



TWELFTH ITEM ON THE AGENDA

## **Report of the Working Party on the Social Dimension of Globalization**

### **Oral Report by the Chairperson of the Working Party, Ambassador Jean-Jacques Elmiger of Switzerland <sup>1</sup>**

1. The Chair of the Governing Body, Mr. Tou, Minister of Employment, Labour and Social Security of Burkina Faso, opened the meeting informing delegates that Ambassador Amorim had been appointed to be Ambassador of Brazil in London and was therefore unable to continue as Chair of the Working Party. The Working Party would no doubt wish him to convey their appreciation of Ambassador Amorim's work to him and congratulate him on his new position. He had undertaken consultations with members of the Working Party and was able to propose that I be invited to take over the Chair. He pointed out that a number of delegations had requested that in the future the appointment of the Chair of the Working Group be based on a system of rotation. The Director-General had agreed to consult further and make a proposal on this to the Governing Body in March 2002. Commenting on this matter, Lord Brett urged that the principle of rotation not be limited to governments. On taking the Chair, I reminded the Working Party that there was a full agenda with papers on "Enhancing the action of the Working Party on the Social Dimension of Globalization: Next steps; trade liberalization and employment; and developments in other organizations".

### **Enhancing the action of the Working Party on the Social Dimension of Globalization: Next steps**

2. In introducing the first document, <sup>2</sup> the Director-General recalled that the discussions held in June 2001 had placed the Organization in a good position to address the social

<sup>1</sup> The record of the discussion which took place on the occasion of the presentation of the report will appear in the Minutes of the 282nd Session of the Governing Body, which will be submitted to the 283rd Session.

<sup>2</sup> [GB.282/WP/SDG/1](#).

dimension of globalization in a more comprehensive way and that broad agreement had been reached on the preparation of a major authoritative report. The paper under discussion, a product of extensive consultation, considered how whether a world commission could be an effective way of delivering this report. It proposed a commission made up of persons with a very high level of knowledge and experience, appointed in their individual capacity. It would be balanced in its regional representation and in its gender composition, include tripartite representation and reflect different perspectives on globalization. The Director-General stressed that he would consult widely in order to ensure that these objectives were met. He proposed that the Officers of the Governing Body would be ex officio members of the commission. The Director-General stressed that the commission must address the key concerns of the constituents – in particular the development issues which arise in discussions on globalization. In outlining a timeline for the work of the commission, he said it would be created in early 2002 and be expected to complete its work in one year with the submission of a report for discussion by the Working Party in March 2003. The Director-General would take account of both the commission's report and also the discussions in the Working Party in putting together his Report to the Conference in 2003. Any consequences for the ILO would be drawn from his Report to the Conference in 2003. The Office also hoped to receive support and technical inputs from other organizations, some of which had already signalled their willingness to contribute. Other practical details, including Office support and financial considerations, were outlined in the document.

3. The Employers' group shared the wish to move forward, particularly in light of recent developments in the world that had placed a certain accent on the work of the Working Party and its need to provide substantive answers. On the idea of a world commission, the group recalled that it had stated in June that it would be difficult to agree in abstract to the idea of a commission. Indeed it had highlighted the principles of transparency and the need to involve the constituents in the preparation of the report. In respect of the parameters within which the question of globalization would be analysed and policies proposed, the Employers stressed the need to develop consensus-based solutions that had broad support. In this regard they were not clear how the process leading up to the preparation of the Director-General's Conference Report in 2003 would reflect this consensual approach. While appreciating the value of the work of a commission, they stressed that this should not eclipse the Working Party's and the Governing Body's responsibilities, but rather serve the purposes of the Organization. The group raised particular questions concerning the role of the Office, how its support staff would be selected and how the membership of the possible commission would be constituted. In respect of the latter, they emphasized the need to integrate the views of the tripartite constituency into the structure of the commission and, while welcoming inputs from other organizations, they stressed that these should not affect the tripartite nature of the Organization.
4. The Workers' group said that the establishment of a world commission on the social dimension of globalization and its report in a year's time was particularly timely given the changing world circumstances. While sharing some of the concerns the Employers had raised in respect of the composition and role of the commission, they agreed that an "outside vision" could add to the internal cohesion of the Working Party. They highlighted this internal cohesion as a particular strength of the Working Party, despite certain differences between governments, employers' and workers' organizations. It was the Working Party and Governing Body that were best placed to determine from a series of recommendations and conclusions, what would be in the best interests of the ILO. Indeed it would be the views of the Working Party, together with those of the Director-General, and discussion at the Conference, that would inform subsequent action by the Governing Body. They stressed the need to maximize the advantage of the expertise eminent persons would bring to the Commission and that it would not be appropriate to tie their hands.

5. The Government delegate of Denmark presented a statement on behalf of the European Union (EU) and a number of other European countries. She reaffirmed the importance the EU attached to addressing the social dimension of globalization, which recent events had underlined, and therefore the need to work for a coherent and constructive response based on the widest possible consensus. The aim should be to enable everyone to benefit from globalization in ways that lead directly to the eradication of poverty, the achievement of social cohesion, the creation of employment and improved governance. In this connection, following up the 1998 Declaration on Fundamental Principles and Rights at Work with positive measures from all sides including technical assistance and greater cooperation between governments and social partners was essential. The EU confirmed its strong support for reinforcing the ILO's role and informed the Working Party that the EU Council was examining proposals of the European Commission on promoting core labour standards and improving social governance in the context of globalization. The European Commission also spoke in support of the EU Members' statement. European countries favoured the establishment, under the auspices of the ILO, of an international substantive dialogue involving other international organizations including the WTO. She stressed the positive political and economic impact that would be made by the launch of a new round of trade negotiations and its contribution to development and to strengthening international solidarity. Recalling its previously expressed support for raising the profile of the Working Party as a forum for high-level discussions, including other international organizations, of topics such as the link between trade and employment, the EU had considered carefully the Director-General's explanation of how a world commission of eminent personalities would operate to increase knowledge and expertise in analysing the interaction between the global economy and the world of work, inter alia, through an authoritative report. She believed that the commission's work could also very usefully embrace other globalization perspectives directed towards greater social progress. In this respect, the EU endorsed the specific issues highlighted in the paper and looked forward to the Director-General's Report to the International Labour Conference in 2003. Noting the Director-General's indications on how the world commission would be constituted, she expressed confidence in his ability to identify suitable eminent people to serve as its members and agreed that the Officers of the Governing Body and the Director-General should be ex officio members serving in their personal and not in any representative capacity, and that all the relevant international organizations should be fully involved on questions relating to their respective areas of competence.
6. The Government delegate of Cuba presented a statement on behalf of the Group of 77 and China. The Group recalled that at its June 2001 meeting, the Working Party had agreed that it should consider how to raise its technical capabilities on the complex subject of the social dimension of globalization, the possibility of high level meetings, the parameters of a report and the options for setting up a commission. The Director-General had undertaken to consult further on these issues and the paper before the Working Party was therefore of considerable interest. The Group attached great importance to achieving consensus in the Working Party on how to proceed further with this ambitious, complex and ever-changing subject. A comprehensive approach was vital. Already in June, the Group had identified a number of critical issues that would need to form a basis for the report. Additional issues of concern to developing countries were the lack of financial resources, intellectual property rights, weak domestic infrastructures, crushing debt burdens, illiteracy and other aspects of education, health and its impact on the world of work and unemployment. These issues were not new but had been exacerbated by globalization. A critical focus in the study therefore should be how the generation of work leading to decent work related to poverty reduction and development. The Office paper took up these issues, which could be further supplemented by the Working Party's discussions and written submissions. The Group also recalled the importance they attached to ensuring that labour standards not be used as a trade measure and that the comparative advantage of developing countries in no way be called into question. Future work should assist in strengthening the capacity of

developing countries to become fully integrated into the global economy and avoid the serious consequences of marginalization.

7. The Group re-emphasized the need for consultations on a balanced and consensual definition of the parameters of the proposed report. They expressed appreciation of the Director-General's intention to work with the Working Party on his Report to the 2003 Conference on the social dimension of globalization. Regarding the proposed commission of eminent persons, the Group regarded a balanced and equitable geographical composition as fundamental to the need to give voice to the concerns of developing countries. They had confidence in the capacity of the Director-General to proceed through consultations on the constitution of the commission, which they stressed should act in an advisory capacity to the Director-General, have a one-year mandate to produce a report with identified parameters and scope, be assisted by the secretariat and draw on the expertise of other organizations, and not seek to undertake the role of the United Nations Advisory Committee on Coordination (ACC) on harmonization of the activities of international organizations. The Group stated that: a commission report would reflect the views of its members and not the ILO; the Director-General would present his Report to the International Labour Conference in the manner of previous reports; and that any action on the report would be decided after the usual procedure of discussion in the Conference and the Governing Body. In conclusion, the Group was convinced that the ILO's unique tripartite structure was of particular value in handling the difficult issues of globalization that were of utmost priority to developing countries.
8. A large number of Government delegates spoke in the debate, many of whom expressed support for the positions expressed by their respective groups. On the issue of the composition of the proposed commission, many delegates stressed the importance of geographical balance in terms of gender and also of the need to reflect the tripartite structure of the ILO. An additional consideration was the need to ground the commission's work in the practical experience of the realities of globalization. Care would be needed in the selection of members not drawn from the ILO's constituents. Many speakers expressed their confidence in the ability of the Director-General to take full account of these considerations in his consultations to compose a commission of the highest quality. Some delegates were concerned that the establishment of the commission should not detract from the ongoing work of the Working Party and the Governing Body and that therefore its relationship to permanent ILO structures should be clarified from the outset. Many welcomed the intention to involve other agencies in the work of the commission, given the importance of investigating ways to integrate more effectively the functioning of specialized international organizations and regional bodies.
9. A number of delegates spoke on the issues to be covered by the commission's report, stressing the priority of action to reduce poverty and redress the marginalization of many developing countries especially in Africa. A genuinely global perspective was needed embracing different cultures, such as those of the Arabic-speaking world, and different economic and social models. In this regard, the representative of the United Nations said that a decision to set up a commission of the quality and standing envisioned to prepare a comprehensive and authoritative report on one of the most important issues of the day created a tremendous opportunity for the ILO which could expect the full support of the United Nations Department for Economic and Social Affairs. Some delegates felt the need for the Working Party to give more specific guidance to the commission whereas others believed it appropriate, given the desired standing of its members, to leave it open to cover the issues of concern highlighted in the Office paper and in the discussions of the Working Party as they saw fit. A number of speakers mentioned ongoing work by the ILO, for example on the Global Employment Agenda and in the regions, which should be taken into account by the commission. The task assigned to the commission was large, ambitious and covered topics where current research was inadequate. They would therefore have to be

selective and perhaps need an opportunity to continue after the one-year remit. The secretariat support would also be important and a strong and balanced team would be needed.

10. A number of detailed questions were also raised. It was suggested by some delegates that “ILO” should appear in the formal title of the commission although others were of the view that this would not convey the idea of including contributions from other agencies. The question of whether the term of the ex officio Governing Body members should end with their mandate at the 2002 Conference needed clarifying, as did a timetable for written submissions. A number of Government delegates recognized that the commission’s work would stretch the ILO’s resources and said that they would be prepared to offer assistance. Overall, Government speakers welcomed the proposals developed by the Director-General and his intention to continue a process of extensive consultations. The proposed commission and its report would serve to strengthen the role of the ILO at a time when a stronger social dimension to globalization was urgently needed.
11. Replying to the points made on the relationship between the commission and the Working Party, the Governing Body and the Conference, the Director-General stressed that the commission was not permanent, whereas the other bodies were. The intention of the commission was to enrich our thinking about globalization through the contribution of a high-level group of individuals from different regions of the world. The Working Party would continue to deliberate such important issues as trade liberalization and employment in this session, and the important topic of the relationship between investment and the four strategic objectives of the ILO in March 2003. It would at the same time be informed of progress being made by the commission. The commission’s report would be submitted and discussed by the Working Party in March 2002. The Director-General would then submit his own report to the Conference in June 2003. This would draw on the discussions that would have taken place in the Working Party in March 2003 and highlight possible implications for the programmes of the ILO. It would be the Conference and the Governing Body that would be taking decisions based on any proposals made in the report of the Director-General. He again stressed that the commission would be established on the basis of extensive consultations, to ensure that it was balanced, reflected the tripartite perspectives of the ILO and that the full range of opinions were represented. Regarding the general themes for analysis, the Director-General noted that, as well as those outlined in the June 2001 document and in paragraphs 9 and 10 of the document, additional subjects raised by various constituents during the discussion, and possible written submissions would be included in the parameters which would go before the commission. The Director-General noted that in respect of relations to other organizations, he had informed the ACC of possible developments in the Working Party. Indeed many other international organizations were interested in the fact that the ILO was moving forward on this issue and had expressed an intention to cooperate. He welcomed suggestions regarding contributions from intergovernmental and regional organizations. Finally, he stressed that the essence of this process would be to enhance dialogue and build on the cohesive tripartism that was enabling the ILO’s voice to be better heard in the international system.
12. Commenting on the discussions and the Director-General’s response, the Employers’ group noted that these had been very useful in order to get the consensus that was necessary to establish the commission, and in particular on its tripartite and regional balance. The Employers expressed serious reservations about the representation of civil society organization on the commission and insisted that all members serve in their personal capacity. The group noted that in considering how all countries could benefit from integration in the process of globalization and thus its benefits, the commission would need to analyse why so many member States had not yet benefited from globalization, what changes needed to be made and what type of assistance (national and international) would be needed to ensure their successful integration into the global

economy. The Employers requested that clear terms of reference for the commission, reflecting its limited mandate (of one year) and the parameters that had been set out during the current session of the Working Party, should be provided to the Working Party at its March 2002 session. They looked forward to reports on the progress that the commission was making, and to its final report that, in reflecting the specific aspect and character of the ILO, would thus enrich the discussions in the Working Party on the Social Dimension of Globalization. The Workers' group asked that all the issues that had been raised by the different constituents be included in the parameters for the report put before the commission. They agreed that the eminent personalities of this world commission should reflect the tripartite interests, expertise and persuasions of the constituents, but this should not be misunderstood to require absolute tripartism, limiting the membership of the commission to government representatives, employers' and workers' organizations. They noted that the terms of reference were reflected in the discussions and consensus that had been reached in the Working Party. The submission of these terms of reference to the Working Party in March 2002, for information purposes, should in no way hold up the establishment of the commission. The lifespan of the commission was limited to one year, and it should therefore be established by March 2002, through the extensive process of consultation that the Director-General had referred to. The Workers' group preferred to remain with the title for the commission proposed in the document.

13. Summing up, I drew attention to the fact that many delegates had stressed the importance of the Working Party especially given the onset of an economic downturn and, in this context, that the appointment of a world commission of eminent persons on the social dimension of globalization would be timely. The Office paper had received broad support and points of consensus that were reached during the discussions can be summarized as follows. First, broad consensus was reached on the creation of this commission as proposed by the Director-General in his document. The name of the commission would be the "World Commission on the Social Dimension of Globalization established by the International Labour Organization". Second, the work of the commission would be limited to one year and it would be appointed by the Director-General in early 2002. Third, its report and recommendations would be of an advisory nature, intended to enhance the deliberations of the Governing Body. Any decisions that may be made on the basis of discussions by the Working Party and the Director-General's Report to the Conference in 2003 would remain the responsibility of the Governing Body and the International Labour Conference. Fourth, the Director-General would consult widely in order to achieve balanced geographical representation and points of view, integrate tripartite perspectives into the commission and ensure adequate gender balance. Fifth, there was broad agreement to the parameters for the commission as set out in the document. Additional issues were raised by a number of delegates during the discussion. These would be included among the issues to be placed before the commission for its consideration. In addition, written submissions would be accepted in time to be included in the general parameters. Sixth, the commission would be given terms of reference based on the consensus that had been reached in the Working Party. The Working Party would be kept informed of progress that the commission was making. Finally, the Working Party welcomed the contributions and cooperation of the secretariats of other international and intergovernmental organizations.

### ***Trade liberalization and employment***

14. Given that time did not permit a substantive discussion, it was agreed that the Office would be given an opportunity to introduce its paper, followed by presentations from the WTO, UNCTAD and the World Bank of papers they had submitted. Discussion on this subject would continue in March 2002.
15. The paper on trade liberalization and employment ([GB.282/WP/SDG/2](#)) highlighted a number of key issues. Concerning the changing pattern of trade, the gains from trade had

been highly concentrated among certain countries. The paper also reviewed evidence of the impact of trade growth on employment and inequality and found that this varied from country to country, which illustrated the difficulty in separating out the effect of changes in trade from other factors. On the specific issue of trade liberalization, the paper noted the case in favour of free trade but pointed to the limitations of the underlying assumptions behind these arguments and that a number of other factors, such as the cost of adjustment, were often neglected in economic theory. Considering the empirical evidence on the relationship between openness and economic growth, the paper noted a number of methodological problems that suggest that any conclusions should be treated with care. Country studies had again produced mixed results. The paper did not question the desirability of an open multilateral trading system but suggested that the issue was how countries should try to gain from freer trade. The variation in country experiences suggested that a number of developmental and policy factors were important for successful liberalization. In turning to these developmental factors, the paper argued that the best liberalization strategy depended on national institutions and capabilities. The gains from trade and the effects on employment also depended on the mix of domestic policies on investment, enterprise development, technology and infrastructural development. The paper noted that access to global markets remained a major constraint to development. The gains from trade liberalization also depended on labour and social policies and labour market institutions. The role of development and labour policy is an area where research and evidence is limited. Some of these issues had been identified as priorities in the Global Employment Forum. There would clearly be scope for the ILO to undertake more work on these issues.

- 16.** The representative of WTO briefly summarized the mechanisms by which trade liberalization affected employment and, more explicitly, workers. First, there were the mechanisms through which workers gained from trade liberalization. As consumers they gained from lower prices and might also benefit from an increased demand for the services they are providing. Second, there were mechanisms through which trade liberalization might negatively affect workers. Trade liberalization might lead to a permanent reduction in the demand for certain types of labour services, as had been the case for low-skilled workers in industrialized countries. Yet as the economy as a whole gained from trade, it would be possible to compensate these workers. For this to happen, appropriate redistribution mechanisms needed to be in place at the domestic level. Trade liberalization might also have negative short-term adjustment costs. Workers in import competing sectors might lose their jobs and find themselves temporarily unemployed before finding a new job. Well-functioning labour markets, well-functioning domestic credit markets and the existence of social safety nets could do much to alleviate the transition process for those concerned. She said that the timing, pace and other aspects of trade liberalization might affect the smoothness of the transition and that provisions in specific WTO agreements reflected awareness of this adjustment process.
- 17.** The representative of UNCTAD noted that there was some overlap with the ILO paper. He stressed that in its analysis, UNCTAD had tended to find itself standing against the mainstream of economic thought, in large part because it was generally reluctant to address the systemic biases and asymmetries in the workings of the international economy, which obstructed the growth and development prospects of many poorer countries. There was little to suggest that these asymmetries were diminishing, indeed if anything, the opposite seemed to have been the case. He looked forward to future opportunities for the ILO and UNCTAD to dialogue on these important areas. The broad message highlighted by the UNCTAD paper was that the presumption that there was little room for differences in national economic policies was a cause for concern. Instead an appropriate macroeconomic regime, which aimed to support increased investment and to expand employment needed to be linked to policies which allowed for strategic interaction in the global economy in line with the countries' economic and industrial capacities, the relative strengths of their social

institutions and, not least, the willingness of industrialized countries to open their markets to developing country exports.

18. The representative from the World Bank addressed a broad range of issues related to globalization. On the issue of trade and labour dimensions of globalization, he noted that the experience of the World Bank to date had shown that openness to globalization and trade was key to advancing economic development and central to attaining the goals and objectives linked to poverty reduction and employment. The economic benefits from globalization and trade openness also benefited workers. Where economic growth and wage growth had been strong, poverty alleviation rates had also improved. He referred to a research report that would be available in December of this year showing these results. He also said that the global architecture for world trade needed to be reshaped, as there were too many barriers for developing countries at present.
19. The Employers' group congratulated the Office on the excellent and well-balanced document. This they felt was reflected by the fact that it highlighted issues that had been raised as common concerns by the WTO, UNCTAD and the World Bank. They took note of the fact that not only did the situation vary from country to country, but successful integration also depended on a number of international and, mainly, national conditions. The Workers' group agreed that the paper was very balanced. They also expressed thanks to the WTO and UNCTAD for their contributions. These contributions had given the Working Party the ingredients for a meaningful debate on the various actions and views. Both the Workers and Employers felt that the documents deserved more thorough examination at the March meeting and should be given to the commission as background information.

### ***Developments in other organizations***

20. I congratulated the Office on the excellent documents ([GB.282/WP/SDG/3](#) and [Add.1](#)) that had been prepared and invited comments from the Working Party. Both the Employers' and Workers' groups commented that the documents provided by the Office were very helpful in giving a comprehensive overview of developments in other organizations which were often (though not always) complementary to the ILO's own work. A few delegates pointed to initiatives and statements reported in the paper that were a cause of concern. In closing, I drew the attention of the Working Party to the fact that the views submitted in the documents were not those of the ILO. The documents merely sought to report the various considerations and conclusions adopted by in other bodies.

Geneva, 14 November 2001.