of our region, with an estimated 19 million children working in the Americas.

On average, employment growth under liberalized trading regimes is no better than it was under the so-called "closed" economies of the past. In its most recent report about labour in the Americas, the ILO states categorically: "economic growth and price stability have not produced a significant improvement of the employment situation or of wages."

Unemployment has risen in Latin America and the Caribbean during the 1990s, especially since the Asian crisis of 1997. According to the ILO, unemployment in Latin America and the Caribbean is expected to reach 9.5 per cent in 1999, "surpassing the peak jobless rates during the external debt crisis of the 1980s, despite a decade of economic reform and modernization."

Mercosur, the Common Market of the Southern Cone, encompassing Brazil, Argentina, Paraguay, and Uruguay, has failed to live up to promises of increased quantity and quality of employment. An estimated 300,000 jobs were lost in Brazilian industry and agriculture as trade rules were liberalized in 1995 and 1996. Nearly two-thirds of the region's 80 million waged workers are employed in unregulated jobs with no benefits. Despite initial interest in following a gradual, sectoral approach to liberalized trade, governments of the region opted instead for a policy of increased competitiveness based on lower labour costs and standards as well as lower taxes. Transnational employers can thus play off one country against another, taking advantage of greater deregulation of labour.

NAFTA And Labour

In its first five years, NAFTA's promises have not panned out for workers in any of its three member countries. Although employment has grown in the last few years, significant losses of high-wage manufacturing jobs have resulted in downward pressure on wages and standards.

Most of the new jobs in the United States and Canada are in the service sector, with lower wages, fewer benefits, and lower unionization rates. Many jobs are temporary or part-time. Employers in both countries have used the threat of southern relocation under NAFTA as leverage against the organizing efforts and wage demands of workers. Governments in both countries have cut back their unemployment insurance schemes, with Canada adjusting its policy downward along the lines of the lower coverage rates in the United States. Increasingly, employee benefit programs are privatized, excluding many workers. Banks and health management companies eagerly await greater privatization of pension plans and health services, following the model already introduced in Chile. Wage gains have been minimal, barely making up for losses during the recession North America experienced in the early 1990s. Unemployment continues to be high in Canada, at about seven per cent nationally.

The case of Mexico is especially important for analysis, given its use as a model for the FTAA. Has economic liberalization been good for Mexican workers? These facts say no:

- The number of unemployed in Mexico rose from 819,000 in 1993 to 985,000 in 1997.
- Social security coverage declined for the economically active population, from 36 per cent in 1993 to 33 per cent in 1998.
- Nearly two-thirds of workers do not receive any employment benefits, not even those required by law (social security, vacation pay, and holiday bonus).
- The proportion of workers receiving less than the minimum wage increased from 19 per cent in 1993 to 21 per cent in 1997.
- The average minimum wage lost more than three-quarters of its purchasing power from 1976 to 1998.

- Child labour continues, despite being outlawed under Mexican law. According to some estimates, 10 million minors are working in Mexico.
- Productivity is up but wages are down. Labour productivity in the manufacturing sector increased by 36 per cent during the NAFTA period, yet average real wages decreased by 17 per cent.

Though it is difficult to separate the impact of NAFTA from related features of economic integration and restructuring, NAFTA has negatively effected the labour market by setting a 'conditioning framework' in which policy choices are biased towards competitiveness and the free flow of capital and away from labour rights and standards. Despite the numerous complaints of labour violations in Mexico filed under the North American Agreement on Labour Cooperation, no structural changes have taken place to improve conditions for workers.

This century began with a push for a shorter workweek, overtime pay, and a decent minimum wage. Organized workers fought successfully to have their rights recognized in national law and in international agreements. At the end of the century, however, "flexibility" has upstaged workers' rights, as employers arrange labour forces with very few permanent workers and masses of short-term or temporary employees.

As stated in *Alternatives for the Americas*, working people in our region believe that a just trading system must recognize that basic labour standards and other measures for improving the welfare of working people cannot be left exclusively to markets. Unless concrete steps are taken to advance labour rights, economic liberalization will continue to drive down labour standards and job security throughout the hemisphere.

Recommendations Regarding Labour And The FTAA

Liberalized trade in the Western Hemisphere is based on a deliberate attack on workers' rights and labour standards. Any new trade agreement in our hemisphere must directly address and deliberately reverse the decline in job security and the deterioration of working conditions.

B.1. Governments must ensure the ratification, implementation, and enforcement of the Conventions of the ILO covering fundamental workers' rights. (See the list of these conventions in Section 4.)

B.2. A Worker's Rights Clause should be included in any hemispheric trade agreement, based on the seven core conventions of the ILO, with an enforcement mechanism and a supervisory role for the ILO.

B.3. In any hemispheric trade agreement, governments must include mechanisms for adjustment and the creation of high-quality jobs, with special allocations for women. These mechanisms should consist of:

- a) nationally administered funds, paid into by employers, to compensate those facing job losses resulting from restructuring;
- b) skills training programs;
- c) infrastructure development; and
- d) incentives for job creation.

B.4. In any hemispheric trade agreement, governments must include mechanisms for improving basic labour standards and social programs such as health care, education, childcare, and unemployment insurance. As well, governments need to develop special mechanisms to address sexual and reproductive harassment. All the above mechanisms should be specifically designed to improve working and living conditions for working people and to achieve a more equitable distribution of income within countries. Governments should use common guidelines to establish a national "living minimum wage," and should establish common guidelines for hours of work, rules on overtime pay, rest periods, and vacations. As a first step, all nations should meet ILO standards in these areas. Subsequently, nations should harmonize their standards towards the highest existing standards within the hemisphere. These processes should be conducted with the full participation of not only governments but also representatives of trade unions and employers' organizations.

B.5. Within the negotiation process of the FTAA, governments must recognize the Labour Forum and, with the involvement of the ILO, establish a Working Group on Social and Labour Issues, with equal status given to the existing Business Forum and the Working/Negotiating Groups.

B.6. In light of the dramatic growth of the informal sector, governments must develop mechanisms to extend minimum labour rights and standards to workers in this sector. Such mechanisms include pressuring national governments to ratify, implement, and enforce ILO conventions 177 on home work and 175 on part-time work (see Section 4).

B.7. Governments must acknowledge the needs of women in waged and unwaged work, taking into consideration the unequal share of responsibility assigned to most women for child-rearing, care for family members, and domestic labour, and the lack of value accorded to that work.

B.8. Governments must analyze the impact of trade liberalization on women and track the impact of trade agreements and policies on the formal, informal, and unwaged sectors through sex-disaggregated data gathering that includes the measurement and valuation of unwaged work.

B.9. Governments must establish policies and programs to ensure that childcare is affordable, accessible, and of high quality, so that women are able to undertake waged work inside or outside the home.

B.10. Governments must ensure access to labour rights for migrant workers wherever they work. In the case of indigenous migrant workers within national boundaries, governments must promote training, improve living and working conditions, provide fair remuneration, and respect native forms of social and economic organization and methods of production.

Issue No. 3:

Weak Environmental And Social Sustainability

As stated at the Environmental Forum at the *People's Summit of the Americas* (Santiago, Chile; April 1998), the HSA considers the current FTAA process to be incompatible with the principles and criteria of sustainable development. The model of development promoted by the designers of the FTAA, closely patterned after NAFTA, is based almost exclusively on the expansion and increased mobility and flexibility of capital. This focus places undue emphasis on the exploitation of natural resources and detracts from the need to preserve our soil, forests, water, and wildlife for the benefit of current and future generations. The model treats food, genetic resources, and other life forms as commodities, to be produced and marketed by the cheapest means possible.

The proposed FTAA would also restrict the ability of our governments to legislate and act in favour of sustainability. Both North and South America

have experienced a gutting of the public regulatory frameworks protecting our food, health, and environment, with a marked trend towards privatization and self-regulation. The granting of patent rights to corporations for life forms is a direct threat to biodiversity. Other aspects of trade agreements, such as "national treatment" clauses, investor-state disputes, and rules on performance requirements also act against the goals of environmental protection.

Despite lofty government statements about protecting the environment, the emphasis on liberalized trade has increased rates of deforestation, soil depletion, and over-fishing, and the extraction of minerals, gas, and oil. New transportation networks, which include highways, canals, and pipelines, have threatened our ecosystems and indigenous communities. Governments need to develop alternative energy sources and alternatives to consumption patterns that are wasteful and damaging to the environment.

The mining and manufacturing sectors continue to pollute the environment with wastes from their production processes, and governments are reluctant to apply sanctions for fear of driving away investors. The uncontrolled emission of greenhouse gases contributes to dangerous climate change. Oil and gas projects are the agents of massive social dislocation and environmental destruction, and often emit toxic wastes without concern for the long-term consequences of these actions. The *maquila* industries along the Mexico-United States border are notorious polluters despite the agreements made for a major anti-pollution effort during the signing of NAFTA.

Agro-export companies throughout the Americas use vast amounts of fertilizers and pesticides, causing dangerous runoff in rivers and soils and serious health problems for agricultural workers and consumers. Some countries have tripled their use of pesticides in the last four years, and over 80,000 chemical substances are currently sold in the region. As PAHO notes, chemicals in the environment result not only in poisonings, but also in birth defects, cancer, and infertility, as well as behavioural and immune disorders."

The Decline In Rural Conditions And Food Security

In rural areas, millions of small farmers have been displaced by a renewed emphasis on agro-export crops such as fruits, flowers, and vegetables. With trade liberalization, many countries have reduced their

production of basic grains, given that such items can be imported more cheaply from Asia or North America. In Brazil alone, nearly three million traditional farmers have been put out of work because of declining prices in basic grains following market liberalization in the early 1990s. Mexico's imports of maize from the United States soared in the mid-1990s, with disastrous outcomes for Mexican farmers. Central American farmers have been hit not only by the "dumping" of low-priced foreign grains and dairy products but also by the phasing out of government farm support programs, high national and international interest rates, and a decline in commodity prices and quota schemes. Latin America, historically a net food exporter, is now a net food importer. As a result, food security has declined steadily in Latin America over the past 15 years.

Small farmers in Canada and the United States have also been affected, and are now in a crisis situation akin to that of the Great Depression of the 1930s. A combination of low grain prices, declining government support, and increasing corporate control over inputs and distribution has led to the disappearance of roughly 10 per cent of small farms in the United States between 1994 and 1997.

The use and importation of genetically modified foods, both in agriculture and for consumption, is economically and ecologically dangerous.

The current trade model is neither socially nor environmentally sustainable. Unless it is redirected, liberalized trade and investment will continue to work against social and environmental sustainability, worsening our quality of life.

Recommendations Regarding Environmental And Social Sustainability And The FTAA

Trade agreements must promote the goal of ecological security and social sustainability by protecting biodiversity and preserving ecosystems and rural communities.

C.1. Before proceeding with new trade agreements, governments should conduct a comprehensive review and assessment of existing agreements (such as NAFTA, Mercosur, and the WTO) and take effective

steps to change these agreements. Such a review should address the agreements' impacts on marginalized communities, development, democracy, the environment, health, human rights, labour rights, and the rights of women, children, and indigenous peoples. The review must be conducted with the full participation of civil society.

C.2. Governments must establish the primacy of international environmental agreements over trade agreements.

C.3. Governments must recognize that growth and integration need environmental as well as economic justification. The process of recognition would include democratic and transparent decision-making, consideration of alternative proposals, and consultative processes such as referenda on projects and policies.

C.4. In the case of differing environmental standards between the country of origin and the country of operation of a transnational corporation, the most stringent rules should apply.

C.5. Governments must design a plan to gradually internalize the social and environmental costs of production and consumption so as to avoid environmental dumping.

C.6. An ecological debt exists among nations, the result of richer nations occupying an "exaggerated environmental space." Governments must acknowledge this debt by establishing national and regional councils for ecological security. These councils should be funded through a regional mechanism.

C.7. Using the "precautionary principle" (when in doubt over risks, take the most cautious course), governments must establish and enforce treaties to end the international trade of products that harm the environment. Governments must ensure a publicly transparent, autonomous, and accountable assessment process.

C.8. Governments must apply the precautionary principle rather than the "risk assessment" approach (quantifying scientifically proven risks only and weighing them against supposed economic benefits) to trade rules.

C.9. Governments must re-establish their rights to regulate and direct investment and trade so that it benefits rather than harms social and environmental sustainability. Governments must respect the right of

indigenous communities to plan the use of their territories. Governments have an obligation to fairly compensate these communities, in accordance with local and international norms, when these territories are used for development projects. (Please see our paper on *Investment, Finance and Debt* for related recommendations.)

C.10. In any hemispheric trade agreement, governments must protect biodiversity by:

- a) rejecting intellectual property claims over life forms;
- b) recognizing and protecting the collective rights of local communities in species conservation;
- c) recognizing the rights of indigenous and black communities to full autonomy over traditional habitats (as per ILO Convention 169. See Section 4);
- d) guaranteeing the free circulation of knowledge and access to genetic resources; and
- e) promoting joint accords between governments and civil society regarding a country's right to discover, conserve, and have primary use of biological and genetic attributes of plants and animals in the regions where they are found.

C.11. Governments must oppose projects that affect climate change by:

- a) redirecting public and private investment towards clean energy and energy efficiency;
 - a. eliminating subsidies for fossil fuel energy;
 - b. declaring a moratorium on coal, natural gas, and oil exploration in new areas;
 - c. respecting the rights of indigenous communities affected by energy production;
 - d. supporting alternative development models based on respect for traditional knowledge and forms of production; and
 - e. enforcing the use of environmental impact studies.

C.12. Governments must oppose mining projects that cause ecological and social damage by:

- a) ensuring that effected communities have the opportunity to approve such developments in advance;
- b) implementing and enforcing the highest health and safety standards for workers and the highest environmental protection standards for mining;
- c) declaring a moratorium on mining exploration in ecologically sensitive and culturally significant areas;
- d) establishing priorities and incentives in mining aimed at reducing consumption and increasing the efficiency of mineral processing; and
- e) investing in research and development for the management and storage of mining waste.

C.13. In order to ensure both high-quality produce and protection for consumers and the environment, governments must develop, review, and enforce sanitary and phytosanitary regulations through wide consultation with citizens.

C.14. Governments must establish a *gradual* negotiation process, allowing each country to adopt appropriate transitional policies and to identify opportunities and threats faced by different economic sectors.

C.15. Governments must preserve and re-establish their authority to foster diverse natural resource–based economies by promoting locally controlled, value-added processing for forests, fisheries, and all natural resources, and by changing consumption patterns in our societies.

C.16. Trade agreements must promote food security by rebuilding local systems of production and supply in order to encourage self-reliance in agricultural production. To this end, we recommend the following specific measures. Governments must:

- a. establish a program to reduce the use of toxic chemicals in agriculture and to improve the health and safety standards for farmers exposed to such chemicals;
- b. establish incentives for the conservation of soil and natural resources;
- c. re-establish the importance of food security, land reform, and the traditional rights of indigenous people to live off their ancestral lands and ensure that trade agreements will not interfere with these

rights (see also Section 4 regarding the right to food and indigenous people's rights);

- d. strengthen the organization and support of the rural sector and ensure that small farmers are represented in discussions on trade;
- e. ensure public and private support for small-scale farming, family enterprises, and cooperatives engaged in farming and food processing. Ensure support as well for research, skills training, and improvement of food distribution networks;
- f. maintain as government powers certain policy instruments, for example, price margins and tariffs in sectors such as agriculture and textiles;
- g. ensure that testing of new food and drug products is carried out in a publicly transparent, autonomous, and accountable manner; and
- h. eliminate the production and export of genetically altered food.

Issue No. 4:

Corporate Rights Versus Human Rights And Democracy

Renato Ruggiero, the former Director General of the WTO, compares negotiating international investment agreements to "writing a constitution of a single world economy." NAFTA and Mercosur prove the truth of this comparison as they place restrictions on the actions of member governments. In the case of the FTAA, many in the business community would like to see even tighter restrictions on government regulatory powers, while granting further exclusive rights to traders and investors.

As organizations of civil society in the Americas, we insist that any further work on economic agreements for our societies, whether through the WTO or the FTAA, be amply debated in each of our nations in a democratic, participatory manner. We must examine carefully the implications for our peoples. In addition, we believe the FTAA and the WTO must be subordinated to the established human rights framework, as reflected in national constitutions and international agreements.

Over the past 50 years, international conventions and declarations have established increasingly detailed standards and definitions of human rights. These include civil and political rights; economic, social, and

cultural rights; environmental rights; and the rights of peoples and communities.

Now, our governments seem to embrace a new type of international architecture that protects trade and investment rather than human rights. Individualism, competition, and corporate power are replacing the values of solidarity, social justice, and democracy. Nationally elected representatives are abdicating control over important decisions that affect the populations to whom they are accountable. Despite the nearly universal presence of electoral democracy in our countries in the 1990s, we are far-removed from the decisions that affect our lives.

Public participation is key to re-establishing control over our lives and our futures. Yet political exclusion and human rights violations continue to plague our region.

We believe that human rights must take precedence over trade agreements. Before any further liberalization of trade and investment occurs, we insist that our governments review their commitments under national, regional, and international human rights declarations and instruments.

Transnational corporations must recognize their responsibilities to the communities in which they operate. In several cases, corporate budgets are larger than those of governments.

Of particular importance to our region is the San Salvador Protocol, otherwise known as the Additional Protocol on Economic, Social, and Cultural Rights linked to the American Convention on Human Rights. This protocol has been ratified by 10 member states, and needs only one more ratification to enter into force.

With regard to the participation of civil society in the design of the FTAA, the HSA feels that the few initiatives taken to date have been completely unsatisfactory. The creation of a Government Committee on Civil Society following the Fourth Ministerial meeting of the FTAA in San José, Costa Rica, was initially an encouraging step, but it has served only to collect written submissions from civil society groups. The issues raised in these submissions have not been analyzed or debated. Unlike the business lobby, civil society has no serious opportunity to engage our elected representatives. Following the announcement in San José and in the

Summit of the Americas of a "transparent" negotiation process, we insist on an open and participatory debate at the national and regional levels.

Recommendations Regarding The FTAA, Democracy, And Human Rights

Trade must serve human rights, and not vice versa. It is time for our governments to recognize their obligation to defend democracy and human rights ahead of the rights of traders and investors.

D.1. Governments must recognize the primacy of human rights agreements over trade agreements, both in the preamble and in the operative clauses of any hemispheric trade agreement.

D.2. Governments must ensure that:

a) nothing in the proposed hemispheric trade agreement shall supersede international or regional human rights covenants or national human rights legislation;

b) when a state is accused of a human rights violation in the context of a trade agreement's implementation, trade bodies will defer to competent and appropriate human rights bodies to judge transgressions;

c) a review will be undertaken of any proposed trade agreement, with full participation of civil society organizations, to ensure that the provisions are consistent with international human rights agreements (see list below); and

d) all parties have signed and ratified the following covenants, conventions, and declarations:

Covenants

- International Covenant on Civil and Political Rights (1966)
- International Covenant on Economic, Social, and Cultural Rights (1966)

- Additional Protocol on Economic, Social, and Cultural Rights of the American Convention on Human Rights, also known as the San Salvador Protocol (1988)

Conventions

- Core Conventions of the ILO including Conventions 29 and 105 on the Abolition of Forced Labour; Conventions 87 and 98 on the Rights to Freedom of Association and Collective Bargaining; Conventions 111 and 100 on the Prevention of Discrimination on Employment and Equal Pay for Equal Work; Convention 138 on the Minimum Age for Employment (Child Labour); Convention 175 on Part-time Workers; and Convention 177 on Home Work (supplemented by Recommendation 184)
- Other ILO Conventions including Convention 169 on Indigenous and Tribal People; Convention 102 on Social Security; Convention 143 on the Treatment of Migrant Workers; and Conventions 122 and 156 calling for the elimination of discrimination against women
- International Convention on the Elimination of All Forms of Racial Discrimination (1966)
- International Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (1981)
- International Convention against Torture (1984)
- Convention on the Rights of the Child (1989)
 - o International Convention on Protection of the Rights of Migrant Workers and their Families (1990)
- American Convention on Human Rights (1978, regional)

Declarations

- o The Universal Declaration of Human Rights (1948)
- o Declaration on the Right to Development (1986)
- o Draft United Nations Declaration on the Rights of Indigenous People

- Draft American Declaration on the Rights of Indigenous People
- Agenda 21 (1992)
- World Health Declaration (Health for All in the 21st Century) (1998)
- Stockholm Declaration on Cultural Rights (UNESCO) (1998)

D.3 In any hemispheric trade agreement, governments must ensure that the rights of indigenous peoples are recognized; that mechanisms are put in place to eliminate discrimination and oppression; and that structures and process are developed to ensure that indigenous people and representatives of indigenous organizations are included and engaged in the trade debate.

D.4. In any hemispheric trade agreement, governments must ensure that the rights of women are recognized; that mechanisms are put in place to eliminate discrimination and oppression; and that structures and processes are developed to ensure that women and representatives of women's organizations from all levels of society are included and engaged in the trade debate.

D.5. In any hemispheric agreement, governments must include a "human rights and democracy" clause, as in the case of trade agreements of the European Union. However, it should be recognized that this is a necessary but insufficient step for full human rights protection.

D.6. To promote human rights protection in our hemisphere in the context of liberalized trade, governments must revise regional and international human rights instruments to include the right to appeal, as in the case of the Revised Social Charter of the Maastricht Treaty of the European Union, which allows individuals and groups the right to appeal violations of economic, social, and cultural rights.

D.7. To promote the preservation of culture in each of our nations, governments must oppose any effort to treat culture as a commodity.

D.8. Governments must ensure that the processes of developing, adopting, and implementing trade and investment agreements—bilateral or multilateral—that affect the Americas are transparent and accountable. By this, we mean that agreements must be open to public scrutiny and input through meaningful review by our legislative assemblies, congresses, and parliaments, and through broad civil society consultation

at the national and international levels, not only during the negotiation process but also during implementation, monitoring, and review. Representatives of directly affected sectors should have direct access to the negotiating process.

D.9. Governments must ensure adequate resources are available for:

- a) the implementation of international human rights agreements in the less-developed countries of our region (see list in 4.2. above);
- b) the participation of all interested and directly affected parties, communities, and civil society organizations in the design phase of trade agreements and in their implementation, monitoring, and review; and
- c) the preparation of legal challenges to trade decisions that violate human rights agreements by affected groups or by third parties acting on their behalf.

Conclusion:

The Need For A "High Road" Strategy For Hemispheric Integration

Current methods of economic integration and liberalization deepen the historical gaps between rich and poor and foster social exclusion in the Americas, contributing to an unjust society for workers and the majority of the population. These methods endanger our collective future. We must therefore change course. We must repair the internal social debt, for which the elites of our societies bear a special responsibility. We must ensure access to and enjoyment of human rights for everyone, and improve the terms of international trade for southern nations.

We call on our governments to ensure that no further efforts to increase hemispheric trade and economic integration will be undertaken unless and until they clearly enhance the broad Summit goals of democracy, sustainability, and the eradication of poverty. If the proposed FTAA will not further these goals, it should be radically changed or rejected.

Under the guidance of the Summit Implementation Review Group, governments have launched efforts to improve education levels in the region, reduce corruption, work towards sustainable development, and

complete other tasks outlined in the Summit of the Americas Plan of Action. However, these initiatives are threatened by the overriding power of economic trends and trade rules. Our governments must recognize the link between liberalized trade and investment and the limitations in promoting sustainable human development.

Our nations, both in their national development plans and in international commitments, have generally subscribed to the goal of universal social services and equal opportunities for all. While stability and sustainability are characterized by the participation of all members of society in their economy, income distribution has worsened under economic liberalization, despite economic growth. The pie is bigger, but fewer people can eat. The United Nations Development Program states, "the real wealth of a nation is its people." Governments must remember that the purpose of economic integration and the expansion of investment and trade is to improve living standards and the quality of life within and among nations. Without fulfilling this purpose, integration and expansion are of little value.

We call on our governments to reject the "low road" approach, by which we all compete to sell our natural resources and labour power at the lowest possible price. Instead, we believe that our governments have both an opportunity and a duty to take the "high road": building capacity and skills, improving labour standards and living conditions, and respecting and valuing cultural diversity and biodiversity in our hemisphere. Our people demand the construction of a new model of development based on justice, democracy, and freedom. Only in this way can we avoid social exclusion and ensure a sustainable livelihood for all people of the Americas.

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