How the World Bank is restructuring transport and how unions could respond

A paper as part of the ITF/FES project on neo-liberal transport restructuring and trade union alternatives

Brendan Martin
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This paper is a product of the "Neo-liberal transport restructuring and trade union alternatives" project, conducted between 2005 and 2007 by the International Transport Workers’ Federation (ITF), with the support of the Friedrich Ebert Stiftung (FES). The work has been carried by ITF consultant, Brendan Martin, of Public World in London.

The project has produced a range of materials and has contributed to ITF’s education work through involvement in a number of events organised by ITF’s Education Department. It has also offered ad hoc assistance to ITF sections and regions. It has focused in particular on the role of the World Bank in restructuring transport, on the impact of its policies and projects on transport workers, and on building the capacity of ITF affiliates to intervene to protect their members.

Earlier papers and briefings discussed the evolution of the World Bank’s transport-related projects, with particular focus on privatisation and restructuring (2005), and the impact of those projects and World Bank policy on transport workers (2006). Those papers and briefings are available and are being adapted for use in various ways as education and organising materials. In particular, they will adapted for use on a web-based and hard copy body of organising and education resources for affiliates to be produced in a follow-up project, 2008 – 2010, now underway, again with Friedrich Ebert Stiftung (FES) support.

Like earlier products of the project, this paper is guided by but does not represent ITF policy. Rather, it is intended as a contribution to the development of ITF’s policy, research, organising and education work. In particular, the project’s focus for 2007 was on discussing alternative approaches to transport restructuring that could form the basis of engagement with potential allies in other parts of civil society, and that orientation is reflected in the paper.

This paper looks at the World Bank’s transport policies and projects, and their links to its trade facilitation work, and critically discusses the Bank’s claim that they have contributed positively to economic development and poverty reduction. It also discusses how transport workers’ unions are responding, and how lessons might be learnt from their experiences.

Sections 1 and 2 outline the World Bank’s transport and trade policies and its changing transport strategy, while Section 3 challenges its claims for their positive effects, focusing particularly on privatisation. In Sections 4 - 7, the rationale for the Bank’s transport strategy -- that more international trade leads to more economic growth, which leads in turn to less poverty -- is critically examined.

Section 8 discusses trade union experiences of dealing with World Bank transport policies and projects. Section 9 draws together the paper’s argument and outlines an alternative approach to transport restructuring for human development. Finally, Section 10 makes some recommendations about further work to build on the project.
Between 1995 and 2005, the two main agencies of the World Bank -- the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) -- provided loans totalling more than $30 billion for transport projects in middle income and low income countries respectively. Transport projects averaged around 15 per cent of the Bank’s total investments between 1995 and 2005, and at their peak rose to 21 per cent.

This makes transport the largest single industrial recipient of World Bank finance, but to that can be added the contribution of the Bank agency that lends directly to the private sector, the International Finance Corporation (IFC). Since 1990, the IFC has invested in transport projects with a capital value of around £15 billion, and since 1998 the transport sector has been a declared priority.

These interventions have made the World Bank Group the leading international institution influencing change in transport infrastructure and services in developing countries over the past two decades. If you add the Bank’s trade facilitation work, which has also had profound impacts on transport, the total of the Bank’s transport and trade facilitation work accounts for around a quarter of the Bank’s entire portfolio.

It is not an exaggeration in these circumstances to suggest that the World Bank Group has been the predominant international institution responsible for restructuring the global economy over the past two decades, and that its transport and trade facilitation activities have amounted to its major means of doing so. The way in which the international financial and trade institutions as a whole have collaborated with transnational business to reshape the global economy can be seen quite well, therefore, through the prism of the Bank’s transport and trade facilitation activities.

Furthermore, the World Bank’s transport work is expected to expand over the coming years, partly because the Bank’s board and senior management were encouraged by an evaluation of the past decade’s transport projects carried out by the Bank’s Independent Evaluation Group (IEG). (The IEG is a World Bank body, and is independent only in the sense that it is not attached to any particular World Bank department and reports directly to the Bank’s Board.) The IEG report promoted transport as a growth area, for the Bank, and the growth potential is strong because of the international trade infrastructure needs of fast expanding economies such as China’s. There is a strong institutional incentive to lend for large projects in fast-developing middle income countries, because revenue from reliable debt service payments is crucial to the Bank’s own business model.

The IBRD and IDA have restructured transport through various mechanisms, such as “technical assistance” in changing laws and institutions. More directly, policy conditions have been attached to loans for rehabilitation and greenfield development of railways and road transport, ports and aviation infrastructure. These conditions have typically included privatisation in various forms, such as long-term concessions in Latin American and African railways, and introduction of the “landlord model”, whereby the state retains ownership but outsources all the work in ports.

This strategy has been strongly supplemented by the IFC investments, which are mainly to privatised transport companies or businesses whose creation or growth was stimulated by the liberalised environment promoted by World Bank policies. According to the IEG report:

“IFC has helped developing countries improve their transport systems through its investments in private sector companies that provide air, rail, road, and sea transport; port and harbor operations; and other linked services, such as warehousing. Through a process of privatization and/or the award of concession contracts, many of these private companies have assumed responsibility from governments for upgrading, operating, and maintaining a country’s existing transport infrastructure.”
In assuming control, transnational companies and their strategic domestic partners in particular countries have shifted the priorities of transport systems towards international markets. "One of IFC’s roles has been to help improve the transport sector and stimulate export-led growth through trade," states the IEG report. "As a consequence, 92 per cent of IFC investment in transport has been in middle-income countries; of that, 72 per cent has been to trading infrastructure rather than to mainly domestic transport systems." In other words, far from focusing on access for the poorest people in the poorest countries, the IFC’s overwhelming priority is investing to support business interests in global trade.

The World Bank has also contributed greatly to the development of the overall policy context in which the transport projects undertaken by its various agencies have been designed and implemented. It has done this by a variety of means, including "structural adjustment loans", which were conditioned not only privatisation but also on governments adopting policies to liberalise international trade, investment and financial flows.

According to another IEG report, on the Bank’s trade-related work, the Bank spent $38 billion on trade-related projects, such as technical assistance with changes to national laws and institutions, between 1987 and 2004. This represented 8.1 percent of all World Bank loans over that period. Up to 2001, the "typical trade policy reform package supported by the Bank had four main components," states the IEG trade report. Those four components, typical of the neo-liberal package, were:

- **Import-related**: Policies to eliminate or reduce non-tariff barriers, such as quotas, and the level and scope of tariffs, and to make import regulation simpler and more transparent.
- **Export-related**: "Policies related to making imports available for exporting",\(^2\) and reduction of obstacles to, and increase of incentives for, exports.
- **Exchange rate and foreign exchange management**: Movement towards market-determined exchange rates and exchange rate devaluation.
- **Industrial and other supporting policies**: "Pricing reform, investment promotion, competition policy, marketing, privatization, labor markets, and safety nets."

The industrial policies have the most obvious link with the ways in which transport restructuring projects are impacting on transport workers. However, the whole package has had the effect of engineering profound changes in the transport environment, while a central thrust of the Bank’s transport projects themselves has been to restructure infrastructure and services in line with the agenda of promoting international trade.

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\(^2\) "Making imports available for exporting" refers to the activities typical of export processing zones, where imports are not intended for consumption in the importing country – indeed, they do not even enter the importing country’s normal economy -- but for assembly or other value-adding processing.
The 2007 Independent Evaluation Group (IEG) study was the first ever conducted by the Bank into its transport interventions as a whole. (The IEG had previously reported on particular transport sectors or regions.) In general, its verdict was highly positive. “Throughout the past decade, [World Bank] transport projects have played a pivotal role in the support of economic development and poverty alleviation,” it stated.

That evaluation has to be understood, however, in the context of an overarching policy assumption that the more a country trades internationally, the more its economy grows, and the more its economy grows, the more poverty is reduced. This leads the Bank to assume its projects are reducing poverty in a country if they facilitate its international trade, but if either of the logical steps in its reasoning collapses, so does the rationale for its strategy. As we shall see later in this paper, neither step is well founded.

The IEG’s transport report notes ways in which the Bank’s transport projects could have been more successful, and recommends that, in view of the changing international context and other considerations, there should be some changes in emphasis. Referring to the Bank’s plan to finalise and publish a new transport strategy document, the report welcomed the intention to construct the strategy around the three issues expressed in the strategy document’s first draft title, Safe, Clean, Affordable: Transport for Development. It also recommended that there should be more emphasis on:

• environmental issues;
• synergies across transport sectors;
• knowledge sharing and analytical and advisory services;
• continued support to private sector transport provision; and
• governance and corruption issues.

These recommendations presumably go some way to explaining why the Bank’s new transport strategy has been so long in revision. The first draft, published in February 2006, indicated that the final version would be published before the end of that year. It was eventually published in May 2008.

It is impossible to argue, in the abstract, with the intention to make transport in developing countries safer, cleaner and more affordable. However, past experience suggests that the quest for cheaper services will cost the jobs and livelihoods of many transport workers, while undermining their capacity to keep themselves, their passengers and their cargo safe. Although the Bank is increasingly willing to engage with unions about the labour impacts of their projects, there is a continuing tendency to allow the idea of labour as a cost of production to obscure the key role of workers in promoting safety and other aspects of service quality.

It is welcome (although not mentioned in the IEG report) that the World Bank Group, and particularly the IFC, has taken important steps towards ensuring that labour standards are observed. (The IFC has added a section on labour standards to its Performance Standards, while the IBRD and IDA have agreed to apply the same standards to some of their procurement.) Those measures need to go much further; however, and they must be fully extended to workers whose protection has been weakened by casualisation, outsourcing, pseudo-self-employment and other forms of work organisation encouraged by the Bank and by cost-cutting. At present, some key clauses of the IFC’s performance standards explicitly exclude such precariously employed workers.
The Bank has also moved significantly in relation to urban public transport. Its increasing attention to the need for planned and regulated public transport in cities is a significant departure from the liberalization agenda that did so much damage in its previous generation of policies. That the Bank itself might bear some responsibility for the congestion, pollution and other problems associated with growing cities, because promotion of liberalization and public spending cuts undermined public transport in the 1990s, is not so much glossed over as totally ignored in the IEG report. But at least the Bank is learning from those errors, as the IEG shows in acknowledging belatedly:

“Public transport offers clear advantages for reducing congestion and pollution and for increasing safety. But progress has often been disappointing, because private vehicle users rarely pay the true costs they impose on society, thus encouraging urban sprawl. At the same time, decentralized cities with lower population densities and long trip distances increase the cost of providing public transport. The urban poor, usually residing on city peripheries, tend to become marginalized by a lack of accessibility. Meanwhile, the rapid growth of megacities is raising concern about worsening air quality, the adverse effects of which fall disproportionately on the poor.”

However, although this renewed commitment to integrated, regulated urban mass transit is a significant departure from the Bank’s earlier invariable neo-liberal package, the overarching approach that has informed its policies remains. This can be seen in its continuing commitment to privatisation as a goal, which is explored in Section 3, and more fundamentally in the core policy narrative of its transport strategy, which is critiqued in Sections 4 - 7.
In view of its renewed commitment to integrated and regulated urban public transport, the Bank is now supporting the development of several mass transit systems in some cities in developing countries, such as Bogota (Colombia) and Accra (Ghana). While reversing its earlier insistence on liberalization of urban public transport, however, and explicitly recognizing the crucial role of government in planning, regulating and financing it, the Bank remains committed to maximizing privatization of transport services, both in general and within urban transit systems in particular.

Noting that the Bank’s drive for privatization of transport services had been heralded in Infrastructure for Development, the 1994 edition of the Bank’s flagship annual World Development Report (WDR), described by the IEG as “seminal”, the IEG report claims:

“At the broadest level there is little doubt that the WDR was correct in noting that increased involvement of the private sector in transport would improve accountability and efficiency. That claim has proved to be substantially correct in most Bank projects evaluated.” Yet the Bank’s own evaluations of railway privatization acknowledge that the financial burden of investment has tended to return to the state, but without the public accountability that should accompany public spending. Indeed, the Bank’s senior transport advisor Paul Amos, in his preface to all three of the evaluation reports on railway privatization in Africa, Latin America, and Australia and New Zealand, comments that one obstacle faced by the studies was “the marked reduction in publicly available information about the railways involved”.

The IEG report goes on: “Despite a few failures, according to the extensive background paper prepared on this matter, the vast majority of project outcomes worldwide have also been positive. Efficiency and service indicators have typically shown sustained improvement following the introduction of private participation, while many projects have helped establish the regulatory frameworks necessary to safeguard the public from the abuse of monopoly power and to ensure compliance with safety and other issues of public concern.”

The “extensive background paper” cited is based almost entirely on the Bank’s three railway privatization evaluations, and the IEG’s interpretation of those evaluations can be challenged on two grounds: that the conclusions of the three reports fail to correspond well with their own evidence; and that the evidence itself is assembled in accordance with a flawed methodology. (Those issues are explored in Power Without Responsibility, another paper produced as part of this project during 2007, which critically examines the Bank’s evaluation of its railway privatization policies.)

In challenging the Bank’s continuing faith in privatization, the present paper does not claim that there is no role for the private sector in public transport provision, nor that it necessarily performs less well than the public sector. However, the goal of privately delivered services suggests a continuing bias that might well disadvantage public sector options even when they are preferable. In addition, since the Bank has now returned to acceptance of the state’s planning and
co-ordinating roles, it is in effect asking governments to network independent profit-seeking providers to deliver publicly determined objectives. That is not necessarily impossible, but it makes great demands on the governance institutions concerned, and is not easily combined with involvement of communities in determining their transport needs and how to meet them.

The Bank is, in principle, committed to more public participation in designing services as well as more private participation in delivering them, but does not appear to have thought through how to combine those aspirations. While some forms of private participation are certainly compatible with socially participatory governance, a market-led model is unlikely to be. This is because private service providers give priority to profitable services over those that, while economically and socially useful, cannot profitably meet the needs of poor people. Running public services through private providers also tends to transfer power to the latter, even in a regulated environment, while downward pressure on costs is also likely to be incompatible with improving safety -- another World Bank priority, in principle -- in such an environment.

To be sure, publicly provided public transport systems the world over have displayed plenty of failings, and the answer to the problems associated with privatization is certainly not to place as much faith in government as the Bank does in business. But as long as evidence and its interpretation remain victims of far from impartial interests, societies will be unable to collectively produce the imaginative solutions that the challenge of safe, clean and affordable transport demands. The way to mediate between interests, while mobilizing the knowledge of all members of society to enable their diverse needs to be met equitably and sustainably, is to ensure that well-functioning democratic institutions perform that role. The involvement of workers in their own workplace management, and of their unions in wider planning and delivery of transport, are key elements of such mature democratic governance.
The World Bank’s policies on transport and trade

The bias in favour of privatization persists in the World Bank’s policies because of its unwillingness to reappraise its ideological framework, a problem that appears certain to be carried forward into the Bank’s updated transport strategy when it is eventually published.

The new strategy is being drafted in the Bank’s transport department, which is now part of the newly established Sustainable Development vice-presidency, which unites the Bank’s infrastructure practitioners with its environment and social development specialists. Although the Bank’s internal restructuring was supposed to mainstream the work of its social and environmental departments, it appeared at the Bank’s Transport Forum in March 2007 that social and environmental concerns will remain subordinate to the central narrative of Bank policy.

To the extent that social and environment specialists influence the design of rural transport and urban mass transit projects, where their respective influence appears most likely to be found in the Bank’s transport work, welcome improvements to both are likely. But it is in the core area of re-engineering transport infrastructure to suit an unsustainable approach to economic development that the most social and environmental damage is being done. In this context, it is significant that the Bank’s new transport sector manager, Marc Juhel, is a ports and logistics specialist.

In the IEG transport report, this problem manifests itself in continuing assumptions about the positive linkages between international trade, economic growth and poverty reduction. Since 2001, when the Bank revamped its approach to trade-related projects, those assumptions have informed the Bank’s transport work even more consistently than they did in the more overtly ideological days of structural adjustment programmes. Indeed, much of the Bank’s transport work is now done through “transport and trade facilitation” projects that seek to systematically restructure all transport modes in the country or locality concerned to deliver the requirements of cheap, fast, just-in-time global supply chains.

Much of that work involves increasing the rules-based transparency, reliability and speed of customs procedures, and combating corruption at borders, all of which are obviously welcome. However, much also impacts on transport services in ways that favour large-scale international freight movements. The experience of railway privatization is revealing in that regard (see Power without Responsibility).

The IEG transport report states: “Multimodal projects aimed at removing internal as well as cross-border trade barriers can significantly reduce freight costs. They can help improve the affordability of consumer goods and raw materials for the productive sectors. Linked to this, more projects of a logistical nature involving rail and container terminals should be anticipated. The relevance and impact of multimodal approaches is likely to increase.”
The Bank argues that poor people pay the price for international trade logistics costs that are higher than they need to be. The IEG report points out, for example, that in Africa 11.5 per cent of the total value of imports and 20 per cent or more of export costs are directly related to transport, whereas the equivalent figures elsewhere are much lower. The Bank is clearly correct to state that this weakens the terms of trade of African countries, and deficiencies in the scope, quality and efficiency of transport services also impact negatively on the ability of small producers to get their products to local market in timely and affordable ways. In addition, poor transport makes it harder and more costly for rural and peri-urban dwellers to gain and keep employment and to access public services.

However, it does not follow that the answer is to re-engineer transport infrastructure and services primarily to boost the capacity and lower the costs of external trade. The IEG report itself admits that "the effects of transport on poverty reduction are not well understood," and that the "linkages are frequently hard to measure". If that is true in general, it is all the more true when transport policies are predicated on the even more problematic linkages between external trade, growth and poverty alleviation.

As the Bank’s 2000-1 World Development Report on Poverty put it: ‘Overall economic growth is crucial for generating opportunity. So is the pattern or quality of growth. Market reforms can be central in expanding opportunities for poor people, but reforms need to reflect local institutional and structural conditions. And mechanisms need to be in place to create new opportunities and compensate the potential losers in transitions.’ (Our emphasis.)

Yet even when the Bank’s international trade-related transport interventions do "expand opportunities for poor people", for example by enabling employment in manufacturing associated with ports restructuring, they do not necessarily contribute to poverty reduction or even to growth. This is illustrated clearly through an examination of the relationship between the growth of free trade zones (FTZs) or export processing zones (EPZs) and the restructuring of ports, which is the subject of the following section.
The World Bank advocates port reform to improve efficiency, reduce costs and provide better and more competitive services to port users, and has produced a Port Reform Toolkit telling governments how to do it. Like the Bank’s overall transport strategy, it is based on an assumption that expanding international trade holds the key to economic growth and poverty reduction. The benefits of port reform are outlined according to four main groups who can be seen to benefit: governments; transport and terminal operators; shippers, exporters and importers; and consumers.

For port workers, however, the approach advocated in the toolkit has brought large-scale job losses and casualisation, as recent resistance to those outcomes by Nigerian dockers has highlighted. Indeed, in its 2007 Karachi port project, the Bank has actively promoted and proposed to fund casualisation of dock labour by proposing and offering to finance the dismantling of Pakistan’s National Dock Labour Board (NDLB). The project information document also promises to facilitate the re-entry of retrenched dockers into other parts of the labour market, either formally or informally employed, and the Bank assumes that such jobs will be created as a consequence of the port’s restructuring and related developments.

The Bank certainly made that assumption in Egypt, where its ports restructuring project promised that job losses at privatised ports would be offset by job creation in the "port hinterlands". The Egypt ports project information document stated: "In many instances, inefficiencies at Egyptian ports contribute to higher logistics costs, lessen the competitiveness of trade, and may increase the cost of imported goods. Overstaffing is a general issue, which is exacerbated by a lack of flexibility in terms of staff management and wage levels."

It added: "The Bank is well positioned to support the Government’s development objectives for the port sector, especially given its global experience in institutional reforms, in-depth knowledge of restructuring and modernizing port operations, practice of private sector participation in infrastructure, thorough understanding of trade facilitation and logistics, and general experience in financing large and complex transport infrastructure projects. In an effort to improve efficiency at its ports, the Government has formally requested Bank support to fully implement the Landlord Model for managing and operating ports."

Among the success indicators proposed for the Egyptian ports project was the level of creation of jobs in the ports’ “hinterlands”. However, the Bank does not appear to have developed a relevant evaluation methodology, and the quality of the “hinterlands” jobs to be created by ports restructuring in Egypt must be a matter of concern if the experience of Honduras is a guide. The various elements in the Bank’s policy approach could be seen in the rationale for the World Bank’s Honduran Trade Facilitation and Productivity Enhancement Project, which was specifically designed to facilitate the country’s maquila industry.

The Honduras port reform was promoted explicitly to provide the transport services necessary to move freight from manufacturing FTZs, while, in general, the FTZs themselves are being developed in port hinterlands in order to create a critical mass of business for the port. These business synergies are being further developed through the establishment of logistics FTZs, sometimes within ports.

Honduras established its first maquila in the hinterland of its major port, Puerto Cortés, in 1977. The whole country has now been declared a free zone. There are over 130,000 workers in maquilas in Honduras, more than in any other Central American country. Included in the Bank’s Honduras Trade Facilitation and Productivity Enhancement Project were plans:

a) to integrate the transportation system in order to better meet the needs of the private sector;

b) to give support to an existing economic and
financial technical assistance loan project working on the privatisation of Puerto Cortés port;
c) to deregulate the labour market with an aim of reducing labour costs and improving labour productivity in the country in general;
d) to give direct support to the maquilas sector.

The central aim of the project was to facilitate trade, with a particular emphasis on "sectors with high comparative advantages", which include the maquila sector because the relatively low cost of labour there is seen as such an advantage. ³

One consequence – indeed, an objective -- of the privatisation of the port outlined in the project information document was the retrenchment of port workers. In reconciling such job losses with its overall declared mission of poverty reduction, the World Bank claims that they are offset by employment creation in the maquila sector. It is a dubious argument in any circumstances, particularly in the absence of detailed studies of winners and losers. It is particularly dubious to suggest that the elimination of good jobs in ports is justified by the creation of precarious employment in special zones in their hinterlands.

Accounts of the quality of such jobs, and of the treatment of workers in them, make shocking reading. According to more than one account, the situation of workers in Honduran maquilas is one of very long hours for very low pay, denial of basic rights, constant fear of dismissal and various kinds of abuse. In a recent report it was alleged that workers in an Alcoa factory in an Honduras FTZ, producing harnesses for cars, are paid so little they have to rely on charity to survive. Alcoa is a $30 billion transnational company, in the top hundred of the Fortune 500. Yet at its Honduras plant, real wages had fallen 13 per cent in three years and workers were paid only 74 cents an hour; which, according to the National Labor Committee (NLC - a United States non-governmental organisation), covers 37 per cent of a small family’s basic survival needs.

"At Alcoa, it is not uncommon for workers to have to urinate, or even defecate, in their clothing after repeatedly being denied permission to use the bathroom," the NLC report claims. "The bathrooms are also dirty, lacking lights and toilet paper. Workers who take 'too long' may be pulled from the toilet by guards. There have even been cases of women being made to disrobe and lower their underpants to prove they were having their period so they could use the bathroom more than twice a day.

"Workers arriving 15 minutes late can be punished with the loss of two-and-a-half or three days' wages. With as little as ten minutes notice, workers on the night shift can be ordered to remain working for another six hours, keeping them at the factory from 4.15 pm to 6.00 am -- nearly 14 hours."

In June of this year, Alcoa workers formed a union and elected leaders. Within three days one of the leaders had been fired and claimed to have received veiled death threats. (Death threats against trade union leaders are frequent in some central American countries and deserve to be taken seriously. In January 2007, Guatemalan dockers’ union leader Pedro Zamora was brutally assassinated during a campaign by his union against privatisation of their port.) By December, those who organised the union remained locked out. When workers at a T-shirt factory in the same FTZ took action to try to force their employer to recognise their union, the whole FTZ was surrounded by armed police.

The Honduras case may be an extreme one, but it is far from unique. Many FTZs yield accounts of disgusting terms and conditions of work, while the World Bank systematically promotes enclave industrial development as part of its ports and logistics projects. So the idea that this is an acceptable strategy for "working for a world free of poverty" -- as the Bank declares its mission -- must be challenged. There are serious question marks too over its capacity to stimulate growth in the economy as a whole, as the following section explores.

The United Nations Conference on Trade and

³ The term "comparative advantage" is used in economics to justify specialisation in those productive activities in which a country or locality has relatively cost-effective endowments, including labour
Development (UNCTAD) could have been referring to the Alcoa production facilities in Honduras, which we described in the previous section, when it pointed out that much of the increased foreign direct investment that has taken place in recent years "was designed to relocate manufacturing production to low-cost countries for export back to the home countries of the TNCs [transnational corporations] or third markets". Illustrating how increased trade of that kind does not necessarily lead to economic growth or poverty reduction, the UNCTAD report added:

"The favoured sectors, such as clothing and electronics, included some of the most dynamic parts of the trading system. High income elasticities, product innovation and changing consumption patterns all contributed to that dynamism. But even when the final product was classified as high-tech, many developing countries were only involved in low-skill assembly activities using imported capital and intermediate goods and where their contribution to value added was determined by the cost of the least scarce and weakest factor; namely unskilled labour:

"Such participation in the labour-intensive segment of international production networks can help countries to increase employment and per capita income even when value added generated is low. However, backward and forward linkages to the rest of the economy tend to be weak, and because the final markets for these goods are dominated by oligopolistic firms usually competing on the basis of quality, design, marketing, branding and product differentiation, significant barriers to entry into the high-skill and technology parts of the production chain not only skew the distribution of gains from trade, they can make upgrading particularly difficult."

UNCTAD notes that the "main difference" between the East Asian newly-industrialising economies and "most other developing countries" was that, in the former, "liberalization followed the successful implementation of industrial and trade policies", with "protection and support" later "removed in large part once they were no longer needed". It added:

"The experiences of the 1990s – and from economic history more generally – show that trade liberalization and global economic integration are greatly facilitated by expansion of economic activity and employment and by improvements in living standards. Similarly, sustainable, long-term capital flows, particularly greenfield FDI [foreign direct investment], are primarily attracted to countries that have already achieved rapid economic growth and steady improvements in human and physical infrastructure. Thus, for those with a robust investment dynamic in both physical and human capital, trade and FDI can reinforce an established virtuous growth circle. Where this is not the case, those same forces are just as likely to lead to marginalization and/or enclave type development."

(Our emphasis).

The logic of that critique is that the Bank’s interventions should enable countries and localities to develop the capacity to pursue economic development and employment creation at national and local levels, and on that basis build the capacity to engage competitively in global trade. In that way, countries would be able to integrate strategically into international markets, rather than doing so prematurely and hindering the development of sustainable economic growth and employment creation. Yet the Bank’s trade-related transport interventions are based on the assumption that facilitating international trade will in itself enable growth, employment creation and poverty reduction. It is not only UNCTAD that challenges those
assumptions. For example, the World Commission on the Social Dimension of Globalisation, assembled by the International Labour Organisation (ILO), referred to a set of ILO studies on the impact of trade on employment and wages in the manufacturing sector, and noted “sharply contrasting impacts among countries”, adding: “In the three Asian emerging economies studied, trade growth had a generally favourable effect on employment and wages in manufacturing. In contrast, in Latin American countries such as Brazil and Mexico, employment in manufacturing has either not risen appreciably or has fallen. Real wages of unskilled workers have tended to decline and the wage differential between skilled and unskilled workers has increased relatively sharply.”

It went on to cite the work of Frasisco Rodriguez and Dani Rodrik in noting that “these and similar studies suggest that the relationship between trade liberalization and growth and employment is likely to be a contingent one, dependent on a host of country and external characteristics. Differences in country circumstances (such as the level of income or whether a country has comparative advantage in primary commodities or manufacturing) are likely to warrant different strategies of trade liberalization. There is thus no simple universally valid prescription on the best approach to trade liberalization.” The World Bank might object that, even if it ever did pursue a "one-size-fits-all" policy approach, it has long since ceased to do so. Yet in Africa, the continent where the conditions cited by UNCTAD as being necessary preconditions for international trade to contribute positively to poverty reduction are most absent, the IEG report admits that "relatively few outcome objectives were directly focused on poverty reduction" in the Bank’s transport projects. Rather it is assumed that "the poor benefited through improved accessibility and the opening up or markets".
If UNCTAD’s focus is on trade’s contribution to development, broader views of the kind of development that should be enabled by institutions such as the World Bank suggest still greater gaps between what is required and what is being done. For example, noting that “liberalizing trade does not ensure human development, and expanding trade does not always have a positive or neutral effect on human development,” a United Nations Development Programme (UNDP) paper has argued: “Trade expansion neither guarantees immediate economic growth nor longer-run economic or human development. Internal and external institutional and social pre-conditions largely determine whether and to what extent a country or population group benefits from trade.”

Two points are particularly significant there: the point that external as well as internal institutional pre-conditions are critical; and the distinction made between a “country” and a “population group”. The first is important because the international framework established by institutions such as the World Bank set the parameters for national and local policy making in a globalised environment: the more institutional, economic and indeed (particularly in the transport context) physical restructuring is driven by one agenda, the more problematic becomes the adoption and pursuit of other agendas. The second point is a reminder that, even if some people in a country might benefit greatly from any particular policy, the costs borne by others, as well as growing inequalities, can leave most people worse off even as statistical averages suggest positive results.

The Bank’s attachment to the orthodox economist’s definition of “welfare”, which disregards inequality by presenting large gains for the rich as a positive outcome provided their total exceeds the volume of small losses for the poor, can distort its perceptions. As the UNDP points out: “Trade can generate significant static welfare gains by increasing allocative efficiency, raising capacity use, achieving scale economies in production and making a wider variety of products available for consumption. But none of these benefits are guaranteed, and trade can impose hefty adjustment costs for certain segments of the population and, in some cases, for the economy as a whole. Trade also has dynamic effects, but it is less clear how trade affects economic growth and growth then affects human development.” It goes on:

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Even to the extent that general growth does contribute to poverty reduction, it does so very inefficiently. A New Economics Foundation (nef) study found: "Between 1990 and 2001, for every $100 worth of growth in the world's per person income, just $0.60 found its target and contributed to reducing poverty below the $1-a-day line. As a result, to achieve a single dollar of poverty reduction, $166 of extra global production and consumption is needed, with enormous environmental impacts which counterproductively hurt the poorest most."
The nef report concluded: "We need to move decisively away from the inefficiency of relying on global growth for poverty reduction, towards a system in which policies are designed explicitly and directly to achieve our social and environmental objectives, treating growth as a by-product." Its authors point out, however, that if present policies and the overarching ideological domination of neo-liberalism that informs them continue, "the survival of the orthodox world view of economics and the current imbalance in power will be self-fulfilling prophecies."

That point is an absolutely crucial one in the transport context, because of the physical as well as institutional impact of restructuring transport in accordance with neo-liberal assumptions about trade, growth and poverty. The more those parts of transport infrastructure that benefit large-scale international freight movements benefit from investment, while those that serve small-scale production for local markets are allowed to deteriorate and collapse, the less viable alternative development agendas will become.

The World Bank’s evaluations of railway privatisation have themselves revealed this tendency. They found that privatised railways, in some cases taken over by consortia led by export-oriented shippers of primary minerals and agricultural produce, favour those interests and disadvantage others in their investment decisions. The Latin American evaluation found, for example:

"Concessioning to the private sector has resulted in a narrowing of focus of railway investment. Whereas Latin America’s public sector railways invested in marginal or money-losing services, private sector operators focused on profits have naturally put their money into infrastructure and equipment that generate positive returns, such as bulk transport and high volume container movements."

"Money-losing intercity passenger traffic has all but disappeared under concessioning, with such services that have continued operated in old equipment with minimal upgrading. Small volume domestic freight movements also appear to have received less attention, just as they have been de-emphasized in private sector operations in the US and elsewhere."

Yet the IEG transport report presents that dynamic as though the World Bank is merely responding to structural changes in the world economy, rather than also being an agency responsible for driving those changes. "Globalization, and especially international trade liberalization, has greatly stimulated investment in the transport sector," it states. "Accompanying this growth has been a commensurate increase in the demand for transport infrastructure and services."

"Global competition has intensified the need for efficiency in transport and logistics systems in the delivery chain, from the point of manufacture to delivery to the customer. The challenge for transport providers is to meet future capacity needs and further develop technology to achieve greater efficiency and lower costs."

The World Bank obviously has access to the material cited earlier that would challenge the underlying assumptions driving its transport restructuring policies, although it has an institutional "not-invented-here" tendency to take much more seriously its own research and reports than those of outsiders. Yet it appears to ignore even research it has commissioned itself if it challenges the basic policy orientation that guides the Bank’s work. For example, neither the IEG report nor the first draft of the Bank’s transport strategy update made any reference to a report called Poverty and Transport, which was commissioned by the Bank from the Overseas Development Institute (ODI) in London and published in 2000.
The ODI report notes that "the relevance of transport to poverty reduction is facilitated by the use of the sustainable livelihoods framework". It explains that this has "several advantages over the conventional neo-classical microeconomic approach to the household", in that it "recognises that poor households derive their standard of living from a multitude of activities" and "that not all of these activities are marketed".

It adds: "For example, social travel -- often assumed to be a non-productive use of time -- may have the intention or effect of building up social capital. Research suggests that trips made by the poor are typically multi-purpose activities, and the reason may be that social trips build up financial capital and vice versa." It goes on to refer to the social benefits of Tanzania's passenger railway services in this regard, and argues:

"Whether interventions in transport result in improvements in livelihoods or not is conditional it depends on the broader structural and institutional context and the asset endowments of the people in question. The sustainable livelihoods framework generates no general conclusions in this regard. What it does provide is a valuable menu of questions to be asked in every case."

If the World Bank is asking the wrong questions it is hardly surprising if it is coming up with the wrong answers. Certainly, as its change of policy in relation to urban public transport shows, it is learning from experience about how to correct some of the undesirable environmental and social effects of transport policies guided by a neo-liberal view of economic and social development. What it is not yet doing is making a fundamental reappraisal of the extent to which its transport, trade facilitation and other policies are contributing causes of those effects.
Trade union responses to transport restructuring

Just as the national and local development options of World Bank client countries can be constrained by international institutional policies and their effects, the coping strategies of social groups and their organisations are similarly confined within parameters beyond their control. This can be illustrated by reference to the contrasting experiences of railway workers’ unions in dealing with the effects of World Bank railway restructuring policies in Africa.

The Uganda Railway Workers’ Union refused to accept privatisation until a deal about how its members would be treated had been not only agreed but implemented. The union took legal action and organised a two week strike to force the government and Rift Valley Railway, which took over the privatised railways in Uganda and Kenya, to take seriously their demands about severance terms and pensions arrangements. The result was that the concession award was delayed until all 2,000 Ugandan railway workers had been retrenched with severance pay of three months for each completed year of service. The unions also secured a pension plan for the 650 retrenched workers rehired by Rift Valley Railway.

That was hardly an ideal outcome, but much better than has so far been achieved in Kenya, where the railway workers’ union took a less oppositional stance only to be disappointed by the responses of its government and Rift Valley. Both experiences contrast further with that of the railway unions in Ghana, where rail privatisation has not taken place, partly because of opposition by unions fearful that it would bring retrenchments on the scale experienced elsewhere.

When privatisation was mooted, in the 1990s, the Ghanaian unions organised well to research and promote alternative approaches to restructuring, including public investment to rehabilitate neglected assets and enable the railway to perform a positive role in economic and social development more effectively. Although they succeeded in dissuading the government from going ahead with privatisation, however; they have been less successful in securing public investment. Successive governments have declined to make funds available, while the World Bank and other international financial institutions have conditioned their assistance, not only in Ghana but also in general, on privatisation.

The resulting neglect has had predictable effects: steady deterioration of the railway, to the point of collapse in some parts. The effects of under-investment appear to have been exacerbated by patchy management quality, and compounded by the resulting widespread demoralisation among the workforce. At a workshop run by the International Transport Workers’ Federation (ITF) and the Friedrich Ebert Stiftung (FES) in Accra in 2006, Ghanaian railway workers spoke of:

- closure of whole sections of track;
- lack of flags, signal lamps, detonators and torches required for safe and effective track maintenance;
- lack of fire extinguishers in trains and workshops, and disbandment of the railway fire brigade;
- lack of protective clothing;
- withdrawal of medical staff and clinics;
- loss of rest time and increased workload;
- absence of water or lighting in workers’ accommodations;
- lack of in-service training.
Those problems produce real dangers to railway workers and others. For example, train drivers reported that they are sometimes on duty for as long as 20 hours at a time, often because delays caused by a faulty signal or point lead to a journey taking double its scheduled time. One train driver said: “Sometimes you reach a place where a point is not working. Sometimes because of inadequate maintenance, you see weedy track. Drivers have to get down and fix the line themselves, and weed the track. Sometimes you find joints that have dropped, which is very dangerous because it can cause a train to break in two. You have to go back and fix and recouple the train.”

Although the Ghana railway has not experienced job losses on the sudden scale associated with privatisation in Uganda and Kenya, its workforce has been cut by around half since the early 1990s. The union is fearful about the future, since continued lack of investment clearly threatens the 3,000 or so workers who remain. The government insists that private participation is the only answer, and the union is more amenable to accepting that now than it was in the past because it appears to be the only option that will attract investment.

Yet the experience in the rest of Africa, as well as in Latin America, shows that privatisation tends to arrest decline only in potentially profitable parts of railways, while accelerating it in others. Indeed, the World Bank’s own evaluation of railway privatisation in Africa acknowledges that privatisation has no more revived railway networks than the neglect in Ghana has done. In addition, the report shows that even those investments that have been made have been financed by international institutions, and that the railways are no less reliant on public subsidy now than they were before the concessions began.
What is clear in all three African countries mentioned in the previous section is that the railway unions were unable to transcend the effects of decisions made at government level in the context of international institutional policies. That is neither surprising nor new. Africa’s railways were built for the benefit of colonial businesses that extracted the continent’s mineral deposits and other natural assets and shipped them out as cheaply as possible. Privatisation is serving the 21st century’s representatives of the same interests, and the World Bank, run by its rich shareholder countries, justifies its support for those interests through its trade-growth-poverty reduction rationale.

African railway unions, like those in Latin America and elsewhere, have each adopted their own strategic responses to their predicaments. As we have seen in the examples cited in section 8, however, none has avoided large-scale job losses and associated labour restructuring, such as increased contracting-out. The 85,000 job losses directly resulting from railway privatisation in Argentina alone illustrate the scale of the devastation.

The primary responsibility of trades unions is to protect and promote the interests of their members as effectively as possible in whatever circumstances they face, but to become an effective force in reshaping those circumstances requires political action based on broader social alliances. It also requires the development of policies capable of uniting social forces and offering a development path that puts first the needs of those with least access to wealth and power.

If the World Bank’s strategic approach to transport restructuring can be characterised as a top-down one, based on assumptions that what is good for transnational business will eventually benefit the poorest, what is required is a bottom-up strategy that identifies and responds to local economic and social need directly. As we have seen, the “trickle-down” approach produces a trickle at best, and in ways that are both inefficient and unsustainable. It tends to widen inequalities and produce environmental effects that hit the poorest hardest.

An alternative would involve development of infrastructure and services suited to the promotion of sustainable livelihoods for all. With a goal of gender equality at its core, such a strategy would seek to empower the people whose endeavours to escape poverty require expansion of appropriately designed transport infrastructure and services. That empowerment should find expression both in the way in which policies are reached and in their effects.

That is why democratic accountability is so important, and why transport policy -- so often isolated in its own silo -- should be integrated into national and local policies guiding industrial, agricultural and public service development. Such a development framework would include measures to encourage micro, small and medium-sized enterprise for industrial and agricultural production suited to the growth of local as well as national and global markets. It would also require -- as would any equitable development model that learns from the experience of those developed countries that combine abundant private wealth with collective welfare -- the provision of quality public services, such as education and health care, for all.

The development of transport infrastructure and services to serve those diverse needs would require plenty of investment, and in the poorest countries especially would benefit from and probably require international institutional assistance, including finance. But that is what the World Bank and regional development banks are for, or what they should be for. They have the money, and there is no reason why a development model such as that outlined above should not be compatible with their own financial sustainability, provided rich country governments accept their international responsibilities rather than continuing to exploit and consolidate their advantages.
The need to promote and accomplish policy changes from governments places a burden of responsibility on unions in the rich countries to give sufficient priority to understanding and promoting progressive development policies, well beyond the rhetoric of "making poverty history". International labour solidarity could be transformed if global unions became far more influential players in influencing the course of economic development, as well as responding to its effects.

Fortunately for transport unions, transport solutions based on a development model of the kind outlined above are likely to have employment creative effects because they would require greatly expanded transport services. A range of interconnected transport modes, some of which are highly labour intensive, are required to meet economic and social need.

The neo-liberal approach has skewed investment towards capital-intensive solutions to the needs of export-oriented container and bulk shippers for fast, cheap, reliable and multi-modal freight movements. Such facilities are here to stay, and provide good jobs for some of their workers (though not all -- insecurity and poor pay and conditions is the experience of many). Expansion of more labour-intensive solutions to the needs of smaller scale, more local freight and passenger services could provide many more.

Many such jobs will be quite different from those that are being lost, of course, which underlines the necessity for transport workers’ unions to be consulted fully about restructuring and for change to be negotiated. But the nature of work organisation in transport is changing greatly in any case. In addition to transport workers who have always been outside formal employment relationships, the ranks of the precariously employed are swelling daily because of the increasing use of outsourcing, pseudo-self-employment, casualisation and so on. Finding ways to organise informally and precariously employed workers in unions, or to forge links with their existing organisations, is perhaps the major challenge facing unions in developing countries today.

Efforts to extend labour organisation beyond the ranks of the formally employed, and to build campaigning alliances with other parts of civil society, are not alternatives to the core mission of unions. Those challenges do not replace the need of unions to represent their members and to protect and promote their rights and interests in workplaces. But neither are they, any longer, optional extras, and the more unions work with others to reshape the environment in which they bargain for their members, the more favourable that environment is likely to become.

Unions cannot prevent transport restructuring, but they can build alliances to influence what kind of restructuring takes place. They cannot consent to loss of their members’ employment rights but they can organise transport workers regardless of their legal status. They cannot evade the implications for their members of structural change in transport, but they can insist that change is subject to consultation and negotiation. The experience of neo-liberal transport restructuring suggests that success depends on rising to all those challenges, and on building the capacity to do so. It will not be easy, but the consequences of not doing so will be much, much harder.
Based on the conclusions outlined in the previous section, this report concludes with recommendations for the development of three strategic areas of work that have been suggested by the project and would build upon its work.

**Recommendation 1: Toolkit development and education projects**

This would involve development of:

- web-based and hard copy materials containing information and guidance for unions about transport restructuring, the effects on transport workers, the experiences of unions in dealing with it, and how to intervene effectively in projects financed by such institutions as the World Bank.
- education work using the toolkit materials and to train unions in how to use them.

This has already begun, with preparation of materials on railway restructuring already completed and a three-year project to develop this “toolkit” and train its users underway, with the support of Friedrich Ebert Stiftung (FES).

**Recommendation 2: Organising Handbook on Precarious Work in Transport**

This would involve production of a web-based and hard copy handbook in two parts:

**Part 1: Exploring the problems**

- Introduction
- Typology of forms of work relationship
- International institutional and legal framework, including:
  - focus on relevant ILO instruments
  - examples of national law
- Forms of work relationship in transport sectors
- Evidence about the scope, scale and examples of each form in transport
- Issues relating to women, migrating workers and other specific groups
- Forms of organisation of precarious transport workers
- Relationships between organisations of precarious workers and existing transport workers’ unions

**Part 2: Organising the solutions**

- Organising precarious workers: political and practical rationale
- Organising objectives for transport workers’ unions
- Issues and challenges in organising precarious workers
- Services required by precarious workers, and union roles in enabling access to them
- Lessons of experience (not only in transport), including successful strategies
- Joint strategies with unions in other sectors for political, institutional and legal change
- Developing a strategy and priorities for organising at:
  - national political level
  - industry level
  - company level
- “How to” guide on specific organising issues
- Resource list

This too is underway, and the handbook is scheduled for completion early in 2009.

**Recommendation 3: Building a global alliance for sustainable transport development**

Surprisingly little work is being done by international non-governmental organisations and civil society organisations worldwide about the transport requirements of a human rights-based approach to economic and social development. The ITF is well placed to reach out to other civil society organisations with a view to building an alliance to promote an alternative approach to sustainable transport development. It could develop a research programme, advocacy work and practical tools for developing transport infrastructure and services in accordance with the human development approach outlined earlier in this paper.

Further work is required to flesh out this proposal and to identify potential partners.

ibid., p.147.


ibid., p.150.


The document can be downloaded at http://go.worldbank.org/PHTS7I5C20


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