



FIFTEENTH 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**

1. The first part of the meeting was devoted to discussions with Mr. Mike Moore, Director-General of the World Trade Organization (WTO), and Mr. Alfredo Atanasof, Minister of Labour, Employment and Social Affairs of Argentina.

**Discussions with Mr. Mike Moore, Director-
General of the World Trade Organization**

2. Following the introduction of Mr. Moore by Mr. Somavia, the Director-General of the WTO addressed the members of the Working Party on the theme of “How trade liberalization impacts employment”.¹ Endorsing the UN Secretary-General’s call for multilateral agencies to work more closely together, he welcomed the ILO’s initiative to establish a World Commission on the Social Dimension of Globalization and the scope it offered to the WTO and ILO secretariats to continue their existing collaboration on for example, trade liberalization and employment. He reiterated the WTO commitment to the observance of internationally recognized labour standards and its belief that the ILO was the competent body to deal with these issues. The WTO’s core business was the provision of an agreed set of rules for the orderly conduct of trade, which the launching of the Doha Development Round had advanced significantly. A key condition for success was improving the capacity of developing countries to participate in the Round through enhanced technical assistance and substantial funds for this work had recently been pledged. The WTO was committed to increased transparency and would be holding a civil society symposium in April. In general, trade liberalization, because it lowered prices to consumers and allowed the reallocation of productive factors to higher productivity activities, favoured workers. However, some may be permanently disadvantaged by a shift away from demand for certain forms of labour, for example, unskilled jobs in industrial

¹ The text of Mr. Moore’s speech will be available in English, French and Spanish on www.ilo.org. It is already up on the WTO site www.wto.org.

countries. Nevertheless the overall gains enabled such workers to be compensated if appropriate redistributive mechanisms were in place. Others may face difficulties in the short-term in finding new work but well functioning credit and labour markets and social safety nets at the national level could alleviate the burden. Overall the WTO believed that with appropriate domestic policies and institutions, everyone could gain from trade liberalization. Democracy was a vital element in realizing the potential of trade liberalization but was fragile in many countries and needed the sustenance of growth. The challenge therefore was not to allow the negative forces fighting against globalization and market liberalization to triumph, but rather to re-emphasize values such as universalism and solidarity.

3. Commenting on Mr. Moore's remarks, the Employer spokesperson, Mr. Funes de Rioja, shared his sense of optimism over the potential that trade liberalization and the Doha Round held for the well-being of people especially in regions so far excluded from the process of globalization. He repeated his group's commitment to fundamental principles and rights at work. Agreeing that more had to be done to open markets and reduce subsidies especially in the textiles and agriculture sectors, he stressed the importance of human resource development in dealing with concerns about employment and equity. Stable and democratic systems of governance were essential to the development of the coordinated national and international policies needed to make trade liberalization successful, and both the WTO and the ILO could help this process. For the Worker's group, Lord Brett, while echoing many of the points made by the employers, also saw many contradictions especially between the theory and practice of trade liberalization. Trade unions were not protectionist but often had to find answers to the problems of workers displaced by changes in trade flows and threatened with unemployment and community disruption. Mr. Moore's vision of compensating redistributive mechanisms was fine in theory but often absent in practice. He also believed that liberalization of trade and capital markets were inhibiting the capacity of tax systems to finance such transfers. The WTO should be better able to participate in the effort to coordinate international responses to globalization by the multilateral system. Too often governments took contradictory positions in different organizations and this led to frustrations that became targeted on the WTO. Employers' organizations and trade unions sometimes felt that their efforts to offer constructive advice from inside the system had less impact than demonstrations outside. The Workers' group wished the Doha Round well especially in the drive to reduce industrial country protection of, for example, agricultural markets, but he remained concerned that protection of basic workers' rights needed to be further enhanced.
4. Replying to the groups, Mr. Moore agreed that all too often certain groups of workers were carrying the costs of adjustment and this problem had to be addressed. Many WTO members felt, however, that it was not appropriate for the WTO to handle these issues since it was beyond its jurisdiction. How to work more closely together in the multilateral system needed better preparation and the building of confidence. With regard to the civil society symposium he hoped that such activities would become part of the mainstream work of the WTO, but it was equally urgent to help the nearly 30 governments that lacked representation in Geneva to gain better access to the negotiating process. In this regard he was pleased that a new independent legal advice centre for developing countries had been set up to help countries with trade disputes.

Discussions with Mr. Alfredo Atanasof, Minister of Labour, Employment and Social Affairs of Argentina

5. Having thanked Mr. Moore for his most welcome participation in the Working Party, I invited Mr. Somavia to introduce Mr. Alfredo Atanasof, Minister for Labour, Employment

and Social Affairs of Argentina. Mr. Atanasof presented a description of the crisis in Argentina and the Government's response as an example of the issues being addressed by the Working Party.² The current globalization, based on new information technologies was producing a cultural and social transformation accompanied by a growing gulf between developing and developed countries and the dominance of finance capital over productive investment. The challenge was to restructure economies on the principles of competitiveness, productivity, lifelong learning and the observance of basic workers' rights. Tripartism was a fundamental tool for social equity, productive investment and decent employment policies. Argentina had followed the policies advocated by the international financial institutions: deregulation, including of labour markets, privatization, trade liberalization and monetary stability through convertibility of the peso at a fixed rate to the dollar. However, since this approach had started to be applied ten years ago, unemployment had tripled and the informal sector, where there was no social protection, had risen to 40 per cent of the workforce. Social conflicts and strikes had escalated dramatically. Argentina would not return to the semi-autarchic systems of the past and intended to build a solid market economy and modernize the state but it needed international support to do this. A new international social compact based on ILO standards, particularly the eight core Conventions, was essential to develop social cohesion and assure the dignity of working people. Cooperation between workers and employers in a new "community of work" was vital because flexibility through negotiation was key to meeting the enormous problems of unemployment and poverty that Argentina faced.³ A tripartite roundtable convened by the President together with the Catholic church and the UNDP had been working for two months and had reached a number of important agreements to, for example, encourage labour-intensive investment and trade by small and medium-sized enterprises. Programmes for unemployment protection, training, pensions and action against social exclusion were planned and collective bargaining was being prioritized. The National Congress would soon institutionalize social dialogue in an economic and social council. His ministry and the ILO would shortly sign a cooperation agreement to support a range of actions to deal with the emergency. Argentina greatly appreciated the efforts of the Director-General and his staff in the region and at headquarters, including in facilitating the continuation of international financial assistance for social and labour-related programmes.

6. Mr. Funes de Rioja, speaking on behalf of the Employer's group, thanked the Minister for his statement, which in his view contained many elements for an emergence from the crisis, in particular the emphasis on growth and employment in the framework of social dialogue. Recession was deep-rooted and a potential source of discord. Recovery to sustainable development had to be based on shared values and compatible social, political and economic objectives. Employers believed that globalization could be a positive element in recovery but required cooperation between capital and labour. The road of tripartite construction was the way to recreate internal and external credibility to overcome the crisis. Mr. Daer, Worker representative of Argentina, highlighted the impact of international financial volatility in his country and the resulting exorbitant social costs. He saw a direct link between the policies of the international financial organizations that Argentina had adopted and the collapse of the productive sector, mass unemployment, growing poverty and widening income inequality. The democratic system had been damaged and the social contract broken. The social partners had a central role in reconstruction alongside the support of the international community and the ILO in particular, which he thanked for its prompt response to the situation. Lord Brett, on behalf

² The full text of Minister Atanasof's speech will be placed on the ILO web site www.ilo.org in Spanish, English and French.

³ The Minister circulated a document in Spanish quantifying the employment situation, available on request from the ILO.

of the Worker's group, added that there was an urgent requirement for international financial assistance to Argentina. As the WTO Director-General had said earlier, fragile democracies were threatened by lack of growth and barriers to market access. The policy model of the international financial institutions had failed Argentina and if future crises were to be avoided rethinking was needed on how to integrate social and economic policies.

7. In the ensuing debate, the governments of Latin America and the Caribbean and others expressed their concern and solidarity with the people of Argentina, their appreciation of the ILO's swift response to requests for cooperation from the authorities and their wish to see quick action by the international financial institutions. For a number of speakers, the situation in Argentina raised a range of issues of general concern in addressing the social dimensions of globalization. Few developing countries had the financial means to pay for the social mechanisms identified by Mr. Moore as necessary to deal with the adjustment burden of trade liberalization and in the absence of increased resources for development, many faced major difficulties with the social impact of opening their economies. Protection of industrial country markets was a barrier to developing country exports and was damaging production for domestic markets too, especially in agriculture. The low level of commodity prices and the structure of commodity markets were reducing incomes and investments in the developing world. The models of internal and external deregulation were also not working in other countries which, like Argentina, were experiencing increasing unemployment and poverty despite major efforts to assure financial stability. A more direct response in terms of creating jobs and thus reducing poverty was called for since liberalization could not automatically bring people in developing countries decent work. A number of speakers argued that the competence of specialized agencies had to be respected, and in particular the WTO's dispute settlement mechanism could not be used for other purposes, for example in the labour and environmental field. The ILO, and its new Commission, had a key role in developing integrated policies that ensured that governments right and left hands were not following contradictory policies.
8. Responding to the debate, Mr. Atanasof thanked the Working Party for their demonstration of solidarity. As his President had said, it was time for Argentina to develop a strong alliance between the State and the productive forces in society. Social dialogue was a central feature of the strategic profile of the country for the future. The combination of international economic and national social imbalances was not unique to Argentina's crisis, which made the response of the multilateral system of critical importance, especially the ILO's contribution of linking social and economic agendas.
9. In closing the session, I noted that the Working Party had supported the ILO's actions to help Argentina overcome the crisis. I also suggested that we draw the attention of the WTO Director-General to the comments and questions raised in the debate so as to permit a continuation of the cooperation and dialogue between the ILO and the WTO.

Trade liberalization and employment

10. The second part of the meeting opened with a panel discussion of paper GB.282/WP/SDG/2, which had already been introduced in November, and the update GB.283/WP/SDG/1. The first speaker was Mr. Kozul-Wright of UNCTAD who recalled the main findings from the paper he had presented in November.⁴ He added an analysis of an emerging trend toward the decoupling of trade from growth across much of the

⁴ Available on request.

developing world. First, international production value chains created by international firms were very important in electrical and electronic parts and components, textile and clothing and some other labour-intensive products and automobiles and transportation. These chains produced big gains for a relatively footloose form of capital, but the opportunities for developing countries at the lower end of the skill- and capital-intensive parts of the production process to upgrade were very few. The second was the decline in manufacturing terms of trade between the goods produced by developing countries and those produced by developed countries. The third was that most of the markets in the goods exported by northern producers tend to be highly oligopolistic with high entry costs for new competitors. In comparison, developing country exporters tend to find themselves in highly competitive markets with many new entrants, including in recent years some very large low-skilled producers from the developing world and few opportunities for countries to exit. This created a danger of excessive competition in labour-intensive markets, intensified by the structure of labour markets in developing countries where firms compete in the form of the flexibility of wages. There were three ways to deal with these kinds of problems. The first is increased market access for the goods that developing countries produce, but a coherent national development agenda required other forms of action to gain from such opening. The second issue was thus enlarging the policy space to allow developing countries to upgrade their industry capacities and compete more effectively with developed country-producers in higher technology and higher R&D intensive products. Recently that policy space had diminished. The final element is the issue of debt relief and alleviating some of the external constraints the developing countries face.

11. Mr. Bacchetta of the WTO recalled the main conclusions of the paper the WTO secretariat had tabled in November and summarized earlier by Mr. Moore.⁵ Trade liberalization changed the pattern of employment but the total number of jobs in the economy was very likely to remain more or less unchanged. However, trade liberalization may result in a permanent reduction in demand for certain types of labour services, for instance low-skilled workers in industrial countries. Nevertheless, since the economy as a whole gained, it would be possible to compensate these workers, through appropriate redistribution mechanisms. An additional short-term effect of trade liberalization was that some workers may lose their jobs and temporarily be unemployed before they can find a new job, but well-functioning labour and credit markets and social safety nets can do a lot to alleviate the costs. The timing and pace of trade liberalization may affect the smoothness of the adjustment process but reductions of barriers to trade had taken place gradually with phased implementation periods and safety-valve mechanisms. To sum up, with appropriate domestic policies and institutions in place everyone should gain from trade liberalization.
12. The representative of the Director-General (Mr. Lee) also reminded the Working Party of the main points in the ILO's November paper (GB.282/WP/SDG/2), especially its policy implications. Together with the update paper GB.283/WP/SDG/1, it provided a review of recent theoretical and empirical work on the links between trade liberalization and employment. Conclusions about the effects on employment of the expansion in world trade on individual countries were difficult to separate from the many other factors affecting the labour market. Nevertheless, it was noted that there had been sharply contrasting employment effects between countries, which suggested that country-specific and contingent factors were important in evaluating the effects of trade liberalization on employment. This view was supported by the ILO country studies examining the relationship between trade and employment and discussed a few years ago in the Working Party. Turning to the policy implications, the paper argued that gains from trade were undeniable, as were the costs of protectionism, so the issue was not whether countries

⁵ Available on request.

should try to benefit from freer trade, but how this should be achieved. The policy choice was not a simple either import substitution or complete free trade, because intermediate positions might make good economic sense, depending on particular economic circumstances. Greater market access for marginalized developing countries was an important priority, but it was equally important that national policies, supported by effective programmes of external assistance to overcome supply-side constraints to export expansion in the least-developed countries, complement such measures. One of the foundational conditions is democratic, transparent and competent governance of a well-functioning market-based economic system, including the enabling role which fundamental workers' rights play in ensuring good governance and a more equitable distribution of the benefits of economic growth. These rights can contribute to improved economic efficiency in several ways; the elimination of discrimination and child labour makes for a more efficient allocation of human resources; social dialogue fostered by these rights contributes to the attainment of macroeconomic stability and the mobilization of support for economic reforms create an environment where labour-management cooperation to achieve productivity gains, rather than wasteful industrial conflict, becomes the norm. Other elements in the ILO's decent work strategy were also important for countries to maximize the employment benefits of trade liberalization, such as education and training, active labour market policies, the strengthening of social protection and policies to increase the employment intensity of growth, especially in lower income countries. In general, every effort needed to be made to minimize the social costs of trade liberalization through measures such as an ex ante analysis of the social impact of policy changes, in particular the impact of price changes on the poor, of the possible destruction of markets important to poor producers, and of changes in the demand for labour that need to be given serious attention in policy design.

13. Lord Brett, for the Worker's group, complimented the Office and the UNCTAD and WTO panellists on their papers and presentations that he felt considerably enriched understanding of the complex relationships between trade liberalization and employment. As he had said to Mr. Moore, the Workers found theory and practice far apart on this subject. While endorsing the view that open trade was preferable to protection, trade unions in both developing and developed countries had to deal with the problem that many workers were displaced by changes in trade but many of the new jobs created were low wage, low skill and in poor conditions. One aspect of the restricted policy space referred to by Mr. Kozul-Wright was the difficulty of expanding the coverage and level of social protection. The ILO paper was correct in identifying the need for much stronger policy integration, not least of the Decent Work Agenda, to the efforts to open industrial country markets to developing country exports and to enhance debt relief. The three papers and presentations showed clearly the value of an integrated approach. Mr. Funes de Rioja, for the Employers' group, said that the ILO update paper did not have the same balance as the one from November. In his view, the issue was not wage inequality, a focus in the paper, because on the positive side, trade and technology created demand for skilled workers and thus the potential for increased earnings. Technological change was part of the explanation for changes in wage differences with gaps between skilled and unskilled increasing when skills were in short supply and narrowing as human resource policies increased the availability of skilled workers. Trade liberalization helped to reduce poverty, as was documented in many studies, by contributing to employment generation provided it was accompanied by other national and international policies. Trade provided opportunities for other policies that in turn were needed for trade to deliver its full potential. A supporting environment and institutions included the rule of law and respect for property and contract rights, investment in human resource development to capture the benefits of higher value-added products and services, development of comparative advantage in internationally tradeable goods, investment policies, and a facilitative well governed, transparent public administration staffed with trained personnel. At the international level, successful trade liberalization needed a genuine free trade regime that ensured marked access for the

products and services in which developing countries had a comparative advantage. Developing countries, especially those recently identified by the World Bank as excluded from foreign investment flows, must be provided assistance to adjust to changes and mitigate the short-term costs of opening their economies.

- 14.** Speakers in the debate shared the Workers and Employers positive view of the papers and presentations and commented on both detailed aspects and the broad thrust of the analyses. The challenge of proceeding with a further opening of international trade through the Doha Round at the same time as enhancing the capacity of both industrial and developing countries to adjust to changes in patterns of trade, investment, production and employment was huge. The need for an integrated approach was endorsed but many speakers pointed to the difficulties in achieving this objective. The European Union, for example, had adopted the ambitious Lisbon Strategy, which corresponded closely to the policy challenges identified by the ILO, and saw considerable scope for collaboration on, for example, the contribution of the Decent Work approach to poverty reduction and social inclusion. Developing country speakers expressed their continuing concern about the slow pace of reducing industrial country trade barriers. Much needed to be done to eliminate tariff peaks, allow freer movement of natural persons and realize the commitment to preferential treatment. Debt relief remained an urgent issue, as did a shift toward larger and more predictable resource transfers perhaps through a new special drawing rights allocation. The reality in many developing countries was that trade liberalization was hitting jobs in smaller firms and foreign investments lead to large scale restructuring. The menu of employment policies proposed by the ILO, and being developed through the Global Employment Agenda, was very relevant but few countries had the means to finance the income transfers and institution building it envisaged, for example in boosting education and training. As a result the potential benefits for employment that the WTO had referred to did not automatically arise. The Worker representative of South Africa graphically illustrated this problem by reference to the garment sector in his country where liberalization of imports had lead to the relocation of the industry away from traditional centres and the growth of sweatshops where working conditions were sometimes quite inhumane. Other speakers emphasized that inequalities between regions and occupations were growing and provoking social tensions. Considerable efforts were needed to support developing countries' adjustment policies particularly in the labour market. The overall approach of the ILO also needed to take account of country differences, for example in small island states.
- 15.** Responding to the debate, the panellists answered a number of detailed comments and questions on the research cited. Mr. Lee said the debate had shown the need for more thorough research especially on the extent to which competition at the lower value-added end of international production was adversely affecting working conditions. In general the discussion had posed a clear challenge to the ILO of how to help improve national policies to capture the potential benefits of trade liberalization in respect of social protection, education systems, active labour market policies and the contribution of fundamental worker's rights to good governance. Mr. Kozul-Wright highlighted the importance of supportive financial and macroeconomic policies to the adjustment process needed to remedy systemic biases and asymmetries in the trade system. Mr. Bacchetta agreed on the need for further studies and analysis alongside the Doha work programme and looked forward to a fruitful collaboration between the WTO and the ILO.

The World Commission on the Social Dimension of Globalization established by the ILO: Information on progress to date

- 16.** In introducing the third item on the agenda, I commended the Director-General and the Office on the progress that had been made since the last Working Party meeting in November 2001. The World Commission of eminent persons had been set up, co-Chaired by the President of Finland, Mrs. Tarja Halonen and the President of the United Republic of Tanzania, Mr. Benjamin William Mkapa. I noted that the composition of the Commission fully satisfied the criteria that had been agreed in November 2001 of eminence, authority and balanced representation. The document before the Working Party⁶ reported on the progress that had been made and on some of the more practical aspects. It also set out the matters that the Commission would deal with at its first meeting. It referred to the consensus reached in the Working Party on the terms of reference, which I summarized in my report to the Governing Body last November, and which reflected the documents and discussions in the Working Party as well as submissions in writing.
- 17.** The Employers' group stated that while the issues that the Working Party wished to have considered by the Commission were reflected in the Chairperson's oral report in November, it was expected that a systematized terms of reference would have been available to the Working Party at this session, and regretted that this was not so. The group felt this was necessary to ensure a clear framework for the Commission's work. The Workers' group congratulated the Director-General on the balance that had been achieved in the Commission. They believed that the Commission now had sufficient information concerning what the Governing Body wanted, for it to do its job. They noted that it would be for the Governing Body to determine any course of action or judgement it takes once the Director-General had put forward such a report.
- 18.** The Government delegate of Denmark, speaking on behalf of the European Union, welcomed the information provided by the Office and the composition of the Commission, which included people from different regions, gender and qualifications. They expressed their wish that the Commission work in the framework of a wide dialogue between organizations interested in the matter, especially with the agencies of the United Nations, the Bretton Woods institutions and the WTO. The European Commission also expressed its support for the establishment of the World Commission on the Social Dimensions of Globalization. The complex relationship between globalization and social development, including the promotion of fundamental social rights and social governance, should be treated in an integrated fashion.
- 19.** The Government delegate of Namibia, speaking on behalf of the African group, confirmed the group's support for the Commission and expressed confidence that the Commission would give effect to the terms of reference as agreed by the Governing Body at its 282nd Session. They agreed that a degree of flexibility was needed to allow the Commission the required space to operate meaningfully. They too expressed satisfaction with the composition of the Commission.
- 20.** The Government delegate of Bangladesh, speaking on behalf of the G77 and China welcomed the geographical balance achieved among the members of the Commission. The group reiterated the position expressed in their statement of November 2001: that the subject of globalization be dealt with comprehensively, addressing the broad range of

⁶ The World Commission on the Social Dimension of Globalization established by the ILO: Information on progress to date, GB.283/WP/SDG/3/1.

issues of interest to developing countries, in particular the impact of various aspects of globalization on issues such as poverty reduction and development, and that it should be based on a promotional approach. They looked forward to a flexible method of interaction and consultation between member States and the Commission to allow it to deal with new issues that may arise. They requested that the Office utilize all available expertise on the issues from different regional organizations and research centres. They reiterated that the principle that labour standards should not be used as a trade measure, and that the comparative advantage of developing countries should in no way be called into question, constituted one of the basic parameters of the proposed report. They reiterated their understanding that the Commission would be assisted by the ILO secretariat in fulfilling its task and may draw on the technical expertise of other international organizations; the Director-General would present his report to the International Labour Conference on his own responsibility; the Conference would discuss this report in the established manner; any action pursuant to the report will follow established procedure and would be based upon adequate discussions – both in the Governing Body and in the Conference.

21. A number of other delegates expressed satisfaction with the composition of the Commission, its balance and the opportunity it gave the Working Party to enhance its own work and to strengthen the ILO's credibility and voice in the global debates on social and economic policy. Many delegates affirmed the importance of drawing on expertise from different sources to support the work of the Commission and to seek contributions from other key regional and international organizations; the need for transparency was emphasized. Several indicated their availability for consultations and the provision of information. Many also reaffirmed their support for the mandate and the terms of reference of the Commission and the broad consensus on the basis of the report of the Chairperson of the Working Group presented in November 2001. Some delegates asked that Working Party members be kept informed of progress and any possible delays in the time schedule for the work, while noting that the quality of the final product should determine the work plan and timetable.
22. Commenting on the discussions, the Director-General said that the terms of reference were not only substantive, they were also operational. They concerned all of the decisions that had to do with the organization of the Commission. They also concerned the parameters that had been set for the Commission, which were clearly spelt out in the Chairperson's Report of November 2001, and which encompassed the documents and discussions as a whole. To systematize this he read out the titles of a number of documents that would be given to the Commissioners.⁷ He said that rather than to attempt a synthesis it was better to put all the documents concerned at the disposal of the Commission, so as to clearly reflect the different positions in the context of the consensus expressed by the Chairperson. He felt this was the most transparent way of having the Commissioners understand the context within which the report had been requested. He wished to transmit to the Commissioners the support of the Working Party and encouragement for their work ahead.

⁷ Means of enhancing the action of the Working Party on the Social Dimension of Globalization, June 2001; Oral report of the Chairperson of the Working Party, June 2001; Enhancing the Action of the Working Party on the Social Dimension of Globalization: Next steps, November 2001; Report of the Working Party on the Social Dimension of Globalization: Oral report by the Chairperson of the Working Party, November 2001; statements made by the delegations in November 2001: Statement presented by the delegate of Denmark on behalf of the European Union and a number of European countries; statement presented by the delegate of Cuba on behalf of the G77 and China; statement presented by the delegate of India on behalf of the G77 and China; written submissions received by the secretariat: The ILO and the social dimension of globalization: A background paper by the IOE; The ILO and the social dimension of globalization: Position of the IOE adopted by the Management Board on 10 November 2001.

He invited all countries, Employers' and Workers' organizations to send contributions on issues on which they felt they had particular experience and particular knowledge. The input of the other international organizations would also be key, and the Governing Body members might wish to encourage this.

23. Summing up the discussion I thanked the Director-General and the Office for the progress report, the contents of which were noted by the Working Party. I conveyed the support of the Working Party to the Director-General and the International Labour Organization in their work in setting up the Commission. I finally noted that the Working Party and the Governing Body would continue to be informed of the work of the Commission.

Investment in the global economy and decent work

24. The representative of the Director-General (Mr. Lee) of the Office briefly presented the document "Investment in the global economy and decent work".⁸ He reviewed trends in cross-border investments in developing countries over the last decade, noting the significance of the major role that foreign direct investments had played. He outlined the potential benefits that the growth of cross-border investments held, but noted that this potential had not been fully realized, and reviewed the reasons for this. He then set out the channels through which cross-border investments might impact on decent work. Turning to policy measures, he referred to a number of national policy measures that could be considered. He stressed that a more cautious approach to financial liberalization was warranted. Concerning measures at the international level he noted that in any emerging multilateral framework of rules for governing foreign investment, exemptions and transitional arrangements for developing countries deserved serious consideration.
25. The Working Party noted the document prepared by the Office on investment in the global economy and decent work. It was agreed that discussion on the document and this item would be deferred to November 2002. Some members of the Working Party offered written comments to the Office and I invited others to do so by no later than the end of September. A consolidated, updated document would be prepared for the November 2002 meeting of the Working Party.

Geneva, 20 March 2002.

⁸ GB.283/WP/SDG/2.