



SIXTEENTH ITEM ON THE AGENDA

Report of the Working Party on the Social Dimension of Globalization

Oral report by the Chairperson of the Working Party, Lord Brett of the United Kingdom

1. Lord Brett opened the meeting by explaining that the Officers of the Governing Body, after consultation with the coordinators, had asked Ambassador Chung, the Government Vice-Chairperson, to chair the Working Party, and he had agreed. However, Ambassador Chung was unable to chair the current session as he was on mission abroad and that in his absence he, Lord Brett, would be chairing the Working Party.
2. Lord Brett began by recalling that the Working Party had in the past invited a number of distinguished senior figures to share with it their thoughts on the future of globalization. Today, the Working Party would be addressed by two speakers, Mr. Mark Malloch Brown, Administrator of the United Nations Development Programme (UNDP) and Mr. Jean-Claude Faure, Chairperson of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD).

Discussions with Mr. Mark Malloch Brown, Administrator of the United Nations Development Programme

3. Mr. Malloch Brown began his address by pointing out that the Millennium Development Goals (MDGs) were an effort to create a political context for development and to take development beyond its usual world of technocratic interchange within, and between, governments. The great debates about development had been enormously narrow. They had been considered too important to be shared with the great mass of those who would benefit from them. That had now changed. The campaign for the MDGs happily coincided with the global expansion of democracy and was far more inclusive.
4. The eight MDGs were straightforward and had been drawn from the summits of the 1990s. They were solemnly adopted by the largest and most senior gathering of world leaders that had ever occurred, at the Millennium Assembly of the United Nations in 2000 in New York. Those goals resonated clearly and simply for all, for example halving poverty by

2015, ensuring that all boys and girls completed a full course of primary schooling and reversing the crisis of health care and the environmental degradation in the world.

5. The eighth goal was the overarching one of international cooperation. It gave developed countries the responsibility to support those developing countries that were acting to achieve the first seven goals by providing more development assistance, removing trade barriers, encouraging foreign investment, easing intellectual property rights to allow the development of, and access to, technologies in areas such as medicine, food and information for the countries of the South. Those eight simple goals had been turned into more of an explicit bargain at subsequent international conferences such as the International Conference on Financing for Development in Monterrey and, most recently, at the World Summit for Social Development in Johannesburg.
6. To date, the history of global conferences had been one of delayed accountability for the commitments made. With the MDGs and annual reporting at the country and global levels on progress towards achieving them, there was now a framework of real-time follow-up. That allowed citizens everywhere to hold their governments and the international organizations accountable for progress. It provided political targets for the present and the future, as well as data on which people could base their vote, their voice and their political demands.
7. Mr. Malloch Brown said that it was equally important that coalitions of parliamentarians, business leaders and trade unionists in the North, as well as their governments, take the achievement of the MDGs as seriously as the countries of the South. These MDGs offered a simple framework for explaining development results to citizens, taxpayers and voters in the North.
8. However, the MDGs alone were not enough. There had to be a fresh burst of thinking about development itself. While the MDGs were quite modest in some senses, they were hard to achieve through the conventional development thinking of today. The new thinking needed to go beyond macroeconomic frameworks to a much more multidisciplinary approach. There was also a need to focus on the neglected sectors, of which jobs and enterprises were top of the list. Across the developing world, the issues of affordable, accessible capital for domestic, small and medium-sized enterprises and of providing marketing and business management skills of a usable kind to entrepreneurs were the most neglected areas of development.
9. Mr. Malloch Brown stressed that the MDGs did not, in any way, displace the central importance of the poverty reduction strategy papers (PRSPs) or national development strategies. The MDG process was not a programmatic vehicle but a way of measuring development outcomes. It was intended to provide the framework for the programmatic initiatives and for fresh thinking on development of the type in which the ILO and the World Commission were so deeply involved.
10. The Employer spokesperson said that there was no possibility for either wealth creation or sustainable growth if there were no enterprises and no employment. Without enterprises there would be no employment, and without employment there would be no consumers. Therefore, it was important to achieve the virtuous circle of enterprise and employment growth. The responsibility of government to build an appropriate and propitious environment for growth and investment was crucial in that context. National policies had to be consistent, and should have a standard framework that would allow small enterprises to be a part of the formal economy and not pushed into the informal economy.
11. The Worker spokesperson doubted whether the exercise of casting a vote every five years was in itself a true indicator of democracy. The questions of freedom of choice and of

being able to exercise that choice were essential for true democracy. He then asked to what extent the most highly indebted countries could achieve the first seven objectives without debt relief.

12. In replying to those comments Mr. Malloch Brown said that the tripartite arrangements of the ILO were indispensable to the kind of vision of development that he had presented. He conceded that many countries were still very shallow democracies, which did not respect human rights, allow a free press or have a culture of democratic values. They were in the first stage of a long process of entrenching a fuller set of democratic processes in societies.
13. Mr. Malloch Brown said that the Monterrey deal to which he had referred was not based on conditionality. The UNDP had never endorsed conditionality. The idea that donors could buy reforms or impose policies had had its day. Real partnership should be based on a commitment from developing countries to undertake reforms that is then supported by donors to make the process earlier.
14. In subsequent interventions from the floor, questions were posed as to whether the PRSPs really represented a change from structural adjustment programmes; and whether there was a complementary role for the ILO in the MDGs through establishing a series of labour market indices that complemented the achievement of those goals.
15. In reply, Mr. Malloch Brown said that PRSPs would have to respond to the new political demands that he had described. PRSPs were answerable not just to institutions in Washington, but to angry electorates demanding results in terms of poverty reduction. That would fundamentally shift the priorities of PRSPs.
16. On the subject of development of labour indices to support the MDGs, he said that there were already considerable labour indices on youth employment. He did agree, however, that there should be a much stronger set of indices. He thought that there would be plenty of opportunity and places to promote and encourage that role.

Discussions with Mr. Jean-Claude Faure, Chairperson of the Development Assistance Committee of the Organisation for Economic Cooperation and Development

17. Mr. Faure began by noting that, since Doha, Monterrey and Johannesburg, significant progress had been made on intellectual and conceptual tools that now had to be implemented. But there was nothing automatic about that implementation and it would be a very complicated process. He said that it was important for the international community to strengthen that process of implementation. That ultimately rested on three pillars: governance, coherence and patient monitoring of performance.
18. He explained that, apart from the attention paid to essential social needs, development strategies today were based on the promotion of growth and, therefore, on the dynamism of the private sector. But growth had to be favourable to the poor, and grounded in the equal participation of men and women in the production and division of the fruits of that growth and on the reduction of inequality and vulnerability. That naturally converged on decent work and working conditions for everyone, on the role of women in development, on the respect of the rights of children, on the use and regulation of the labour market, on social protection and on the respect for human rights.

19. He emphasized that partnership was the key to successful implementation. It implied joint action on local and national government levels, with the various components of civil society and with the private sector. That partnership needed to be centred on joint action on programmes based on a shared vision of the needs, objectives and capacities of the country.
20. The measurement of the results and permanent evaluation of successes and positive effects, as well as of failures and shortfalls, were also important requirements. There was a need for quantified goals and well-established indicators, established by developing countries themselves.
21. He then stressed the importance of achieving coherence among trade, investment and development policies. Coherence should also extend to interaction between governments, multilateral institutions, civil society and the private sector. Enterprise policy was, in general, not exogenous, since it brought about the creation of successful medium-size or small enterprises in developing countries.
22. The multiplicity of decision makers in the development process made it imperative to develop indicative frameworks that put in perspective the local conditions and the conditions for sustainability. A checklist was required to ensure that diverse actions were mutually supported.
23. He thought that it was also necessary to consider the design of mechanisms for financing global public goods through public and private financing.
24. In closing, he noted that the increasing interdependence between countries placed a premium on greater coherence. He thought that the tripartite approach was a good way of responding to the requirements of the new model of development.
25. The Worker spokesperson posed three questions to Mr. Faure: what the OECD was doing to further the objectives of Monterrey, particularly in the area of development assistance to developing countries; what the OECD was advocating as a result of the cracks that were so obviously appearing in the IMF and World Bank models for development; and what the OECD's position was regarding those developing countries that had shifted their expertise into the area of knowledge and the financial sectors. On the latter question, he commented that there appeared to be an offensive to destroy those initiatives.
26. The Employer spokesperson emphasized that a framework of values needed to exist. Without transparency, good administration, a fight against corruption and respect for the law, fundamental rights at work could not be achieved.
27. The representative of the Government of India commented that, while the economic liberalization process should continue, a mid-course correction was needed to ensure poverty reduction in developing countries.
28. In responding to the question and comments, Mr. Faure said that greater policy coherence was of capital importance. A composite index that would measure the degree of coherence or incoherence among policies would be extremely useful in that context.
29. On the question of financial services he said that the OECD was at the forefront of legitimate concerns about the regulation of international transactions. There were problems, such as the improper use of earnings from natural resources to finance conflicts and the funding of terrorist activities, that had to be dealt with. In contrast, the OECD did not have anything against the development of legitimate financial services.

30. In concluding the session, the Director-General thanked the guest speakers for acknowledging the importance of tripartism and social dialogue. He agreed that there was a need for a new burst of thinking on development. It could no longer be assumed that classical policies would produce growth with the type of decent jobs being sought. In the language of the ILO, what was required was “growth with decent work”. He then pointed out that another critical issue was the balance between the global and the local aspects. Globalization had been strongly promoted but, in the process, the local aspect had disappeared. Yet people lived locally in communities and in families. Problems at that level had become more acute. There was thus an urgent need to find the right balance through policies that permitted the global aspect to play its role but that, at the same time, acknowledged that people lived locally.
31. He concluded by noting that probably the biggest lack of coherence lay in the multilateral system where every organization promoted policies within its own mandate without noting the interactions and the reciprocal influences among their respective policies.

World Commission on the Social Dimension of Globalization

32. The Director-General noted that, since his last report to the Governing Body, the work of the World Commission on the Social Dimension of Globalization had moved ahead rapidly. The level of interest and participation in the work of the World Commission had been quite remarkable.
33. The Director-General reported that the World Commission had been identifying and assessing policy ideas in certain major areas, such as new global production systems and how their benefits could spread, international economic and financial policies and institutions, responses to globalization and strategies for growth, and ways to manage the cross-border movement of people in the interests of all. Gender equality, employment, cultural identity and voice, organization and representation were major cross-cutting themes that had emerged. In all those areas the World Commission would be looking both to assess the situation and to make practical proposals aimed at a wide variety of social actors. There were also many promising issues, for instance the necessary balance between the global and the local aspects in order better to understand local problems, and develop local solutions and local actions. Employment was another key issue. In addition, fairness in the rules of the game of the present form of globalization had been addressed with respect to financial trade and development issues. The secretariat of the World Commission was pursuing those and other issues through its knowledge networks.
34. The World Commission had always emphasized the importance of close collaboration with the international community and the United Nations system, and with the Bretton Woods institutions. In that connection, the World Commission had held two very important sessions with Mr. Horst Köhler, Managing Director of the IMF and with Mr. Supachai Panitchpakdi, Director-General of the WTO, in October. There had been an excellent exchange in a very positive spirit. Both were willing to help identify options and alternatives that the World Commission could consider in order to make globalization more inclusive. Other organizations of the multilateral system had also made important contributions to the substantive work of the World Commission in a number of areas, for instance on international migration, global public goods, national policies for inclusion in the benefits of globalization and cross-border networks to promote growth and development.
35. In conjunction with its third meeting in October, the World Commission had also held a working session organized by the International Organisation of Employers with a number

of Chief Executive Officers of global companies. There was agreement that the social dimension was a key part of company strategy and that social progress and economic efficiency needed to go together.

36. The meeting with the CEOs was part of a broader strategy that the World Commission had adopted of dialogues with key actors in the process of globalization, including with representatives of governments, workers, employers, NGOs, international and regional organizations. The aim was to build a wider constituency for the work of the World Commission by involving many people in its work. There had been an important space for this dialogue at the World Summit on Sustainable Development in Johannesburg.
37. Another key activity had been a series of national dialogues. Ten had been carried out so far and as many more were to be held in different regions of the world in the following months. They were public dialogues and the results were publicly available.
38. The Director-General informed the Working Party that in the next few months there would also be a series of regional dialogues, in Latin America, Asia, Europe and Africa, which would focus on the possibilities of regional strategies and the extent to which regional integration could help countries and regions maintain social objectives in the global economy. Over the coming months, there would also be a series of activities continuing the dialogues and knowledge meetings.
39. The Director-General emphasized that the work of the World Commission was an open process. Many governments and employers' and workers' organizations had already submitted ideas and proposals or provided support in other ways, and the secretariat was at the disposal of ILO constituents to act as a channel to the World Commission. In general, unlike previous Commissions, the present one was working in a way that was open to societies, in a way that permitted it to receive as much input as possible.
40. The Employer spokesperson stressed that States and governments should participate actively in the work of the World Commission because they were ultimately responsible for ensuring the management and application of policy at the national level. Whether the national policies were good or bad had an influence on whether globalization had positive effects or otherwise. He also highlighted the importance of having an appropriate framework to ensure the respect of certain specific, clearly defined values tied in with democracy, the rule of law and macroeconomic stability. Those were all very important for ensuring that the benefits of globalization extended to all.
41. The Worker spokesperson noted with approval that the World Commission remained an independent effort even though it was an initiative of the ILO. For many years the ILO, and the Workers' group within the ILO, had been stressing the need for social considerations to be brought into the governance of globalization, but there had been very little progress on that score. He was thus particularly pleased to learn from the Director-General that there was now a suggestion from other United Nations agencies and the international financial institutions that they were committed to the exercise and were willing to play a meaningful role in dealing with the social dimension of globalization. He gave an assurance that the trade unions would assist in the work of the World Commission and hoped that the report would be one that would benefit governments, employers and workers around the world.
42. The representative of the Government of Italy on behalf of the European Union believed that the ILO was the most appropriate forum for international substantive dialogue on the social dimension of globalization. He stressed the importance for all global institutions involved to work together coherently in order to maximize the benefits that globalization brought, while at the same time minimizing its negative social consequences. There was

also a need to build a consensus on a model of globalization that would reduce poverty and insecurity and increase opportunities for all. Decent work was a key element in achieving this goal.

43. The representative of the European Commission strongly supported the coherent and integrated approach of the work of the World Commission. She informed the Working Party that the European Commission would be organizing a high-level regional meeting with the World Commission the following February.
44. The representative of the Government of France said that the ILO could not solve the social problems generated by globalization on its own. Neither could individual countries working on their own. It was essential to put in place equitable rules for governing globalization. He said that his Government was willing to encourage concrete collaboration among the WTO, World Bank, IMF, UNDP and the ILO to achieve the goals of the World Commission.
45. The representative of the Government of Canada welcomed the opportunity to further examine issues relevant to the work of the World Commission at the upcoming Fifteenth American Regional Meeting in Lima.
46. The representative of the Government of Japan said that it was important to improve the situation of workers in developing countries through technical support for active labour market policies, the labour inspection system and the enforcement of labour legislation.
47. The representative of the Government of India recognized the importance of respect for labour standards but noted that each country should decide how to improve them as part of their national agenda.

Investment in the Global Economy and Decent Work

48. The Office paper¹ was generally well received for its analytical quality and balance and was thought to provide a good basis for discussion.
49. The Worker spokesperson felt, however, that the paper had not given sufficient attention to the problems of poor working conditions in export processing zones (EPZs) and to the fact that they were dominated by low value-added activities that yielded few benefits to host countries. He felt that the Office should do more work on that issue and urged the setting up of a special unit to undertake that work. He also disagreed with the views expressed in the paper on the limited value of instruments such as technology transfer and joint-venture requirements, and the protection of infant industries.
50. He raised several concerns over the current pattern of cross-border investments. They included the high level of the exchange between developed countries and the concentration of the remaining 20 per cent between a mere ten developing countries; the serious problem of a “race to the bottom” as a result of competition among developing countries for investment; the weakening of the bargaining position of workers in the face of increasingly mobile foreign capital that resulted in a falling share of wages in factor income; the erosion of the fiscal capacity of governments; and the tightening constraints on the power of choice of governments due to multilateral trading agreements. He suggested that the Office

¹ GB.285/WP/SDG/2.

undertake further research on issues such as the concessions being made by developing countries to foreign investors and the distribution of the value added within foreign firms.

51. He outlined an alternative vision in which the welfare of people should be the centre of all economic activities. He argued that profitable investment was perfectly compatible with the creation of decent work and rejected the argument that indecent jobs were better than no jobs. From that perspective he welcomed the link forged between investment and decent work in the Office paper. He urged the Office to mobilize the support of other relevant international organizations for the achievement of the goal of decent work for all in the global economy. He also welcomed the growth of voluntary private initiatives complementing the ILO's work on standards because of the potentially positive impact they had on decent work and argued that the Office should play a role in endorsing and monitoring those initiatives.
52. The Employer spokesperson stressed the many advantages gained through foreign direct investment (FDI), which included the investments in training made by foreign firms, the resulting improvements in wages and working conditions and the introduction of new technologies. From this perspective EPZs provided a useful entry point into global production systems and offered opportunities to move up into higher value-added activities. He also maintained that foreign investment had not undermined fundamental labour rights and that employers were against exploitative labour practices. He stressed that it was the responsibility of the ILO to promote fundamental labour rights and for member States to honour their commitments under core labour Conventions.
53. He also emphasized the importance of good national policies as a means of attracting FDI. Good governance, a sound investment climate, respect for property rights, a good physical infrastructure, and human resource development were all essential for attracting FDI. The absence of those prerequisites constituted "invisible barriers" to investment that were more important than the granting of subsidies and concessions. He also pointed out that national policies, such as the strengthening of social safety nets and the provision of training and retraining, were crucial for coping with the problems of worker displacement and adjustment to new technologies. In addition, the integration of the informal economy into the economic mainstream was vital in order to strengthen economic growth, especially through the development of small and medium-sized enterprises.
54. He said that his group welcomed the development of voluntary private initiatives because they represented an increased responsibility on the part of people and enterprises. Those initiatives also had a positive impact on decent work, especially by raising productivity. He argued, however, that they should not be considered a substitute for the role of the State and it must be clear that they should remain strictly voluntary. He also opposed the introduction of the notion of a "living wage" in those or in any other initiatives.
55. On further work by the Office, he highlighted the need for a more detailed examination of the issues discussed in paragraph 23, i.e. the characteristics and impact of flows of portfolio and equity investments. That included the issue of financial crises and the impact of free capital flows on macroeconomic policy.
56. Commenting on the two previous interventions, the Chairperson said that he had been struck by two points. First, on voluntary private initiatives the Workers wanted more work to be done but fully acknowledged that they were voluntary and should not replace labour law. The Employers had said that those initiatives should not undermine the State. He thus wondered whether that signalled agreement on the need for further research on the issue. Secondly, on EPZs it also appeared that both parties were coming to the same basic conclusion, even though they had started from different directions. He had not heard the Workers say that EPZs had to be abolished. The Employers had said that EPZs were a

good thing but they too did not want to see the use of slave labour in such zones. He thus wondered whether that again signalled agreement on the need for further research.

57. In the ensuing debate several developing country governments stressed the importance of creating a favourable external environment to enable developing countries to benefit more from global investment flows. That could be achieved through improved market access to industrialized country markets; debt relief; increased official development assistance (ODA), especially to improve the attractiveness of developing countries to FDI; and the redressing of an unfair and unjust international political and economic order. The problem of the volatility of non-FDI capital flows was also highlighted, as was the need to protect pension funds. The need to avoid conditionality on the improvement of labour standards was also raised.
58. The European Commission argued for progress in developing a multilateral framework for investment as part of the Doha Development Agenda. That would benefit developing countries since it would take into account their needs and concerns, including the preservation of their capacity to regulate FDI to achieve development objectives.
59. Several governments stressed the importance of employment creation as a means of maximizing the benefits from global investments. It was also recognized that that had to be accompanied by parallel efforts to improve labour standards. The ILO Declaration on Fundamental Principles and Rights at Work was recognized as a powerful instrument for achieving that objective since free markets alone could not ensure the desired outcome. Social dialogue, especially through its impact on raising productivity, was also seen as an important means of achieving decent work.
60. One government highlighted the fact that crony capitalism reduced the benefits from foreign investment and urged international action to solve that problem.
61. Suggestions were made for further research, especially on the determinants of the positive and negative effects of foreign investment. The need to harmonize the work of the Working Party with other committees of the Governing Body was also raised by the representatives of the Governments of France and the United Kingdom. That would be a good means of arranging for more in-depth and action-oriented follow-up to issues examined in the Working Party.
62. In summing up, the Chairperson reminded the meeting that the Working Party was not a committee to make policy but simply a body to advise. There were a number of problems, not the least of which was the rich menu that had been supported in terms of further work in paragraph 31, added to by Governments, Employers and Workers. Suggestions for further areas of work had been made on EPZs, corporate social responsibility and voluntary private initiatives, the question of multinational enterprises and the division between investment and repatriated profit, among other issues. There was thus a need to use other committees and to ensure greater coherence.
63. He also noted that the discussion had been highly relevant to the work of the Commission and that it was important to ensure that the information was made available to it.
64. He then pointed to the need to make choices between the issues proposed for further work and to fix an agenda for the next meeting. In that connection he proposed that a meeting be convened that would involve the spokespersons of the two social partner groups, the regional coordinators, Ambassador Chung and the Office. The meeting would decide on the agenda for March 2003 and also take up the points that had been made by governments

about the need for coherence and follow-up work in other committees. For example, the paper on EPZs² currently before the Committee on Employment and Social Policy (ESP), but not discussed in the current session for lack of time, could be updated to take account of the points made by the Workers' group.

65. On the overview of developments in other international organizations and bodies relevant to the work of the Working Party,³ it was agreed that in future the information would only be made available on the ILO web site, subject to satisfactory arrangements being made for delegates who did not have Internet access during their stay in Geneva.

Geneva, 20 November 2002.

² GB.285/ESP/5.

³ GB.285/WP/SDG/3/1.