

World Commission on the Social Dimension of Globalization



Dialogues in Asia



International Labour Office
Regional Office for Asia and the Pacific

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Introduction

Globalization is affecting the way that people communicate, produce, consume and interact with each other from different places throughout the world. It connects people across barriers of space and time, and it brings change — rapid and unsettling change.

In Asia, the stunning transformations engendered by globalization over the past two decades are often compared to the effects of a *tsunami*. Like a huge tidal wave, globalization helped lift millions of Asian men and women out of poverty in a surprisingly short period of time. To some, it gave an opportunity to reach unprecedented levels of prosperity. Others caught a glimpse of the new prospects, but in fact were confronted with painful adjustments in their personal lives. Some — too many, regrettably — were left out entirely, unable to reap any benefit. They did not gain a job, better health and more education; nor could they enjoy greater security, identity or voice. On the contrary, they were faced with new threats and new uncertainties.

Many intertwined factors were at play. However, these unbalanced outcomes are leading to growing scepticism *vis-à-vis* globalization, if not outright opposition. Can globalization be managed more wisely, so that its benefits are shared by all and nobody is denied a fair chance to enjoy a better, more fulfilled life? This is the critical policy question of our time, in Asia and elsewhere.

The Commission on the Social Dimension of Globalization was established by the International Labour Organization (ILO) to look at that question from a new perspective. Its goal was to move the public debate from sterile confrontation to dialogue based on shared understandings, and to generate new ideas for policy changes leading to more inclusive and fairer outcomes.

Although it was set up by the ILO, the Commission is independent of the Organization. Its 26 members have a broad variety of experience and come from different geographical backgrounds. They include major political figures; leaders from business, labour and civil society; academics and parliamentarians from countries in the North and the South. Each member brings a special competence and a distinctive viewpoint on the issue of globalization. The Commission is co-chaired by two Heads of State, which brings a unique sense of political commitment and accountability. The social dimension of globalization is multi-faceted, like globalization itself. It is broad but simple. It encompasses most aspects of people's lives — at work, in their family and in society. The special features of the Commission make it uniquely equipped to deal with the whole range of these different facets.

Since its first meeting in March 2002 the Commission has demonstrated the value of a group of global citizens working together to strive for common ground, rising above contending interests and affiliations.

In their final report, just published, the Commissioners submit their vision of a new approach to globalization, one less centred on markets and more concerned with people. They call for a major turn in public action.¹ Globalization, they argue, can be made to work for all if it is subject to better governance at all levels. They invite all actors, state and non-state, to make joint efforts, and they put forward many practical recommendations for policies to empower local communities; to enhance the effectiveness of national governments and international organizations and extend democratic control over the operations of both; and to collectively devise new sets of fair rules for the global community.

This volume brings together the proceedings of the dialogues on the social dimension of globalization organized by the ILO Regional Office for Asia and the Pacific in collaboration with the secretariat of the Commission.

Broad and deep consultations with decision-makers and social actors in all regions were a main tool the Commission used to carry out its tasks. Commissioners deemed this approach essential in order to gain a full understanding of what people think of globalization, what their concerns and aspirations are, and how these concerns and aspirations differ in different corners of the world.

In Asia, three national dialogues were held — in the Philippines, India and China respectively — in the period between September and December 2002, and one Asian regional dialogue was held in Bangkok. Overall, they gathered more than 300 participants — including politicians, officials, national leaders of workers' and employers' organizations, representatives of civil society, organizations of women and of indigenous peoples, academics and journalists. Participants were invited to attend on the basis of their leadership and knowledge of globalization and its effects; there was no attempt to have a representative sample of the whole of public opinion but rather to have representative voices from all walks of life.

The members of the Commission played an active role. They provided leadership in organizing the consultations. The national dialogue in Beijing was hosted by the China Development Research Foundation and chaired by its Secretary-General and member of the Commission, Dr. Lu Mai. The dialogue in India was designed and run by a steering committee led by another member of the Commission, Professor Deepak Nayyar, Vice-Chancellor of the University of Delhi. In the Philippines, Commissioner Victoria Tauli-Corpuz, Director of Tebtebba Foundation, acted as the co-convenor of the national dialogue together with the ILO Office in Manila. In Thailand, Commissioner Dr. Surin Pitsuwan, an MP and former foreign minister, headed a national dialogue held in conjunction with Thammasat University and the Friedrich Ebert Foundation.

Commissioners from outside the region also participated. Lord Brett, ILO Governing Body Chairperson at that time, attended the dialogues in Delhi and Bangkok. The participation of Co-Chair, H.E. Tarja Halonen, President of Finland, in the dialogues in Beijing and Bangkok will attest to the importance attached to the consultations in Asia.

Each dialogue was designed to encourage interaction between Commissioners and the other participants. Small group discussions were used to foster open and frank

¹ The World Commission on the Social Dimension of Globalization: *A fair globalization: creating opportunities for all*, ILO, Geneva, 2004.

exchanges, airing different views and possible solutions, experiences and aspirations, critiques and demands. For all the participants, this was a refreshing and inspiring experience.

The dialogues were rich, stimulating and often compelling. As the reports show, a wide range of opinions were expressed reflecting the variety of experiences with globalization in the region. Views were not always straightforward, nor consistent. At times a common reality was perceived differently, as interests and points of departures were different. This variety is not surprising. As pointed out in the discussion in Delhi, globalization is a complex, dynamic and often contradictory process.

Notwithstanding this diversity, there was an encouraging sense of common purpose and a clear consensus emerged on the priority areas for policy intervention.

The Asian dialogues were a new and unique source of policy ideas. They addressed traditional themes of the debate — finance, trade, migration, technology and global production. But they also pointed to the aspects of globalization that tend to receive less mainstream coverage: its implications for people in the rural and informal sectors, questions of gender, the perceived threat to local traditions and cultural identities and the difficult issue of the democratic control of markets. These are fundamental challenges that policy-makers in the region cannot escape.

The dialogues in Asia informed and enriched the deliberations of the World Commission on the Social Dimension of Globalization. By the same token, they could give insights and inspiration to the work of the ILO and its constituents in the region. The reports in this volume are presented as a complement to the final report of the Commission and as an instrument to give regional specificity and further depth to its suggestions.

We think that all those who look forward to a model of globalization which is more respectful of people will find this volume useful.

Many ILO colleagues were involved in organizing the dialogues. Special thanks should go to the members of the Commission secretariat in Geneva who coordinated the programme of consultations worldwide. In Asia, particular mention should be made of the support provided by the Director and staff of the ILO Sub-regional office in Manila, the Director and staff of the ILO Sub-regional office in New Delhi, and the Director and staff of the ILO Office in Beijing. A special role was played by Mahmood Moazam, who acted as focal point for the dialogues within the ILO Regional Office for Asia and the Pacific. In cooperation with Aurelio Parisotto, member of the Commission Secretariat, he also coordinated the publication of this volume.

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NATIONAL DIALOGUES

Philippines

Manila, 12 September 2002

REPORT

Date and venue

The High-level National Policy Dialogue on the Social Dimension of Globalization was held in Manila on 12 September 2002. The World Commission on the Social Dimension of Globalization was represented by Ms. Victoria Tauli-Corpuz, Director of the Tebtebba Foundation and by Carmela I. Torres, Deputy Director of the ILO Manila Office. Speakers included Ms. Carmela I. Torres, Ms. Victoria Tauli-Corpuz, Mr. Michael Henriques, World Commission Secretariat, Geneva and Ms. Teresita Quintos Deles, Secretary of the Philippines National Anti-Poverty Commission.

Participants and programme

The 90 participants represented a broad spectrum of society, including key officials, researchers from leading business and industry associations, trade union federations, non-governmental organizations, civil society groups, and academic specialists on aspects of globalization such as gender inequality, child labour, joblessness, and the Asian financial crisis. Government officials representing the Department of Labour and Employment, the Commission on Human Rights, the Department of Trade and Industry, the Philippine Economic Zone Authority, the National Commission on the Role of Filipino Women and others were present.

A number of labour, NGO and government participants are also members of the National Anti-Poverty Commission. Almost all major labour centres in the country were represented, either by their key officials or chief researchers. Employers were represented by leading officials of the Employers Confederation of the Philippines, the Federation of Philippine Industry, Philippine Exporters Foundation and the Federation of the Philippine-Chinese Chamber of Commerce. A former Senator heading one of the country's largest NGOs also attended the national dialogue.

The organizers decided against inviting Cabinet members or legislators, in order to avoid 'politicizing' the dialogue process.

To ensure a meaningful outcome, participants were requested to focus on policy issues and on what appropriate policies can do to enhance the social dimension of globalization.

To give the 90 participants equal opportunity to voice and share their views, six working groups were formed. Except for the opening speeches by ILO officials, a

member of the Commission and the head of the National Anti-Poverty Commission, there were no outside resource speakers.

Based on the Commission's original set of issues, each working group was given the following questions:

- a. What impact has globalization had on the work and lives of women and men? Give a general assessment of the positive and negative impact of globalization, and suggest policies to reduce exclusion and maximize the social and economic gains/benefits from globalization.
- b. Rethinking the rules of globalization. What important values, goals and policies should be proposed as guideposts to make global trading work for all?
- c. What can different organizers (business, labour, farmers, etc.), civil society groups and other organizations (including multilateral financial institutions) do to help advance or strengthen the social dimension of globalization?
- d. Decent work for all. What can be done so that all working people (women and men) will have access to decent work – meaning work accomplished in conditions of freedom, equity, security and human dignity?
- e. Role of government. In what ways can governments help give globalization a human face and ensure equitable, sustainable and broad-based growth for all?

All working groups were chaired by academics selected by the organizers, except for one group facilitated by the former research director of the Department of Trade and Industry. The group sessions ran from 10 a.m. to 3.30 p.m. Plenary reporting and discussion, including closing remarks by the convenors, were scheduled to close at 5.00 p.m. but finished at 6.00 p.m., an indication of the high level of interest and enthusiasm generated by the dialogue.

Opening statements

The opening session, facilitated by Ajit Ghosh, a Senior Specialist from ILO Manila, had four speakers:

Ms. Carmela I. Torres, Deputy Director of ILO Manila, welcomed the participants. Ms. Torres reminded participants that debates and discussions on globalization were not new, especially in the Philippines. However, she affirmed that the ILO had consistently sought ways to promote the social dimension and reduce the negative effects of globalization on society and the economy. In particular, the ILO was promoting decent work to create “opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity”. The dialogue was organized within this framework to help identify the policy options that would improve people's lives under globalization.

Ms. Victoria Tauli-Corpuz is Director of the Tebtebba Foundation (an NGO working to protect the interests of indigenous peoples), a member of the World Commission on the Social Dimension of Globalization and chief convenor of the Manila Dialogue. Ms. Corpuz emphasized that the Commission was created to highlight the social dimensions that were often overlooked in the globalization process, including access to decent work, education, health, etc. She cautioned that in the recently concluded World Summit on Sustainable Development in South Africa, the most difficult

negotiations were over issues of globalization, inequality and poverty. There were many imbalances, asymmetries and inequalities under globalization; the rules of the World Trade Organization (WTO) put a heavy burden on weak and developing economies (for example, Organization for Economic Cooperation and Development (OECD) countries were subsidizing their agriculture to the tune of \$1 billion a year, enabling their producers to capture global markets at the expense of small farmers from developing countries). She underscored the urgency of devising reforms to reshape the trajectory of unequal globalization, including reforms within international financial institutions.

Mr. Michael Henriques, Director of Job Creation and Enterprise Development, ILO, Geneva, attended on behalf of the Commission Secretariat. He pointed out that the series of dialogues organized by the Commission was designed to give greater coherence to the discussion of social issues and policies related to globalization. He described the nature of the Commission, its objectives and its ultimate goal, which was to formulate a Report outlining ways in which the process of globalization could serve to reduce poverty and unemployment and foster growth and development. He informed the participants the ILO Director-General, Mr. Juan Somavia, had articulated the need “to build as large a consensus as possible around an inclusive form of globalization”.

Secretary Teresita Quintos Deles, the Lead Convenor of the Philippines National Anti-Poverty Commission, spoke on behalf of the Government. She referred to her past role advocating anti-poverty programmes in the civil society movement, a role she continued to perform as a government official. The National Anti-Poverty Commission was focusing on increasing people’s capabilities to deal with globalization; one approach was to give the poor greater access to resources and assets, including human resources development. She shared her dilemma as a government official “trying to enhance the positive effects of globalization and to blunt its adverse impact”.

Key issues and concerns

Globalization has the capacity to foster growth through the creation of new industries (mainly in the ICT sector) and to link people more closely together (improved communication services, Internet). However, the negative effects are numerous and cannot be ignored. Some result in social and economic dislocations for workers and the collapse of certain industries in the heat of competition, sometimes under unfair terms of trade (foreign dumping, smuggling, unilateral tariff reductions without government consultation with the industries concerned). For workers, the widespread flexibilization of labour through downsizing, casual hiring and so on, leads to a shrinking formal labour market and weakens unionism. In some industries, global and transnational capital tends to “fly” freely to other locations inside and outside the Philippines, so that employers may avoid their obligations to workers or take advantage of cheaper labour. The result is widespread demoralization in the ranks of workers. Some unions claim to have difficulty organizing in certain Export Processing Zones (EPZs), although the representative of the Philippine Export Processing Zone Authority said that they fully recognized labour rights, including the right to organize.

The expansion of the informal sector indicates the inability of the economy to create decent and regular jobs. Of special concern is unemployment (an estimated 13.9 per cent or 4.8 million in 2002) and the upsurge in overseas Filipino workers (estimated at over 5 million, excluding 2 million permanent emigrants). Child labour is increasing (from 2.7 million child workers in 1995 to an estimated 4.2 million in 2002.)

Specific problems were cited, among them: 1) the large-scale entry of big mining companies into ancestral lands occupied by indigenous peoples, whose collective rights

over their land and livelihoods are being violated; 2) under globalization health care and health services are being commercialized and becoming inaccessible for many; 3) the enforcement of environmental and health standards is weak, especially in agriculture.

Main policy recommendations

Rethinking the rules of globalization

Some rules should be put in place to humanize the globalization process and address its negative or adverse social consequences:

- Social, environmental and labour standards at the international level, as articulated in the ILO Decent Work programme and the UN Global Compact Initiative, should be observed in practice.
- The WTO should insist on fair trading arrangements, not on equal rules per se between unequal trading partners. This means taking into account the developing countries' capacity to grow, according to their level of development.
- Transnational corporations should be covered by global codes of conduct.
- Economic and social rights, such as the right to ancestral domains of indigenous people, should be legally enforceable. WTO rules cannot supersede UN Conventions such as the International Convention on Human Rights.
- Inclusive measures should be promoted, incorporating social dialogue at all levels.
- Global and regional trading agreements unfavourable to developing countries should be subject to review and correction.
- Controls should be placed on the inflows and outflows of speculative capital.
- Unjust debt should be repudiated; indebted developing countries should have greater voice in the policies formulated by international financial institutions (IFIs).
- Local industries in vital areas, such as food and pharmaceuticals should be supported and developed.
- The rights of migrant workers should be protected and labour-receiving countries should be asked to ratify the International Convention on the Rights of All Migrant Workers.

What can local organizations (NGOs, trade unions, business associations, etc.) do?

Two key points were raised: 1) the importance of institutionalizing social dialogue in addressing problems arising from the globalization process and finding viable solutions; and 2) the importance of research and information dissemination as the basis of policy formulation and social dialogue. Thus, social dialogue and information-sharing should be as inclusive as possible, at all levels of society. Under globalization, there should be a stronger consumer movement, while labour organizing should cover both the formal and informal sectors. There should be a coalition or alliance of different sectors to protect the environment and to combat the unfair trading practices of other nations.

On decent work

Participants actively voiced the importance of making the decent work framework the guiding principle for globalization. Decent work should be incorporated in the rules of the WTO and in the lending operations of the IFIs. Likewise, the decent work paradigm should help prevent the seemingly inexorable race to the bottom under globalization. This trend has penalized not only trade unions but also industries in the Philippines.

Role of government

Under globalization, the Government should play a more active and forward-looking role. It should have a greater capacity 1) to design and implement an independent agro-industrial policy and 2) to base negotiations with the WTO and other trading bodies on national development priorities. In this context, the Government should be able to promote and develop domestic agriculture and industry at the same time as it permits the freer entry of foreign goods and capital.

In line with this, good governance is a must. The capacity of a government to assert its national interests in global trade talks is linked to its credibility and standing. Government can also strengthen its negotiating ability by conducting broad-based consultations with all sectors on key trade and globalization issues. Citizens' participation in policy formulation and in monitoring development programmes should also be greater.

The Government must lead the transformation of society by fostering work ethics, discipline and industry in its citizenry. At the same time Government should anticipate and address the problems of vulnerable social groups. Safety nets for displaced workers and weak industries can be designed more creatively to transform these workers and industries not only into survivors but winners. Support should be given to globalization-localization initiatives by strengthening some local industries against global competition. Other tasks of Government include the political will to adopt a more progressive and equitable taxation system and to prevent tax abuses by local and foreign monopolies.

China

Beijing, 26 November 2002

REPORT

Background and Programme

The National Dialogue was held on 26 November 2002, in Beijing. The China Development Research Foundation (CDRF) and the ILO Beijing Office were the two co-sponsors. The dialogue was arranged within the framework of the World Commission on the Social Dimension of Globalization, in consultation with some 45 participants from Chinese government agencies, trade unions, representatives of enterprises, academics and NGOs. The Co-Chair of the Commission, President Tarja Halonen of Finland attended the afternoon session of the dialogue and addressed participants.

The meeting was chaired by the Secretary-General of the host institution, CDRF, Mr. Lu Mai, who is also a member of the World Commission representing China. The National Dialogue focused on three generic issues. What has been the impact on China of the process of globalization? What are the attitudes of Chinese people towards globalization and what do they expect from it? What measures should be taken to ensure that the vast majority of the world's population benefit from the global economy?

The event began with a plenary meeting, followed by group discussions on the three main topics. In the afternoon representatives of the three groups reported on their discussions and views were exchanged during a second plenary session.

The speakers in the morning included the Vice-Minister for Labour and Social Security, Mr. Li Qiyang, the Vice-President of the Development Research Centre of the State Council, Mr. Chen Xiwen, the Vice-Chairman of the All China Federation of Trade Unions (ACFTU), Mr. Xu Xicheng, and the Vice-President of the China Enterprise Confederation (CEC), Mr. Chen Lantong. In addition, a number of representatives from academic institutions and civil society spoke on the key issues of the dialogue. The speakers were articulate and frank, acknowledging the benefits and costs as well as the immense policy challenges for China. There was consensus on many issues but also divergent viewpoints on significant topics.

The Co-Chair of the World Commission, President Tarja Halonen of Finland, attended the afternoon session accompanied by the Chinese Minister for Labour and Social Security, Mr. Zhang Zuoji. Mr. Zhang Zuoji pointed out that in the past two decades China had been engaged in system reform, coinciding with the accelerated process of globalization. As the largest developing country in the world China had been actively participating in globalization and undertaking more comprehensive policies on reform and development, which had resulted in rapid economic growth.

President Tarja Halonen emphasized that the objective of the Commission was to make globalization more human and inclusive, to increase employment and reduce poverty, to facilitate sustainable development for the whole world and to move discussions on globalization from confrontation to dialogue. She pointed out that more beneficial and fairer participation in globalization for the developing countries required short-term concessions from the industrial countries, so that over the long term everyone would benefit. She also emphasized that the initiatives from country dialogues and recommendations for achieving sustainable globalization would be presented to the World Commission, which would draw up a policy package on globalization.

This dialogue among different sectors and civil society groups was the first of its kind in China. Opening statements

Key issues and concerns of globalization for China

Globalization is undoubtedly the main economic trend today and participants agreed that developed countries have been the major beneficiaries. China has taken part in the process and the country's economy has coped very well with the Asian crisis and the global recession. China's accession to the WTO could affect certain economic sectors (agriculture for example) sufficiently to lower the aggregate growth rate. China's domestic agenda, mainly economic adjustment, is complicated enough without the challenge of globalization. Major apprehensions concern the increasing macro vulnerability of the Chinese economy and national society in terms of unemployment, income disparity, social security, health care, and ecological and environmental protection. These are seen to be costs that China has paid. Meanwhile, the country benefits from globalization by obtaining considerable foreign direct investment (FDI), transfer of technology, and expanding trade in goods and services - both imports and exports.

The immense challenge that China faces can be summarized as follows:

1. China's 1.3 billion population has a labour force of 730 million, which poses the greatest employment challenge in the world. Unemployment levels and early retirements have increased considerably despite very high growth rates over the past two decades created by the reform of State-owned enterprises (SOEs), rapid industrialization, growth of exports and high volumes of FDI. Rapid growth produced a significant increase in income and a significant fall in poverty levels. Some industries and SOEs were badly affected by globalization, suffering job losses, while rural industry is no longer able to absorb as many workers as in the past. China's access to WTO has an especially adverse impact on agriculture where most of the surplus labour exists. Owing to the over-supply of labour, low wage rates have not increased and the income gap is widening. Here China faces a dilemma: on the one hand workers' welfare needs to be protected while on the other China needs low labour costs in order to remain competitive and thus ensure economic growth in the long run. This makes the employment challenge paramount.
2. The disparity between China's social and economic development has increased over the past two decades, along with rapid economic growth and restructuring. The impact of globalization has accelerated, resulting in:
 - a) Regional imbalance in development. Unlike the eastern coastal areas, the inland western provinces have hardly benefited from liberalization and globalization, or else they have been negatively affected. Regional disparities are widening on top of the traditional gaps in development;

- b) Income inequality between urban and rural residents, and between rich and poor. The negative impact of globalization on the agricultural sector is considered to be the result of unfair international trade rules. The developed countries are heavily subsidizing their own agricultural sectors, competing unfairly against developing country agricultural products, and lowering their international prices, to the detriment of predominantly rural populations. Rural/urban migration is still constrained by the 'Houkou' system, adding to existing income differentials between urban and rural areas.
 - c) Discrimination against women workers. In terms of working conditions and benefits female employees in many eastern joint venture or foreign capital enterprises are treated less well than their male counterparts; in general Chinese women face harsher employment conditions.
3. Globalization poses a management challenge for the Chinese Government, which is burdened by its legacy from the planned economy. When the dual system which divided the cities from the countryside was changed after twenty years of rapid economic growth, the Government had to respond to the new situation and meet emerging needs. It is necessary to build effective information and communication channels for the exchange of ideas across different sectors of society and different groups of people to help the country to adapt.
 4. Environmental insecurity is a growing threat. China has become a major production centre for the world but it has accumulated some the world's most obsolete industries. There are concerns that global production chains could damage the environment to a point where there is real danger. Participants expressed different opinions on the reasons why environmental sinkholes are sited in developing countries like China. Some blamed the demand factor of Chinese provincial competition to attract FDI by lowering environmental standards; others blamed the supply factor of multinational corporations' relocating their heavier polluters to China.
 5. To a certain extent globalization has implied Americanization and cultural hegemony — conspicuous consumption as opposed to frugality. However, there are still some 60 million people mired in poverty and an additional 60 million who are just above the poverty line in China. This serves as a reminder of the grave consumption deficits which remain and which are considered a potential cause of social instability.
 6. Representatives of workers and employers expressed divergent concerns. The workers focused on working conditions and wages in multinational corporations and export processing zones, the changing composition of trade unions due to privatization, and its impact on relations with employers. Employers' concerns were based on the need to increase enterprise responsiveness to the market, and enterprise responsibility to shareholders, in order for private sector growth to increase re-employment.

Chinese people's expectations and suggestions on globalization

The following consensus was reached at the dialogue: the benefits of globalization should be shared by the majority of people in the world; policies must go beyond the clichés about creating a win-win situation and make globalization more human and ethical; they must create opportunities for the less developed countries to gain fairer conditions as trading partners and to participate in rule-making. Equality in development opportunities and equality between the two sexes is expected; a reduction in the income

gap is also expected along with the progress of globalization. As consumers the Chinese people would prefer cheap prices and good quality goods and services; as workers they want better and more secure job opportunities.

Participants reached a broad consensus on the range of policies needed to make globalization benefit most people in China. The Chinese government, international organizations and multinational companies, as well as the communities in civil society should all respond more assertively to reduce the negative impact of globalization.

The recognition of rural/urban disparities in incomes, access to employment opportunities, social protection, health and education implies a need for strong action in all these areas.

- In addition to generating employment opportunities, building the social security system is another urgent issue. The poverty of rural residents in China needs to be specifically addressed. There is a need to expand the current social security system beyond the 300 million urban population to cover rural people.
- It is strongly recommended that a system be established that protects disadvantaged and marginalized social groups. In the process of globalization there are social groups who gain but do not pay, while others pay but gain little. This creates a situation that threatens the stability of the whole country.
- Individuals should be encouraged to respond positively to change. However, vulnerable senior and retiring workers need protection; this is a legacy from the planned economy. At the same time the younger generation should have more opportunities to compete and to develop rather than being over-protected. A different opinion is that social security policy should cover the majority regardless of age.
- The government role must be adapted to meet the requirements of globalisation; for example in improving the policy-making process, re-adjusting the economic system, reducing regional protection, encouraging competition and upgrading the management of the government budget.
- The unfair international trading system needs to be renegotiated. The developed countries and multinational corporations must be more socially responsible and implement international environmental standards in China and other less developed countries. The state's zoning, monitoring and enforcement capacities must be strengthened. The developed countries should help developing countries to gain from globalization, because there is only one world. More international dialogue, cooperation and coordination are needed for this purpose and China should play a more active role in it.
- International organizations including the ILO should play a more positive role in globalization by providing guidelines in areas such as the behaviour of multinational corporations, employee welfare, environmental standards, taxation and so on.
- Human capital development is of particular importance in catching up with globalization. It is the responsibility of the Government, especially the central Government, to invest in education.
- Representatives from state-owned enterprises expressed their desire for more freedom in restructuring SOEs to increase their efficiency.

- Some participants suggested the creation of a standing coordination group to continue the study on the social impact of globalization and to develop workable policy recommendations.

India

New Delhi, 11 December 2002

REPORT

Date and venue

The National Dialogue on the Social Dimension of Globalization in India was held in New Delhi on 11 December 2002. Commissioners Professor Deepak Nayyar, Lord Brett, Dr. Lu Mai and Mr. Padmanabha Gopinath, Executive-Secretary of the Commission, participated in the dialogue. The ILO office in New Delhi acted as Secretariat for the meeting.

Participants and programme

The meeting was organized by Professor Deepak Nayyar with the support and guidance of a Steering Committee of eminent persons. The members of this committee were: Ms Anu Aga, Chairperson, Thermax Limited, Pune; Mr. Mani Shankar Aiyar, Member of Parliament; Dr. Sanjaya Baru, Editor, Financial Express; Professor Rajeev Bhargava, Head, Department of Political Science, University of Delhi; and Ms Renana Jhabvala, Chairperson, Self-Employed Women's Association (SEWA). The meeting brought together about 100 participants from industry, trade unions, government, Parliament, non-governmental organizations, media, agriculture, academia, education and the worlds of art, culture and literature, for the high-level policy dialogue among concerned citizens.

At the opening plenary session the Commissioners made brief presentations and posed some questions. The substance of the dialogue took place during two sets of parallel sessions. The first set mixed participants from different groups to discuss common questions on the social dimension of globalization. The second sessions brought together selected groups to discuss questions of concern to the respective groups. The parallel sessions were chaired by members of the Steering Committee. Reports on these sessions were presented by the chairpersons and discussed in the concluding plenary meeting attended by all the participants. The opening and closing plenary sessions were chaired by Professor Deepak Nayyar.

Questions

The dialogue focused on key issues and concerns using a series of questions which were put to the participants.

The common question: Where are we now? Do you think the lives of the people of India have been enriched or diminished by the current process of globalization? Comments were invited with particular reference to: (a) The *human condition*: employment, livelihoods and incomes; health, education and social protection; (b) The *values* which underpin Indian society and polity: democracy, social justice, secularism and gender equality; (c) Who are the current *winners and losers* from globalization in our society? Do the new opportunities opened up by globalization outweigh the new insecurities and inequalities? (d) Has our *national sovereignty* been impaired or strengthened by global integration?

The specific question: What do we do? How should the process of globalization be changed or utilized to benefit the lives of our people? Comments were invited specifically in the following areas:

Group from industry, labour and agriculture

- How can *national employment and productivity* be promoted within the emerging global economy?
- What are the key policy issues at the *local* level?
- How can *social dialogue* be strengthened? Are current institutional and organizational structures adequate for the purpose in an era of globalization?

Group from government and media

What changes are called for in national and international policies to optimize the potential of globalization?

National policies

- What are the key *national capabilities* (policies and institutions) necessary to derive benefits from the global economy, e.g. in the areas of human development, infrastructure and social organization?
- How can *social protection* be strengthened in an era of market competition?
- Should the *role of the State* change with respect to markets and society?

International policies

- Are the *international rules of the game* fair? How should international policies and negotiations change in the areas of *finance, trade and development* to make globalization more responsive to the needs of the people?
- What are the policy issues for the Indian *media* in an era of globalization?

Group from NGOs and parliament

- How can globalization benefit *local communities*? How can the process be made more inclusive in terms of social groups, gender and geographical regions in the country?

- How can the policies and institutions of globalization be made more *democratically accountable*?
 - Should *international organizations* be subject to greater parliamentary oversight at the national level?
 - How can new technologies help to *deepen democracy* by empowering social actors and promoting social organization?
 - How can *Parliament interact more effectively with civil society* and community organizations? How can “voice” be reconciled with “representation”?

Group from education, culture and the arts

- In a global economy what is a *realizable vision* of a *decent life* for people?
- What *educational opportunities and systems* are necessary for people to benefit from increasing global integration?
- How can globalization better promote *cultural diversity* and *innovation*?

Perceptions

The first set of parallel sessions discussed perceptions relating to the social dimension of globalization; significant differences were expressed by various participants. To some extent, perceptions about the present were shaped by the colonial experience of the past. However, perceptions were also shaped by inter-regional imbalances and inter-class inequalities at home. Above all, people’s perceptions of globalization were a function of their place in society. Nevertheless, there were common concerns. And there were some issues on which there was a broad consensus.

- There are winners and losers. The winners are few. Those whose lives have been enriched by globalization are the young, the educated and the rich, who constitute a very small proportion of the total population. The losers (i.e. those who have yet to benefit from globalization) are many. Among them, the socially under-privileged and the rural poor are the most numerous.
- Globalization has indeed created new economic opportunities, mainly for the winners. But it has also introduced new risks and new threats, mainly for the losers. It was recognized that globalization is a dynamic, open-ended and contradictory process which unleashes forces working in opposite directions.
- There was common concern about the human condition, which is influenced by the impact of globalization on employment, livelihoods and incomes. Two dimensions of the problem were highlighted: globalization may have increased unemployment and it may also have impoverished the nature of employment.
- The impact of globalization on domestic prices may have accentuated poverty. Food security for the poor possibly diminished. What is more, the dynamics of globalization could have generated a new category of the “non-perennial” poor. Their exclusion may have accentuated social problems in India.

- Globalization has a social dimension. But it also has social consequences. Many participants felt that globalization could erode values such as democracy, social justice and secularism which underpin polity and society in India. The economic benefits of globalization need to be considered in the light of diminishing democracy in the social and political context.
- It is important to distinguish between the negative impact of globalization on the one hand and the negative consequences of domestic economic, social and political policies on the other. The observed reality may be only partly attributable to globalization. It may also be attributable to the absence of good governance or the presence of bad governance.

Prescriptions

The afternoon parallel sessions discussed prescriptions for action at local, national and global level to maximize the benefits and minimize the costs of globalization for people generally. There were, once again, significant differences of opinion, which were shaped in part by the constituencies of participants. Nevertheless, there was some convergence in ideas for action.

- The concerns and aspirations of ordinary people are shaped by their employment status and working conditions. There is, then, a need for correctives in the process of globalization to ensure employment creation. This is a major concern, for the life of people is shaped by employment and livelihoods. In this context, the sharp contrast between the globalization experience of China and India was emphasized by participants.
- It was recognized that India must invest in *capacity building* at home, at every level, to cope with the challenges and capture the opportunities of globalization. Participants emphasized the importance of investing in human resource development through literacy, education, skills training and individual capacity building. Adequate investment in the development of a *physical infrastructure* was also considered to be critical. It was seen as essential for people to make better use of the opportunities created and to deal with the threats posed by globalization. *The role of the Government*, at the centre and in the states, was seen as vital.
- The need for voice, representation and political accountability was recognized and stressed. In so far as the rich are being globalized while the poor are being marginalized there was a sentiment that the people who are excluded must have a voice. And forums must be created where this voice can be heard. Social safety nets are needed to deal with the exclusion of the marginalized. Such correctives need transparency and accountability in governance. The critical role of Parliament was stressed. So was the involvement of civil society at large. *Representation and advocacy* were the most important manifestations of *voice* in a democracy.
- The mass media, which have enormous reach, could help provide checks and balances which would reinforce transparency and accountability. Some participants felt that the message of the media was excessively influenced by Western perceptions which dominate globalization. Thus, the media need to be more proactive in offering a balanced perspective on the challenges and opportunities of globalization.

- It was widely accepted that the international rules of the game are less than fair for poor countries and poor people. It was, therefore, felt that the Government must engage the outside world more effectively to negotiate better plural or multilateral regimes for different forms of global engagement. This would only be possible if it reflected the views of the whole social spectrum, involving all stakeholders. In this process Parliament is particularly important. Negotiating international rules of the game and influencing the functioning of international institutions was seen as an imperative. Parliaments should be called upon to approve the policy objectives of negotiations, and to ratify treaties.
- Many participants were concerned about the impact of globalization on culture. Global culture and the values of market societies may lead to problems of alienation for individuals or families, and could also pose a threat to the rich cultural and linguistic diversity of India. The rise of communalism and spread of terrorism were situated in this context. No clear prescriptions emerged, but it was felt that this problem needs to be addressed.

Conclusions

The dialogue revealed that there was much more clarity in perceptions of globalization than in prescriptions about globalization. The discussion was characterized by prior differences which were shaped by the initial thinking of participants on the subject. This was consistent with the outcome of other national dialogues. Everybody recognized that there were winners and losers in the process of globalization, but they did not agree about who they were or about how many there were. Similarly, everybody recognized that globalization had not only created opportunities but had also introduced risks or threats. But there were significant differences among participants about the relative importance of the opportunities and the risks. There were obviously differences in opinion about whether there was a cause-and-effect relationship between the gathering momentum of globalization and the problems observed in economy, polity and society. Even if the relative weights varied, it was accepted that the observed outcomes represented a dynamic interaction of internal and external factors which shaped reality. There was a strong consensus among participants that correctives were needed at the local, national and global level.

Regional Dialogue

Bangkok, 16-17 December 2002

REPORT

Date and venue

The Asian Regional Dialogue was held in Bangkok on 16-17 December 2002. The dialogue was hosted by a member of the World Commission, Dr. Surin Pitsuwan, and by Mr. Yasuyuki Nodera, ILO Regional Director for Asia and the Pacific. Members of the Commission who attended the dialogue were Co-Chair President Tarja Halonen of Finland, Lord Brett and Ms Victoria Tauli-Corpuz. Mr. Gopinath, the Executive Secretary, was also present.

Participants and programme

The two-day dialogue assembled some 50 participants, including parliamentarians, high level government officials, business and trade union leaders and representatives from academic institutions and civil society. The discussions were wide ranging, pursuing diverse interests. In the context of the regional dialogue they brought together a set of experiences, perceptions and policy prescriptions.

Most participants believed that globalization worked selectively: benefiting some countries and people but not others. The process was considered to be flawed but redeemable. The compelling nature of globalization implied a compelling need to regulate it and make it more inclusive. However, an articulate if small minority of participants found the social costs of globalization too high to work with.

There were many calls for help for the vulnerable and minority groups and a strong desire for social safety nets to be provided by governments. The impact of globalization on employment was frequently mentioned but opinions about its contribution varied widely. There was agreement on the need for employment creation, particularly in the informal sector and for rural migrants.

Much attention was paid to financial crises and their social consequences, as well as to trade issues. Views were also expressed on the technological, migration and environmental aspects of globalization. While some clearly equated globalization with the “Washington Consensus”, others distinguished between the pragmatic aspects of the process involving trade negotiations, and the ideological taint that it may have acquired by association with “one size fits all” policies attributed to the international financial institutions.

There was broad agreement on the critical role of democratic participation in making globalization more inclusive. On the whole the discussion on globalization was nuanced, with recognition that the process involved change and change involved risk. The amount of risk that participants appeared willing to accept was a matter of degree not a fundamental divide.

The four most prominent issues to emerge from the dialogue were:

- Migration - internal and cross border
- Employment - rural, informal and formal
- Participation in decision making
- Maintenance of diversity of culture

Opening session

The Co-Chair of the Commission, President Tarja Halonen of Finland gave the opening address, establishing what was to become the main theme of the dialogue. She noted the Asia-Pacific region's stunning economic growth and impressive reduction in poverty associated with liberalization and globalization. However she also remarked on the immense economic and social differentials in the region, which indicated that the benefits of globalization were not evenly distributed. This implied strong policy caveats. Globalization needed to be fair and caring for the poor. It needed a more human face, which promoted decent work. To achieve this fair international rules had to be created, the role of migration for both recipient and sending countries acknowledged to be positive, and the development effort increased considerably. Institutional responsibility rested on developed countries for fair trade, on the nation states for acting globally to promote democracy, rights and law, and on international business to develop progressive practices.

Dr. Surin's keynote address guided the dialogue in establishing regional priorities. The Asian crisis had transformed the region's perspective of globalization from a "tide that lifts all boats" into a "tsunami", increasing poverty and misery. The Asian model, once praised for its openness, productivity and competitiveness, had become vulnerable precisely because of its openness. Reliance on foreign capital, technology, management and markets had become, on balance, over-reliant. Over-reliance in the economy spilt over to the political field, for when the crisis came, there was no domestic management of it — the tsunami of globalization appeared to knock the economists and politicians off their feet. Globalization and the Asian financial crisis had increased vulnerabilities especially in areas of human insecurity, economic insecurity and cultural insecurity. The issue was how to reduce these insecurities.

Commissioner Lord Brett reiterated these themes, drawing on national dialogues that the Commission had held in India, Peru and South Africa. The Latin American experience saw the destruction of the middle class in Argentina, an urgent need for debt relief, and unfair international trade which permitted the United States and the European Union to make huge agricultural subsidies to the detriment of the developing countries. The key question was whether globalization was producing sufficient employment.

Commissioner Victoria Tauli-Corpuz was struck by the rapidity of social, economic and political change under globalization. It had been difficult to anticipate and plan for and constrained domestic agendas. It marginalized the weak and the poor, such as indigenous populations. She also spoke about the great degree of ambivalence in the role

of the Bretton Woods institutions in support of liberalization and the globalization agenda.

Mr. Nodera spoke of the background paper which provided the context for the dialogue. The Asia-Pacific region had globalized the fastest, benefiting some 2.5 billion people with high inflows, growth, employment and incomes, largely in East and South East Asia. The most impressive gains had been in the poverty reduction associated with opening up, particularly by the two largest countries in the region, China and India. But equally important was the fact that some one billion people in the region had not benefited from globalization, largely in South Asia, the transition economies, and the island economies of the Pacific. And even the gainers in East and South-East Asia had become vulnerable to crisis, the Asian crisis. This raised three questions about exclusion, and the policies to combat it. One, why are some countries excluded from globalization? Two, why do some benefiting countries become more vulnerable to crisis? The region's experience implies a need for policies balancing openness with internal reliance, better regulatory structures, and better social protection for the vulnerable. The third question was why some people were excluded in globalizing countries, e.g. expanding informal economies, the rural poor. Policy areas here were not so clear but answers may be found in the uneven playing field of international trade.

The regional dialogue was structured into three sessions focusing broadly on: (i) experiences and perspectives on globalization; (ii) vulnerability to crisis; and (iii) prescriptions for inclusion at the national and regional levels.

Experiences and perspectives of globalization

Perspectives on globalization varied in terms of the issues prioritized, in terms of pro and con positions based on assessment of gainers and losers, and also in terms of the methodological yardstick to be used in defining gainers and losers.

An overall perception was that globalization presented both opportunities and risks, but the risks had to be faced. Globalization primarily benefited the more developed regions and peoples. It provided opportunities in terms of economic growth and increased technological capability, but at the cost of destroying jobs and traditional livelihoods, weakening social protection systems and rising income inequalities.

Many countries could not cope with the pace of liberalization. For the least developed countries it meant much talk of markets, but very little real access; much talk of jobs, but somewhere else; and much talk of a better life, but for others. Some participants spoke of globalization as neo-colonialism.

The benefits of globalization had not reached a growing informal economy; there was a demand for more flexible labour, and a phenomenon of jobless growth. In addition, unemployment was often blamed on migrant labour, which was in turn exploited by political parties on the extreme right. Increased competition to attract capital had led to a "race to the bottom" with respect to labour standards, environmental protection and the quality of investment.

Countries such as Cambodia and Bangladesh, which were recent entrants to globalization through the clothing industry, were particularly concerned about the inclusion of women. Many labour-intensive exports rely primarily on women, especially rural migrants. Discrimination in this sector is well observed. Women also bear the brunt of global fluctuations, being "the last in, but first out". These additional

vulnerabilities put women and their children at high risk of impoverishment, trafficking and child labour.

The issues of globalization were seen to touch on many aspects of the human condition – personal identity, health, social values, national sovereignty and democracy. Some participants felt that globalization had diminished personal identity and had “emptied out” democracy, as power passed from elected local and national institutions to global or transnational ones. Globalization had also led to greater accumulation, concentration and control of resources by big companies and had resulted in the marginalization of small producers.

Globalization was politically and socially destabilizing through the creation of the non-perennially poor. The perennially poor are not destabilizing as they are too busy surviving. The non-perennially poor, on the other hand, had known a better life; insecurity and labour market flexibility had caused them to fall into poverty. Many felt that it was difficult to determine the extent to which problems associated with globalization were due to external dynamics, or due to pre-existing internal structures in need of reform.

Vulnerability to crisis

There was a lively debate on the propensity of globalizing countries to experience crisis. An extreme position argued that the global system was systemically prone to crises and therefore inherently unstable. The opposite view — held by representatives from the IMF and the World Bank — was that the global system was stable and the problem lay in inappropriate domestic policies. The middle ground however held the consensus, with the global system found wanting in terms of creating jobs and domestic policy found wanting in terms of appropriate regulatory structures, reform and social protection.

Mr. Walden Bello, representing Focus on the Global South, argued against the stability of the global system. He saw the Asian crisis not as an anomaly in East and South-East Asia’s high growth over two decades but as symptomatic of a wider economic malaise, followed as it was by the Russian crisis, the Brazilian crisis, the March 2000 crash on Wall Street, the Argentinean crisis and the ongoing global recession. Furthermore, the Bretton Woods institutions had completely miss-read these crises. The IMF pursued cyclical policies in the Asian crisis, when counter-cyclical policies were clearly called for. The IMF also strongly opposed capital controls in Malaysia, where they appeared to have worked well. And it opposed the Tobin tax on international capital flows which might help dampen their volatility. The crisis had in fact been miss-read by neoclassical economic theory: it was a global crisis of over accumulation, declining profitability, and resulting deflation. The situation called for a new financial architecture, replacing the existing institutions of the WTO and Bretton Woods.

The IMF representative made two important concessions. Policy mistakes had been made and lessons learnt. And while crisis prevention was important, market economies would still have crises, so crisis management to make them less costly was paramount. This required more cautious globalization for China, and commensurate domestic policy reforms, especially of market regulatory structures, for Thailand. But both the IMF and the World Bank recognized the need to make globalization much more inclusive, especially through levelling the playing field in international trade by dismantling protective barriers in both the developed and the developing countries.

The strong opinion emerging from the discussion was that the global system was unstable but that scrapping the existing financial architecture was perhaps a ‘reform too

far'. Otherwise there would not have been a queue to join the WTO. It was clear from the discussion that globalization had forgotten the poor, and that the only sustainable route out of poverty was by generating employment. It was noteworthy that the critics of the current system were not only workers and civil society groups, but governments and employers as well. An important step forward would be to reform the global economy, the Bretton Woods' institutions, and domestic development agendas in such a way that policies would focus on employment creation.

Prescriptions for inclusion through employment, fair trade, finance, development and social protection

The regional dialogue witnessed significant agreement over the prescriptions for making globalization more inclusive.

The foremost prescription was that globalization should be about creating jobs, not destroying them. "There is no point to a globalization that reduces the price of children's shoes, but costs the father his job". Jobs simply could not be traded off for cheaper goods. This was as much a message for globalization — the agenda and the institutions driving it — as for the neo-liberal economic theory underlying it. An economic theory that espoused the trade-off of jobs for cheaper goods was not acceptable in a job-poor world.

A prescription for inclusion complementary to employment was poverty reduction. The Thai experience of a resurgence of poverty with the Asian crisis and the Indian experience of the non-perennially poor slipping in and out of poverty, were grave reminders of the vast backlog of poverty and the continual struggle to keep from adding to it. Political and social instability rolled back the domestic agenda of political inclusion and democracy, without which there was no space to plan economic inclusion. The sharp message was that economic and political inclusion were complementary objectives, neither of which could be achieved alone. There was also broad recognition that poverty reduction had to be based on employment creation.

This broad policy platform of a more inclusive globalization that generated employment and reduced poverty entailed a number of enabling policies:

One major reason why globalization excluded some countries in the region - such as large parts of South Asia, the transition economies and the island economies of the Pacific, and excluded some people in globalizing countries — such as the rural populations and the informal sectors — was the lack of a level playing field in international trade; "it is as level as the Himalayas". An urgent message from the dialogue, strongly supported by the Bretton Woods institutions, was "fair trade before free trade".

The tsunami effect of globalization based on violent reversals of capital flows in East and South-East Asia was seen to be 'punishment out of proportion to the sins committed'. From the eye of the storm, the Governor of the Bank of Thailand Mr. Pridyathorn Devakula and policy advisor Dr. Ammar Siamwalla acknowledged policy weaknesses and the need for reform in regulating capital markets, in pacing and sequencing liberalization, managing risk and regional cooperation. Governance issues to attract more stable FDI rather than more volatile portfolio inflows were also stressed through the experience of the Philippines. There was dissent on whether capital controls could reduce the volatility of flows, with the ICFTU sceptical about their use in countries with low reserves, as the Chilean abandoning of controls showed.

There was also a call for greater stability through regional cooperation. Intra ASEAN trade was significant and expanding, although intra SAARC trade was not. The region had high savings, but they were all destined for the US capital market. A deeper Asian financial market could retain these savings. This required an Asian bond market, stabilization of regional currencies against a regional basket, and a move towards an Asian currency unit.

The social impact of both crises and recessions called into question the role of macro policy, the public sector and social protection. Whether it was the crisis in Thailand or the recession in Pakistan, the depression in economic activity called for a counter-cyclical macro policy. This however, was not the IMF's advice, which poorer countries such as Nepal found difficult to ignore.

A counter-cyclical macro policy was urgently needed during downturns in developing countries because their populations lacked any significant social protection cover, unlike the developed countries. The United Nations Development Programme (UNDP) pointed out that in downturns like the Asian crisis it was public goods and community roots that saved the vulnerable. This implied that a job in itself was insufficient in an increasingly volatile world, that social protection was needed, especially for the vulnerable high risk populations. Further, if globalization demanded labour market flexibility, then it must be accompanied by social protection. New machinery was needed to strengthen social dialogue to avoid social and communal conflict.

Social protection implied the critical role of the public sector. Public sector reform should be based on need rather than financial deficit criteria. The Bretton Woods institutions were urged to re-think their equivocal position of supporting social protection on the one hand, but phasing out subsidies for food security on the other hand.

It was important to strengthen national capabilities to seize the advantages of globalization. At the same time there was need for greater national space and autonomy in determining development priorities and policies. Entrepreneurship and enterprise creation needed support at the national and local levels, with particular attention given to the economic empowerment of women through micro and small enterprise development. They also needed opportunities to enhance their skills and access to education. Countries needed a new paradigm for education and training, a shift to life-long learning and adjustment to multiple careers.

The issue of labour standards came up in several contexts. All participants feared a race to the bottom in labour standards. There was awareness that market solutions tended to have this effect, which explained why some solutions required democratic good governance. In addition, more inclusive globalization had to be based on more decent work and international business should help promote this, for example through the UN's Global Compact. However, there was little debate on linking labour standards with trade in the WTO.

There was strong recognition that trafficking of women and children was among the grossest human rights abuses and acceptance of the need for concerted action to improve the situation. The issue of migrant labour was complex, but it benefited both sending and host countries. Migration flows needed better management and more reasoned liberalization.

Many participants called for better monitoring of the policies of international organizations, by increasing transparency, strengthening the role of civil society groups and by developing the interface between parliaments and civil society. At the international level there was an urgent need for fair rules of the game in the multilateral

trading system and for policy coherence between international organizations. The governance structures of the International Financial Institutions needed reform, particularly as the Asian region was under-represented.

Issues Paper

Globalization in the Asia-Pacific Region (prepared by the ILO Regional Office for Asia and the Pacific)

Introduction

Why does globalization - on the surface an arcane subject of economic integration - arouse such passions and protests, from Seattle to Johannesburg to Genoa?

The answer is somewhat paradoxical. While globalization works for some – through raising incomes, reducing poverty, improving infrastructure, ushering in new technology, lowering rates of disease or reducing vulnerability among sections of society – it quite clearly fails to reach others.

Globalization can exclude large parts of the population, even whole countries in some cases, while it is seen by many as a threat to livelihoods. It can bring about a drop in market prices for goods and services, usher in more competitive goods produced overseas, and may simply bypass huge pools of unemployed or underemployed workers.

Critics say that globalization fails to address issues such as stagnating demand for traditional products, while discouraging greater investment or improved technology in these industries. They also argue that it makes people more not less vulnerable.

The paradox is that globalization makes it all the more provocative. It assists some but excludes others, while widening the gap between them. Globalization could be described as ‘fickle’ and nowhere more so than in the Asia-Pacific region. While on the one hand globalization was credited for its role in fuelling the economic miracle in South-East Asia during the eighties and a good part of the nineties, it was then blamed for the region’s economic malaise in 1997 and 1998.

Worse still, the economies hit by the 1997 crisis were just beginning to accept the argument that globalization was less to blame than their own exchange and capital regimes. They had started to implement policy reforms and were just beginning to recover from the crisis during 1999-2000 when a global, synchronized recession hit the entire Asia-Pacific region. Recovery from the regional and global recessions could be compared with the Wall Street phrase ‘dead cat bounce’. This supposes that if it is thrown from a high enough point, even a dead cat will bounce a little. Growth prospects for the region stood at one per cent for 2002 [see table 1], up from less than 1 per cent in 2001, with a recovery to 4 per cent over a five-year period.

Finally, the fact that globalization includes some people and countries while excluding others is now widely attributed to the existence of an uneven playing field.

The Uruguay Round of trade talks was widely perceived to have benefited the more developed economies in gaining market access to the less developed economies. Meanwhile, the developed economies of the United States and Europe continued to maintain protectionist tariff barriers in their own markets in the areas of agriculture and labour intensive goods, precisely the areas where the developing economies have a greater relative competitive advantage. Such a situation could be described as being “as level as the Himalayas.”²

With the scuttling of the Seattle talks, the Doha Round of trade talks was meant to spark a ‘development round’, in a bid to level the field, following calls from Supachai Panitchpakti, the IMF’s Horst Kohler and the World Bank.

The present issues paper sets out three main themes for the panel discussions in the Regional Dialogue, namely the impact of globalization, lessons learned from the Asian financial crisis, and regional views on international policy on globalization.

The impact of globalization – ‘winners and losers’

Beneficiaries

It is widely accepted that globalization works primarily through the enhancement of three flows: goods and services; capital and people.³ The first wave of globalization actually took place at the beginning of the twentieth century, with increased flows between Europe and the ‘New Frontier’ worlds of the United States, Australia and New Zealand.

The next, post-protectionist ‘wave’ of globalization, took place after the Second World War, integrating the rich countries of Europe, the United States and Japan through the restoration of trade under GATT. The ‘developing world’ largely continued to produce primary commodities and was excluded from capital flows. Since OECD growth was high, the gap between the rich and poor countries increased.

The third wave of globalization, from the 1980s, was based upon a breakthrough into the global market for manufacturing by poorer countries that were previously suppliers of primary commodities. This was based upon a combination of falling tariffs in both developed and developing countries, liberalization of foreign investment barriers in developing countries, and these countries using their abundant supply of labour to break into the markets of the developed nations. Such a situation would not have been possible without the pursuit of strong domestic reform agendas in the developing economies designed to improve investment, foreign market access and social services. The result was that developing countries increased their share of manufacturing for export from a quarter in 1980 to 80 per cent by 1998. Per capita income growth for the developing countries grew from 1 per cent in the 1960s to 3 per cent in the 1970s

² *Economist*, 2 November 2002, Editorial.

³ World Bank, 2002, *Globalization growth and poverty*, World Bank and OUP.

to 4 per cent in the 1980s and up to 5 per cent in the 1990s. With rising incomes came a reduction in poverty, dropping by 120 million people in the 1990s.

The World Bank estimates that countries containing some three billion people have gained under the process of globalization.⁴ A number of cross-country studies highlight the link between liberalization and growth.⁵ FDI increases with the liberalization of investment barriers, spurred on by mergers and acquisitions. FDI brings with it technology and market access. Portfolio investment increases with the liberalization of capital accounts, spurred on by mutual and pension funds seeking higher spreads. Portfolio capital brings with it domestic liquidity for expansion of economic activity, but is only reliable in the short term. Resulting growth translates into wage and income increases, and a reduction in poverty. An ILO data-based study by Freeman and Oostendorp shows that the more globalized economies had twice the wage increases of the less globalized countries.⁶ A strong element in poverty reduction is rural-urban migration, as the rural poor move to better-paid urban jobs. Cross-country inequality decreases as a result, halving between 1960 and 1995.

However, countries containing some two billion people have remained on the sidelines during the process of globalization. Their real incomes have fallen, their incidence of poverty has increased, and their trade share relative to income has fallen below its level 20 years ago. Those affected are not only from the less globalized economies. Primary exporting countries with high trade-to-GDP shares have been subjected to severe price shocks, and their vulnerability has increased over time.

The Asia-Pacific region contains examples of both ‘winners’ and ‘losers’. With a population of 3.4 billion, it has ‘set the trend’.

The fastest rate of globalization has actually taken place in the Asia-Pacific region. Over the last two decades tariffs have dropped in East Asia from an average band of 30 per cent down to 10 per cent, and in South Asia from an average band of 65 per cent down to 30 per cent. During this period world exports of goods and services increased three-fold to US\$ 7.6 trillion. The region’s exports during this time grew much faster — five-and-a-half times to US\$ 2.1 trillion. As a result, the Asia-Pacific region increased its share of exports of goods from 16 per cent in 1980 to 29 per cent by 2000 [see table 3]. It increased its share in the export of services from 16 per cent to 19 per cent during the same period, while its imports grew from 17 to 26 per cent.

The Asia-Pacific region also increased its share of capital flows over the last two decades. This was particularly the case for FDI [see table 4]. The table

⁴ World Bank 2002, *op cit*.

⁵ Dollar D. 1992, *Outward Oriented Developing Countries Really Do Grow More Rapidly*, Evidence from 95 Less Developed Countries, 1976-85, *Economic Development and Cultural Change*, 40(3); Sachs J.D. and A. Warner 1995, *Economic Reform and the Process of Global Integration*, *Brookings Paper on Economic Activity*, 1(96); Frankel J. And D. Romer 1999, *Does Trade Cause Growth*, *American Economic Review* 89(3); Dollar D. and A. Kray 2001, *Growth is Good for the Poor*, Policy Research Working Paper No. 2587, World Bank; Dollar D. and A. Kray, 2001, *Trade Growth and Poverty*, Policy Research Working Paper No 2199, World Bank.

⁶ Freeman and Oostendorp, 2002, *Wages Around the World*, National Bureau of Economic Research, Working Paper No. 8058, Cambridge Mass.

shows FDI grew from \$ 55 billion to \$ 1.3 trillion worldwide, while the region increased its share to 12 per cent by 2000 to \$ 158 billion. Portfolio capital, which was virtually non-existent in the region in 1990 [see table 5], increased to about \$ 40 billion by 2000.

Asia-Pacific's composition of manufacturing in its exports has also risen above the world trend. The share of manufacturing in exports worldwide grew from 54 per cent in 1980 to 77 per cent in 1999 [see table 6]. The Asia-Pacific region, excluding Australia, Japan, and New Zealand increased its share of manufacturing in exports from 57 per cent to 79 per cent over the same period. At the same time it reduced its shares in food to 6 per cent, agricultural commodities to 3 per cent, ores to 4 per cent, and fuels to 5 per cent.

The result had been that GDP was very high, standing at an average 4 per cent in the decade and a half leading up to the economic crisis. China grew at 9 per cent, the ASEAN countries grew at 7.5 per cent and South Asia at 5 per cent, [see table 1]. This led to a significant drop in poverty in the region [see table 7]. The incidence of poverty fell from more than a third of the region's population in 1990 to a quarter by 1998.

The two countries that have really been the trailblazers in this regard are China and India which together account for two-thirds of the region's population. Their reductions in tariff barriers led them to compete in the market for manufacturing with developed countries. For example, China, Sri Lanka and Bangladesh raised their shares of manufacturing in their exports above the world average of 81 per cent, while India and Indonesia both attained the world average. China and India have liberalized their investment climate, significantly opening up to trade investment. The result has been that China at the height of the inflows prior to the crisis attracted \$ 44 billion in FDI in 1997 and was still attracting \$ 40 billion in 2000 [see table 5]. Portfolio investment in China stood at \$ 20 billion in 2002. India was attracting \$ 4 billion in FDI by 1997, \$ 2 billion in 2000, and another \$7 billion in portfolio investment. This regimen of competitiveness and investment gave China the phenomenally high growth rate of 11 per cent in the decade prior to the crisis, and an 8 per cent growth rate post crisis [see table 8]. India had a growth rate of 6 per cent prior to the crisis, and a 5 per cent growth rate despite the current recession.

But the most impressive impact of globalization on these two countries has been the reduction in poverty. In 1978, when China embarked on its liberalization, rural poverty stood at 250 million. By 1999 this had fallen to just 34 million. China has raised some 200 million people out of poverty, halving its incidence from 9 per cent to 4 per cent [see table 9]. India lowered its incidence of poverty from 40 per cent in 1990, when it began its economic policy reforms, to 26 per cent by 1999. Since these two countries accounted for much of the region's poverty, the improvement largely explains the overall reduction in poverty in the region, which fell from a third to a quarter. Bangladesh, Thailand and Vietnam also contributed to this trend.

The 'others'

While globalization has helped some countries in the region to improve, other have not enjoyed such benefits. Broadly speaking, India, East and South-east Asia have undergone globalization to various degrees, while the rest of South Asia, the transition economies and the island economies have not.

Australia, Japan and New Zealand maintained around a 9 per cent share of world exports between 1990 and 2000 [see table 10]. East and South-east Asia increased their share of the world's exports from 10 per cent to 12 per cent, largely accounting for the entire region's increasing share of world exports. However the transition economies of Cambodia, Lao PDR, Mongolia, Myanmar and Vietnam, and the island economies of Fiji, Papua New Guinea and the Solomon Islands had virtually no share in world exports. South Asia, meanwhile, barely maintained its 1 per cent share between 1990 and 2000 and this was only because India doubled its exports to \$ 42 billion.

Liberalization of the investment climate only attracted FDI and portfolio flows to Australia, Japan, New Zealand, India, East and South-east Asia. Of some \$ 160 billion FDI that came into the region in 2000, 83 per cent went to East and South-east Asia, another 13 per cent to Australia, Japan and New Zealand, while the transition economies and South Asia attracted only 3 per cent. The only significant FDI destination in South Asia was India, and Vietnam among the transition economies. Portfolio flows were even more selective, especially post crisis, with China claiming \$ 20 billion, Republic of Korea \$ 9 billion and India \$ 7 billion.

This pattern of investment and exports had a subsequent impact on growth and poverty. The high inflows and exports helped ASEAN countries grow at 7.5 per cent before the Asian economic crisis, while China grew at 9 per cent and India at 6 per cent. A significant reduction in poverty in China, India and Vietnam was also observed [see tables 1 and 8]. However growth in the rest of South Asia and the transition economies has been lower over the last decade, and this has had unfortunate implications in terms of poverty reduction. South Asia [see table 7] has only experienced a nominal reduction in its poverty rate, down from 45 per cent to 40 per cent in the last decade. The most unfortunate cases are those of Pakistan, where poverty actually increased from under a quarter to a third of the population during the 1990s, Sri Lanka where poverty increased from 33 per cent to 40 per cent, and Nepal where poverty levels stagnated at about 40 per cent [see table 9].

Within South Asia, globalization has been particularly unfavourable for Afghanistan and Iran. Although the Asia-Pacific region has benefited as a whole from exports and inflows, these two countries have lost out. While we can see that the region improved in terms of trade of its exports over the last decade [see table 11], the purchasing power of exports for Afghanistan halved during this period, while Iran's fell by a quarter. Probably as a consequence of this, Iran recorded capital outflows during this period [see table 5]. Afghanistan as a 'collapsing state' must also have seen capital flight, but there are obvious difficulties in recording this information. The domestic economic and social environments must have suffered from the obvious negative effects of globalization encountered by these countries.

For the region as a whole, while it is difficult to generalize, globalization has probably failed to have an impact on 400-500 million people [see table 2]. Subject to a number of qualifiers, the ratio of 'winners' and losers' in the region would stand at 2.5 billion and 500 million, respectively. This is slightly better than the global ratio of 3 billion and 2 billion, respectively.

The Asian financial crisis: lessons learned, regional and sub-regional strategies for globalization

The 1997 economic crisis

Globalization brought a new kind of vulnerability, as witnessed during the 1997 Asian financial crisis; this exposure has continued into the present, synchronized, global recession.

The countries that underwent the quickest transition in terms of globalization, largely from East and South-east Asia, enjoyed particularly impressive growth rates during the first half of the 1990s, ranging between 6 and 8 per cent [see table 12]. This in turn generated high levels of employment [see table 13], which unfortunately led to a high degree of complacency in relation to social protection, with a job itself being considered the best form of social protection. Coverage by unemployment insurance remained at a very low, insignificant level.

Indonesia, the Republic of Korea, Malaysia and Thailand were particularly well integrated into the 'global economy'. We can see that these countries' trade shares in gross domestic product (GDP) had risen to between 14 and 70 per cent [see table 14]. Capital inflows were peaking at \$ 45 billion in 1997. Competition in terms of liberalization, among these nations and with Singapore, led these countries to open their capital accounts to attract these inflows. However, their exchange rate regimes and regulatory mechanisms for domestic capital markets were not commensurate with the openness of their capital accounts. They continued to peg currency exchange rates, while they had high interest rate spreads that continued to attract inflows. The increased liquidity from the high inflows led to a mushrooming of domestic credit. Prudential regulations to secure domestic borrowing with collateral were weakened. For similar reasons, domestic borrowing from overseas was largely unhedged. This resulted in a precarious domestic credit structure of highly leveraged and unhedged loans.

Two further complications were added to the equation. Central bank sterilization policies to reduce the impact of the high inflows on domestic prices typically involved the sale of bonds to reduce the money supply. Unfortunately, with hindsight, this resulted in the 'Mundell Flemming effect', of increasing interest rates merely attracting higher inflows. The higher inflows also led to the 'Dutch disease effect' of crowding investment from more productive to less productive areas like property and other less tradables. This produced a 'bubble' economy, with highly inflated property prices that were used as over-valued collateral for loans.⁷

The integration of capital inflows with domestic credit, and weak macro policy for both, was disastrous. The unravelling of this structure began with speculation against the pegged exchange rates. Defence of the exchange rates by central banks used up precious forex reserves, but still failed to maintain the peg. Devaluation and floating of exchange rates, signalled capital inflows to reverse.

⁷ ILO, 1999, *The Asian Financial Crisis: Determination of Policy Needs and Response*, GB 274/4/2; Mahmood M. 2001, *The Labour Market and Labour Policy in a Macroeconomic Context: Growth Crisis and Competitiveness in Thailand*, in G. Betcherman and R. Islam (eds), *East Asian Labour Markets and the Economic Crisis*, World Bank and the ILO.

Capital outflows hit the financial sector. The credit squeeze and foreign loans, unhedged and secured by over-valued collateral, in turn squeezed the economic sectors. Unemployment levels doubled and tripled [see table 13]. Asset deflation and unemployment without any real social protection further lowered demand and economic activity in a vicious cycle. There was contagion from the four principally affected countries to the rest of East and South-east Asia, especially China, Singapore and the Philippines.

Growth rates fell into the negative from the third quarter of 1997 well into 1999 [see table 12]. FDI and portfolio inflows started dropping after 1997 [see table 5], remaining negative for Indonesia and Thailand, and had still not recovered to pre-crisis levels by 2000. The region's share in FDI halved from 1996 to 12 per cent in 2000 [see table 4]. Poverty levels, which had been steadily decreasing, reversed in East and South-east Asia [see table 9]. In Thailand poverty increased from 11 per cent to 16 per cent, in Indonesia from 11 per cent to 23 per cent, in Malaysia from 7 per cent to 8 per cent, and in the Philippines from 40 per cent to 43 per cent.

East and South-east Asia recovered from the crisis to record positive growth by 2000 [see table 12], when the entire region fell prey to a synchronized global recession. This was triggered by the failure of the two major economic powerhouses, the United States and Japan. In the United States the recession was essentially caused by over accumulation of IT inventory and the bursting of the dot com bubble. Corporate governance issues, the threat of global terrorism, and the resulting recession in the travel industry have all had a bearing upon it. In Japan macro policy has been unable to deal with strong deflation, falling consumption and investment, while weak reforms have been unable to deal with a banking sector riddled with non-performing loans and therefore unable to lend.

Lessons learned

A number of lessons have emerged from the Asian financial crisis and the current global recession affecting Asia and the Pacific. They fall into two groups — economic policy and social policy lessons.

Economic policy lessons

Since globalization is based on market integration, one object lesson must be based on the region's export markets. If the region has penetrated international markets outside of Asia, and these markets fail, can the region then retreat and fall back on intra-regional trade? A qualified positive response can be seen in table 15. The table shows that Asian export markets, excluding Australia, Japan and New Zealand, increased their reliance on intra-regional trade from 24 per cent in 1980 to 38 per cent by 1999. Of the two trading blocs in the region, ASEAN and SAARC, ASEAN has about 98 per cent of the market.⁸ But a negative response comes from the fact that the region's reliance upon exports to the United States has also increased over time to 22 per cent, and to 17 per cent for the EU. This reveals that globalization is by nature 'market penetrating', and reaffirms the idea that trade cannot be restricted to intra-regional trade alone.

⁸ UNCTAD 2001, Handbook of Statistics, UNCTAD.

An allied lesson on markets comes from the Asian financial crisis. As purchasing power in the region declined for most of the big importers, exporting firms fell back on the domestic market. A good example is the automobile sector in Thailand. But Malaysia and the Republic of Korea had already relied on their domestic markets to expand their automobile sector, in latter case to add to large-scale exports. However, it is really the large domestic markets in China and India that bring home the point that some balance between export and domestic markets can be a useful hedge against global fluctuations and relentless global competitive pressures. In China's case, the large domestic market was built up from scratch in 1978 through gradual wage increases strengthening domestic purchasing power and demand. In India's case the large middle class of 400 million provides a sophisticated domestic market. There is evidence that India's burgeoning ICT sector has fallen back on the domestic market until the American and European ICT markets re-emerge. Both China and India demonstrate an interesting reversal of the export-based competitiveness argument. If the domestic market is large, but can afford only minimal prices, domestic competitive pressures can be intense, complementing export competitive pressures.

Two important lessons emerge from the crisis and the recession in terms of macro policy. The Asian crisis saw large currency devaluations in the principally affected economies, and large outflows of capital. To protect the floated currencies, and reverse outflows, the IMF recommended tighter monetary and fiscal policies. So interest rates were to be raised and budgetary deficits reduced. However the large scale deflation in these economies (based on asset devaluation), increased unemployment (not covered by social protection), a portfolio of non-performing loans, and increased illiquidity, all call for reflation of the economy — for counter cyclical policy rather than cyclical policy. Some estimates show that the cyclical policies that were recommended may have worsened the crisis. Joseph Stiglitz argues that such cyclical policies cause *hysteresis* — irreversible outcomes. So high interest rates can bankrupt firms and cause unemployment, but subsequent lowering of the interest rate cannot reverse the bankruptcy situation for the firm.⁹ The current recession makes the debate on counter-cyclical policies particularly relevant.

The second important macro policy lesson to emerge from the crisis relates to capital controls. There was an outflow of capital from the four principally affected economies — Indonesia, Republic of Korea, Malaysia and Thailand. Only Malaysia opted for capital controls, in order to freeze the outflow. Paul Krugman openly called for Malaysia to adopt these capital controls, but the market view was that this would deter future inflows. Joseph Stiglitz at the World Bank helped Malaysia convert these capital controls into an exit tax. By 2000 the result spoke for itself [see table 5]. Malaysia has an FDI of \$ 6 billion, and portfolio inflows of \$ 1 billion. Compared with this, Indonesia and Thailand still had net capital outflows. So clearly, judicious use of capital controls can work well.

Social policy lessons

All of the economic policy lessons discussed above have a critical social impact, but specific social policy lessons also emerge from the crisis. A few of these can be prioritized here.

⁹ Stiglitz J. 2002, Globalization and its discontents.

The virtual absence of social protection, especially for unemployment, caused much human misery, and slowed down the recovery. Only the Republic of Korea had a modicum of unemployment insurance, and that was for large firms employing more than 500 workers. With the onset of the crisis the Government moved decisively to universalize this coverage. The only effective form of social protection in Thailand was the severance pay, while the minimum wage was attacked strongly. The ILO helped the expansion of social protection coverage and defended the minimum wage, arguing against further impoverishment. A major policy debate continues on whether flexible wages and forms of employment actually increase employment or whether aggregate demand plays a more constraining role. At macro level too, more significant coverage through social protection and compliance with the minimum wage would have prevented such a large erosion of incomes, purchasing power, demand, and therefore growth.

The crisis ignited considerable protests, especially against unemployment. The high growth and high levels of employment generated in the decade and a half prior to the crisis had generated the view that a job compensated for social policy, for social protection, for dialogue, for rights. The crisis rapidly disabused such notions, as countries scrambled to open dialogue and ratify and implement conventions on workers rights, to avoid adding to the social crisis.

The crisis caused great misery for women and children in particular. Export oriented, labour-intensive industries in the region have a huge reliance upon women, as does the financial sector. The collapse of both these sectors laid off a higher proportion of women. Since women's income is much more likely to be spent on the household, children's nutrition and schooling became much more vulnerable.

The crisis also exposed glaring weaknesses in skills and training systems. A more volatile labour market, industrial restructuring, and the competitive pressure to reduce unit labour costs by increasing productivity and to move up the value added ladder, all emphasized the need for much better vocational training and life-long learning.

Regional views on international policies and negotiations for globalization

The exclusion of countries and people from the benefits of globalization is largely the result of an uneven playing field. For developing countries, the gains from globalization are mainly based on the export of labour-intensive products. In the mid 1980s, [see table 16] resource-based and light technology manufacturing typically comprised between 50 and 80 per cent of the region's exports. By the mid 1990s, only Malaysia and Singapore had broken the mould by moving significantly into high technology exports, while resource-based and light technology continued to form the bulk of exports for the region. The point is that while there is slow movement up the value-added ladder there is still great reliance on resource-based and labour-intensive exports among the more globalized countries in the region, and this is the only potential strategy for the hitherto excluded countries.

But when developing countries export labour-intensive manufactured goods to developed countries, they face, on average, tariffs four times higher than those

applied when rich countries trade between themselves.¹⁰ Garments and textiles, the single biggest exports from developing countries, face stringent import quotas under the Multi-Fibre Agreement.

The United States and European Union also subsidize and so protect their agriculture from cheaper imports from developing countries. Current subsidies under the US Farm Act run at \$ 20 billion per year. Cotton subsidies currently run at \$ 4 billion per year, and are estimated to have lowered world prices by 25 per cent.¹¹ The EU Common Agricultural Policy provides support for structural surpluses, especially of sugar, dairy and cereal products and their subsidized disposal on world markets.

A very conservative estimate of the cost to poor countries of the protectionist policies applied by the developed economies stands at \$ 100 billion [see table 17]. This loss is twice the value of the total foreign aid that poor countries receive. Other estimates put the loss as high as \$ 300 billion.¹²

The Uruguay Round of trade talks was meant to be different from earlier multilateral negotiations. Developing countries made a grand bargain by which they further lowered their tariffs on manufactured goods, and adopted standards for Trade Related Intellectual Property Rights (TRIPS) of interest to rich countries, in exchange for the abolition of rich country quotas on textiles and clothing, more discipline on agriculture, and the abolition of Voluntary Export Restraints (VERs). The coverage of trade agreements was also extended to services. This Round established the WTO.

The developing countries halved their tariffs on average, from 30 per cent in the early 1980s to 15 per cent by the late 1990s. The absolute reduction in tariffs in developing countries has been much greater than in industrial countries.¹³ But the rich countries have been slow to follow through on their commitment to dismantle textile quotas and reduce agricultural protection.

The developed nations also want to retain anti-dumping measures, which make no economic sense, but allow them to restrict imports without economic justification.

The TRIPS agreement raises concerns about the cost of essential drugs. While there is appreciation of the need to maintain incentives for necessary medical and pharmacological research, there are also worries that vital patented drugs may be priced out of reach of the poor in developing countries. This was highlighted by the court case that 39 global drug companies launched against the South African Government for parallel import of HIV drugs at lower prices.

The European Union is seeking to use the General Agreement on Trade in Services (GATS), to demand liberalization of not just financial services like insurance and banking, but also basic utilities such as water, health and education. The worry is that the WTO would be used to extend the investment

¹⁰ Watkins K. 2002, *Rigged Rules and Double Standards: Trade Globalisation and the Fight Against Poverty*, Oxfam.

¹¹ Watkins 2002, *op cit*

¹² Binswanger H.P. and E. Lutz, 2000, *Agricultural Trade Barriers, Trade Negotiations and the Interests of Developing Countries*, High Level Round Table UNCTAD X, Bangkok.

¹³ World Bank 2002, *op cit*.

rights of transnational companies to basic services, which could exclude the poor.

The Seattle WTO ministerial meeting failed to begin a new round of trade talks. But the WTO ministerial meeting in Doha was launched as a ‘development round’, aimed at strengthening the links between trade and poverty reduction. A clear commitment was made in the Doha Declaration by the United States and the European Union to phase out agricultural export subsidies. There is an agreement on the table from the last round of trade talks to phase out the import quotas under the Multi-Fibre Agreement by 2005. The Doha Declaration considers TRIPS reforms by stating the primacy of public health over intellectual property rights, with follow up negotiations on production for exports.¹⁴ In return the developing countries had agreed to new talks on tariff reductions in industries and services at the next meeting in Cancun in 2003.

Unfortunately, delivery on the Doha commitments has been weak at best. The United States has actually increased agricultural subsidies by 10 per cent under the Farm Act of 2002. The European Union has put reform of the Common Agricultural Policy (CAP) on the back burner until 2006, while maintaining the current real level of subsidies until 2013.¹⁵

According to the agreement to phase out the Multi-Fibre Agreement over half the quotas should have gone by 2002. Instead the United States has liberalized only one-fifth of its quota restrictions, while the European Union has liberalized around one-third. Even after the removal of quotas, tariffs on garments will remain four times higher than the average for industrial goods. The rules on textiles and clothing do not specify abolition and instead allow industrial countries to choose the products to be integrated into GATT disciplines. So these countries have chosen to begin by integrating products in which developing countries do not have a comparative advantage. Developing countries now find that their products will remain restricted until the end of 2005.¹⁶

The major development on TRIPS has been largely fortuitous, as the drug companies have given up their cases in South Africa and Brazil.

Mr. Supachai however is driving the WTO to meet the two year-end deadlines; for an accord on cheap emergency drugs and ‘special and differential treatment’ to help the poorer states adapt to the tough new trading rules. There was a deadline of March 2003 to agree on a framework for negotiations on farm trade. The failure of Cancun has however overtaken that.

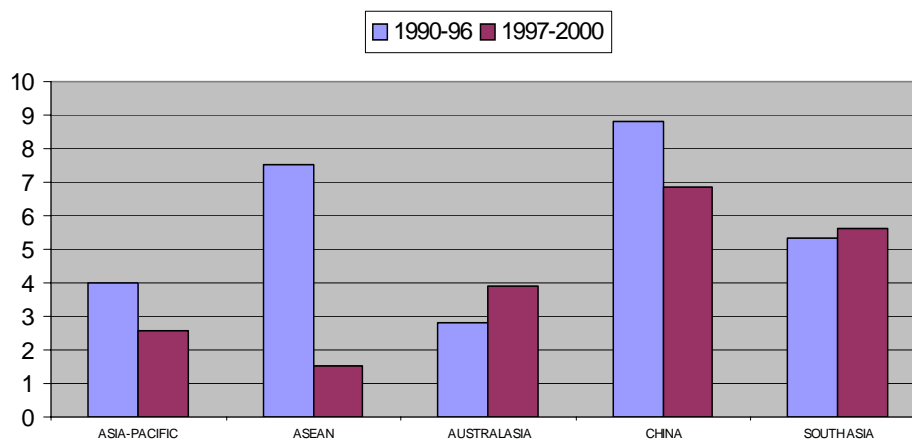
¹⁴ Oxfam 2002.

¹⁵ Watkins 2002, op cit.

¹⁶ World Bank 2002.

Table 1

Average GDP growth in the Asia-Pacific Region (% real change)



Asia-Pacific GDP growth (% real change per annum)

2001	2002	2003	2004	2005	2006
0.90	1.40	3.50	3.90	3.80	3.80

Source: EIU 2002

Table 2 *Demographics*

Analytical Grouping/Country	Population	
	Total	
	2002 (Millions)	1998 (Millions)
Australasia & Japan		
Australia	23	19
Japan	127	126
New Zealand	4	4
East & Southeast Asia		
China	1,273	1,239
Hong Kong, China	7	7
Indonesia	218	204
Korea, Republic of	48	46
Malaysia	247	22
Philippines	83	75
Singapore	4	3
Thailand	62	61
Transition		
Cambodia	13	11
Lao PDR	6	5
Mongolia	3	3
Myanmar	51	44
Viet Nam	79	78
South Asia		
Afghanistan	23	
Bangladesh	140	126
India	1,030	980
Iran	...	...
Nepal	24	23
Pakistan	144	132
Sri Lanka	20	19
Pacific Islands		
Fiji	0.8	0.8
Papua New Guinea	5	5
Solomon Islands	0.5	0.5
Asia Pacific	3,351	

Source: ILO, EIU, ESCAP, Data sets, 2002.

Table 3 *Trade*

Exports (\$ billion)	Value						Growth (%)	
	1980		1990		2000		1980-90	1990-2000
	Goods	Services	Goods	Services	Goods	Services		
World	2,031	377	3,486	780	6,327	1,331	6.0	6.6
Asia Pacific	327	60	810	128	1,852	255		
Share %	16.1	15.9	23.2	16.4	29.3	19.2		
Imports								
World	2,071	-	3,693	-	6,505	-	6.1	6.5
Asia Pacific	360	-	773	-	1,658	-		
Share %	17.4	-	21.5	-	25.5	-		

Source: UNCTAD 2001, Handbook of Statistics.

Table 4 *Foreign direct investment (\$ billion)*

	1980	1990	2000	1996	1997	1998	1999
World	55	202	1,271	385	478	693	1,075
Asia Pacific	6	34	158	97	112	96	117
Share (%)	10.9	16.8	12.4	25.2	23.4	13.9	10.9

Source UNCTAD, 2001 op cit.

Table 5 *Capital flows*

Analytical Grouping/ Country	Portfolio investment		Net private capital flows (\$ billion)			FDI (\$ billion)		
	1990	2000	1990	1997	2000	1990	1997	2000
Australasia & Japan								21.4
Australia	...	...	7.5	8.7	...	8.1	7.7	11.7
Japan	...	...	1.8	3.2	...	1.7	3.2	8.2
New Zealand	...	...	1.7	2.7	...	1.7	2.6	1.5
East & Southeast Asia								136.0
China	0.0	19.7	8.1	60.8	58.3	3.5	44.2	40.8
Hong Kong, China	...	...	...	...	...	3.3	11.4	64.5
Indonesia	0.3	-1.7	3.2	10.9	-11.2	1.1	4.7	4.6
Korea, Republic of	0.6	9.1	1.1	13.1	13.2	0.8	2.8	10.2
Malaysia	-0.9	1.0	0.8	9.3	3.2	2.6	6.5	5.5
Philippines	0.4	1.1	0.6	4.2	2.5	0.5	1.2	1.5
Singapore	...	...	...	...	...	5.6	13.0	6.4
Thailand	0.4	-0.2	4.4	3.4	-1.4	2.5	3.6	2.4
Transition								2.6
Cambodia	0.0	0.0	0.0	0.2	0.1	0.0	0.2	0.2
Lao PDR	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1
Mongolia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Myanmar	0.0	0.0	0.2	0.2	0.2	0.2	0.4	0.2
Viet Nam	0.0	0.0	0.0	2.0	0.0	0.0	2.8	2.1
South Asia								3.0
Afghanistan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bangladesh	0.0	0.0	0.1	0.1	0.3	0.0	0.1	0.2
India	0.2	7.0	1.9	8.3	8.7	0.2	3.6	2.3
Iran	0.0	0.0	-0.4	-0.32	-0.6	-0.4	0.1	0.0
Nepal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pakistan	0.0	0.0	0.2	2.1	-0.1	0.3	0.7	0.3
Sri Lanka	0.0	-0.1	0.1	0.6	0.3	0.0	0.4	0.2
Pacific Island								0.2
Fiji	...	...	...	...	...	...	...	...
Papua New Guinea	0.0	0.0	0.2	0.1	0.1	0.2	0.3	0.2
Solomon Islands	...	...	...	...	...	...	...	...
World								163.0

Source: UNCTAD, 2001 op cit.
WDI, 2002, World Bank

Table 6 *Exports Structure (%)*

	World	Asia Pacific (excluding Australia, Japan, New Zealand)	Japan	Australia/ New Zealand
Food				
1980	11.1	11.2	11.6	5.2
1990	9.3	6.8	15.5	5.2
1999	7.8	5.9	14.6	5.2
Agricultural Raw Materials				
1980	3.7	6.2	8.2	2.7
1990	3.0	3.9	8.8	1.9
1999	2.0	2.6	3.9	1.1
Ores and Metals				
1980	4.7	3.1	8.6	2.0
1990	3.6	3.5	8.6	1.5
1999	3.0	4.2	7.0	1.5
Fuels				
1980	24.0	20.8	52.5	17.0
1990	11.0	10.7	18.1	4.4
1999	7.2	4.9	10.9	4.4
Manufactured Goods				
1980	54.2	56.8	17.9	71.4
1990	70.5	72.7	48.4	83.6
1999	76.5	79.3	61.7	83.7

Source: UNCTAD, 2001 op cit.

 Table 7 *Incidence of extreme poverty by sub-region, 1987-1998*

Percentage of the population living below \$1.08 a day (1993 purchasing power parity)					
Sub-region/region	Poverty rate (percentage below \$1.08)				
	1987	1990	1993	1996	1998
East Asia	26.6	27.6	25.2	14.9	15.3
East Asia, excluding China	22.9	18.5	15.9	10.0	11.3
Eastern Europe and Central Asia	0.2	1.6	4.0	5.1	5.1
South Asia	44.9	44.0	42.4	42.3	40.0
Asia and the Pacific		34.3			25.6

 Source: ESCAP, 2002, *Sustainable Development in a Period of Globalization: Challenges, Opportunities and Policy Options*

Table 8 *Growth in the region*

Grouping/Country	Growth (% per annum)				
	GDP			GNP/Capita (\$)	
	1980-1990	1990-1998	1999-2000	1998	2000
Australasia and Japan					
Australia	3.4	3.6	1.9	20,300	
Japan	4.0	1.3	2.4	32,380	
New Zealand	1.8	3.2	2.5	14,700	
East and Southeast Asia					
China	10.2	11.1	7.9	750	840
Hong Kong, China	6.9	4.4	10.5	23,670	25,920
Indonesia	6.1	5.8	4.8	680	570
Korea, Republic of	9.4	6.2	8.8	7,970	8,910
Malaysia	5.3	7.7	8.3	3,600	3,380
Philippines	1.0	3.3	4.0	1,050	1,040
Singapore	6.6	8.0	9.9	30,060	24,740
Thailand	7.6	7.4	4.3	2,200	2,000
Transition					
Cambodia	...	5.5	5.0	250	750
Lao PDR	...	6.7	...	330	...
Mongolia	5.4	0.1	...	440	...
Myanmar	0.6	6.3	...	...	...
Viet Nam	4.6	8.6	...	330	...
South Asia					
Afghanistan	...	...	...	...	...
Bangladesh	4.3	4.8	5.9	350	370
India	5.8	6.1	4.8	430	450
Iran	1.7	4.0	5.4	1,170	1,680
Nepal	4.6	4.8	6.5	210	240
Pakistan	6.3	4.1	4.4	480	440
Sri Lanka	4.0	5.3	6.0	810	850
Pacific Island					
Fiji	...	...	...	...	...
Papua New Guinea	1.9	5.7	0.3	890	700
Solomon Islands	...	...	...	...	...
Asia Pacific					

Source: WDI, 2002 op cit.

Table 9 *Percentage of the population below the national poverty lines in selected countries, 1990-2000*

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Bangladesh	47.8 ^a	..	42.7	..	..	..	36.0	..	..	..	34.0
Cambodia	..	..	..	..	39.0	..	..	36.1	..	35.9	..
China	9.4	..	..	..	..	7.1	6.7	5.4	4.6	3.7	..
India	38.9 ^b	..	..	..	36.0	..	..	..	..	26.1	..
Indonesia	15.1	..	..	13.7	..	..	11.3	..	..	18.2	..
Kazakhstan	..	..	..	..	..	..	34.6	43.0	43.4	34.5	31.8
Kyrgyzstan	..	..	..	40.0	..	..	..	51.0	..	..	..
Malaysia	17.1 ^a	..	..	13.4	..	9.6	..	6.8	..	8.1	..
Mongolia	..	..	17.0	24.0	..	36.3	..	..	35.6	..	..
Nepal	41.4 ^c	..	..	..	..	..	42.0	..	..	..	38.0
Pakistan	..	22.1	..	22.4	29.3	..	..	31.0	..	32.6	33.5
Philippines	..	45.2	..	..	40.2	..	..	..	43.0	..	..
Republic of Korea	8.4 ^b	..	..	8.2	..	..	7.0	..	..	..	..
Sri Lanka	..	33.0	..	..	..	..	39.2	..	..	..	..
Thailand	27.2	..	23.2	..	16.3	..	11.4	..	13.0	15.9	..
Viet Nam	..	..	..	58.2	..	..	..	..	37.4	..	32.0

Source: ESCAP, 2002 op cit.

Notes: Poverty estimates are based on country-specific poverty lines, expressed in national currencies. Many countries have more than one such poverty line, and efforts have been made to include consistent time-series data on the incidence of poverty.

^a 1998

^b 1989

^c 1985

Table 10 *Exports*

Analytical Grouping/Country	Export Value (\$)		Export Share (%)	
	1990	2000	1990	2000
Australasia & Japan	337	556	9.7	8.8
Australia	40	64		
Japan	288	479		
New Zealand	9	13		
East & Southeast Asia	421	1,034	10.3	12.4
China	62	249		
Hong Kong, China	82	202		
Indonesia	26	62		
Korea, Republic of	65	172		
Malaysia	29	102		
Philippines	81	40		
Singapore	53	138		
Thailand	23	69		
Transition	3	16	0.0	0.0
Cambodia	0	1		
Lao PDR	0	0		
Mongolia	1	0		
Myanmar	0	1		
Viet Nam	2	14		
South Asia	47	85	1.3	1.3
Afghanistan	0	0		
Bangladesh	2	6		
India	18	42		
Iran	19	22		
Nepal	0	1		
Pakistan	6	9		
Sri Lanka	2	5		
Pacific Island	2	2	0.0	0.0
Fiji	1	0		
Papua New Guinea	1	2		
Solomon Islands	0	0		
World	3,486	6,327	100.0	100.0

Source: UNCTAD 2001 op cit.

Table 11 *Index of purchasing power of exports (1990 = 100)*

Analytical Grouping/Country	1980	1990	1999
Australasia & Japan			
Australia			
Japan			
New Zealand			
East & Southeast Asia			
China	28	100	255
Hong Kong, China	41	100	216
Indonesia	98	100	211
Korea, Republic of	...	...	...
Malaysia	51	100	320
Philippines	221	100	450
Singapore	32	100	247
Thailand	44	100	147
Transition			
Cambodia	...	...	...
Lao PDR	...	...	...
Mongolia	...	...	...
Myanmar	180	100	190
Viet Nam	...	...	...
South Asia			
Afghanistan	328	100	53
Bangladesh	99	100	353
India	111	100	428
Iran	45	100	74
Nepal	...	...	...
Pakistan	121	100	148
Sri Lanka	175	100	139
Pacific Island			
Fiji	174	100	112
Papua New Guinea	..	...	...
Solomon Islands	...	...	...

Source: WDI 2002 op cit.

Table 12 *Growth rates in selected countries*

	ADB		IMF								EIU			
	1991-95	1996	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998	1999	1998	1999	2000
Thailand ¹	8.5	6.4	7.0	7.5	-4.2	-11.5	-16.8	-15.3	-11.3	-8.0	1.0	-8.0	-1.4	4.2
Indonesia	7.8	8.0	8.5	6.8	2.5	1.4	-7.9	-16.5	-17.4	-15.3	-3.4	-14.8	-2.1	-1.0
Korea, Rep. of	7.5	7.1	5.7	6.6	6.1	3.9	-3.9	-6.8	-6.8			-7.9	-1.1	4.4
Malaysia	8.7	8.6	9.2	8.4	7.5	6.0	-2.8	-6.8	-8.6	-7.5	-2.0	-6.0	-2.9	0.7
Philippines	2.2	5.7	5.5	5.6	4.9	4.8	1.6	-0.8	-0.1	0.2	2.5	-1.6	0.3	2.2
Singapore	8.6	7.0	4.2	8.5	10.6	3.9	5.6	1.8	-0.7			0.3	-0.9	1.9
Hong Kong, China	5.4	4.9	5.7	6.9	6.1	2.8	-2.7	-5.2	-7.0			-5.2	-2.2	0.6
Japan	1.4	3.9	3.8	1.0	1.7	-0.8	-3.6	-1.8	-3.5	-2.8	-0.5	-3.0	-0.6	0.8
China	12.0	9.7				8.8		7.5		7.2	6.6	7.8	6.7	7.0
Viet Nam	8.2	9.3				8.8				3.5	3.5	5.2	5.0	

¹ For Thailand only, quarterly figures are for manufacturing production, while the annual figures are for real GDP.
Source: ILO, 2001, GB 274/4/2

Table 13 ***The East Asian crisis: Changes in unemployment rates and levels, 1996-98***

	Unemployment rates, per cent			New unemployed, millions	
	1996	1998	Most recent estimates	1998	Most recent estimates
China *	3.0	5.0 to 6.0		3.5	
Hong Kong, China	2.8	4.8		0.1	
Indonesia	4.1	9.0 to 12.0	15 to 20	4.8 to 7.6	12 to 15
Republic of Korea	2.6	7.6		1.2	
Malaysia	2.5	6.7		0.4	
Philippines	7.4	13.1		1.7	
Thailand	1.1	4.4	8	1.7	2.8
Total				13.4 to 16.2	20.6 to 24.7

* Urban unemployment rate.
Source: ILO estimates based on national sources.

Table 14 ***Integration with the global economy***

	Trade (as percent of PPP GDP)		Gross private capital flows	
	1986	1996	1986	1996
Thailand	14.7	31.3	1.6	5.0
Korea	33.6	46.7	3.5	11.1
Indonesia	10.7	13.6	2.0	2.1
Malaysia	33.6	70.2	2.8	4.6
Philippines	8.0	21.3	2.3	4.8

Source: UNCTAD, 2001 op cit.

Table 15 ***Asian export markets (excluding Australia, Japan and New Zealand)***

	Developed market economies	Of which				Intra-region Asia
		EU	USA	AN Z	Japan	
1980	59.8	15.3	18.9	2.4	20.1	24.0
1990	57.0	16.2	22.0	1.8	14.4	33.5
1999	53.7	16.5	21.5	2.0	11.2	37.6

ANZ = Australia & New Zealand
Source: UNCTAD, 2001 op cit.

Table 16 *Structure of manufactured exports (per cent)*

	1985				1996			
	RB	LT	MT	HT	RB	LT	MT	HT
Argentina	67.5	15.6	11.8	5.1	49.1	18.8	28.8	3.3
Brazil	32.6	33.3	27.1	7.1	25.6	31.8	34.0	8.6
China	11.7	57.1	21.8	9.4	9.8	56.3	13.4	20.6
Hong Kong, China	2.1	64.3	14.2	19.3	4.4	52.7	14.0	28.9
India	40.3	46.1	10.6	3.0	31.1	52.3	13.1	4.4
Indonesia	72.2	19.2	5.9	2.8	34.9	41.9	8.5	14.7
Korea, Republic of	7.8	59.9	12.2	20.1	9.4	28.4	26.6	35.7
Malaysia	53.7	9.7	5.5	31.0	17.8	13.1	8.7	60.4
Mexico	20.2	15.0	29.2	35.6	7.1	20.9	35.2	36.9
Singapore	42.3	10.8	14.6	32.3	12.7	7.9	14.0	65.4
Taiwan (China)	8.7	57.3	13.3	20.7	5.1	33.9	20.2	40.9
Thailand	42.1	38.2	6.6	13.1	14.5	35.6	13.5	36.3
Turkey	22.0	62.3	13.4	2.3	17.5	63.9	12.8	5.7

Note: China's export structure for 1985 is based on 1990 figures.
 RB = resource-based.
 LT = low technology.
 MT = medium technology
 HT = high technology

Source: Lall, 2000, The Technological Structure of Developing Countries Manufacturing Exports, 1985-98, University of Oxford.

Table 17 *Potential annual gains from improving market access in a new Development Round, 1995 (US\$ billion)*

Benefiting region	Liberalizing region	Textiles and clothing	Other manufactures	Agriculture and food	Other primary markets	Total
Developing countries	Rich	9.0	22.3	11.6	0.1	43.0
	Developing	3.6	27.6	31.4	2.5	65.1
	Total	12.6	49.9	43.0	2.6	108.1
Rich countries	Rich	-5.7	-8.1	110.5	0.0	96.7
	Developing	10.5	27.7	11.2	0.2	49.6
	Total	4.8	19.6	121.7	0.2	146.3
All countries	Rich	3.3	14.2	122.1	0.1	139.7
	Developing	14.1	55.3	42.6	2.7	114.7
	Total	17.4	69.5	164.7	2.8	254.4

Source: World Bank, 2002, Globalisation Growth and Poverty.

Speech

President of Finland, H E Tarja Halonen

Globalization that corresponds to people's needs is possible to achieve only by listening to people - their needs and dreams - in different parts of world. Thus it is a great pleasure to be able to participate in this dialogue arranged by the World Commission on the Social Dimension of Globalization. Our commission wants as much information as possible on local and regional experiences concerning globalization. We have already arranged several national dialogues around the world. This seminar is the second regional dialogue following one in Latin America. Regional dialogues will be held in Europe and Africa in February.

The Asia-Pacific region has always been a key part of globalization. It has been the scene of regional - and worldwide - trade for thousands of years. Integration in the world economy has not always been nice; conquests and colonialism also have their own history here.

In general terms economic growth and reduction of poverty in the Asia-Pacific region has been stunning in the past few decades. Why is this? Is it that countries in the same geographical region have independently made something right or is there something typically Asian about this? Of course there are huge differences between and inside countries in the Asia-Pacific region as is the case concerning Europe also. Regions look more homogeneous from outside than from inside.

Discussion concerning why some countries and regions succeed will no doubt be on our agenda. What can others learn from Asian experiences? I think it would be interesting to hear your views on how Asian best practices in promoting development and reducing poverty could also be applied in other parts of the world.

Spectacular economic growth and more active participation in international trade have made the countries in the region more vulnerable to disturbances in the international economy. This vulnerability has been increased by the enormous amount of foreign investment in Asia. I await with interest your own evaluations of the effects and lessons of the Asian economic crisis. No one wants to serve as a test laboratory, but learning from mistakes and unpleasant events can be helpful to oneself as well as many other countries and regions.

I have been dealing with the impact of globalization in Asia mainly from an economic perspective. It is clear, however, that globalization is much broader in scope. The rapid development of technology, the speeding up of communications, the spread of cultural influences, tourism and other travel and cross-border relations are key elements of globalization. All this has its own impact in the Asia-Pacific region as well.

Although globalization is by definition world-wide, in their own lives people experience globalization locally. Even for global businesses markets are mainly local; they just happen to be in different parts of the world. On a planet with six billion people globalization is always present somewhere. As a result of increased interdependence, people's local actions have global effects. Local becomes global and vice versa.

In my opinion it is important that, in analysing the effects of globalization or considering ways to conduct globalization, we keep our attention focused on people. People are at the same time the objects and the subjects of globalization. It follows logically from this that globalization is not a law of nature but a process achieved by people. Governments' decisions to eliminate obstacles to globalization have generally been based on the desire to improve citizens' standard of living and quality of life. Unfortunately the result has not always been in line with this goal.

The World Commission on the Social Dimension of Globalization is seeking means so that globalization can be made more humane. I am enthusiastic about the commission's work and it is a great honour for me to serve as Co-Chair together with President Benjamin Mkapa of Tanzania. I am delighted that so many commission members are also present here: Surin Pitsuwan (Thailand), Victoria Tauli-Corpuz (Philippines), Lu Mai (China) and Bill Brett (Great Britain). There are also three other members in the commission from this region: Deepak Nayyar (India), Taizo Nishimuro (Japan) and Eui-yong Chung (Korea), as well as our capable executive secretary Padmanabha Gopinath.

The goal of our commission is:

- To move discussion concerning globalization from confrontation to dialogue. Discussion is presently characterized by polarization and the presentation of narrow viewpoints. We need a discussion in which globalization is approached in a comprehensive manner.
- To present a practical vision of a fair and sustainable globalization which corresponds to people's needs. The goal is globalization which has a more human face, promotes development, growth and employment and reduces poverty. In other words the aim is globalization which promotes a decent life.
- To present initiatives and recommendations concerning how this vision can be achieved. Recommendations would be aimed at key actors: nation-states, international organizations, businesses, trade unions and other parts of civil society. Some recommendations would be immediate while others would require long-term action.

Our commission has made good progress in its work, in my opinion. During our three meetings we have come a long way from general discussion to more focused, solution-oriented discussion. Without anticipating the content of our report, I would like to mention a few things which have stood out in our discussions in the commission and in national dialogues.

Creating fair international rules. Time and again we have heard the generally accepted statement that the rules and agreements, which regulate international dealings, are not fair. Especially in the developing countries people feel that ostensibly equal rules favour the industrialized countries. The industrialized countries are in a better position to take advantage of opportunities provided by agreements. In other words, the playing field is not level. Even fair rules do not automatically lead to a fair result. We need arrangements which favour those in a weaker position. Criticism focuses above all on the WTO agreements and their implementation as well as the World Bank and the International Monetary Fund, but the United Nations has also received its share of criticism.

The role of the nation-state. Despite the increase in international cooperation and dealings, nation-states are still the key actor in globalization. Action on national level can contribute to better conduct of globalization either on regional and global level or on local level. National measures have the strongest impact on people's lives. The nation-state is also a key level of political influence. Key demands on the nation-state are democracy, respect for human rights and the rule of law. Nation-states should pursue also to have good governance.

Business. With the opening of economies and markets the significance of business has continued to grow. International corporations in particular can have a large

significance for employment and finances in individual countries, not to mention their importance for those people who are directly dependent on them. Business is often criticized and this criticism is surely often deserved. Less attention seems to be given to companies' positive effect on employment and also good practices. In the best case a foreign company can help a country develop practices which are much more progressive than legislation.

Development. Many speeches have called for globalization that promotes development. Many people find the present situation to be far from this. Globalization can promote development, but this requires that poor countries and their citizens also obtain the benefits. This in turn requires solidarity on the part of the industrialized countries, including development aid and the elimination of market access barriers. Nevertheless it is not a one way street, the developing countries must for their part show willingness and commitment to development.

Movement of people. Globally speaking, only a small portion of people move from one country to another. The portion who move for economic reasons is even smaller; the reasons are more often natural or political catastrophes. Migration has a large impact on both source and destination countries however. Source countries can, in the worst case, suffer a brain drain which substantially slows down their own development. In destination countries unemployment and other unfavourable developments are far too often blamed on immigrants. Yet the United States' faster economic growth in the past decade, compared with Europe, has been due largely to higher immigration. The economic significance of migration is also reflected by the fact that the amount of remittances by immigrants to their countries of origin is greater than all the development aid supplied around the world. Anyway, I hope that in the future people should not have to move if they do not so desire.

I have mentioned only a few of the themes that have come up in the commission's work or dialogues. There are many more and I believe that new themes will be addressed and additional light will be shed on familiar themes in this meeting.

I would like to thank the organizers of this event as well as all the participants. Special thanks go to Surin Pitsuwan and Yasuyuki Nodera. Without their active input this meeting could not have been arranged.

I still have warm memories from the first Asia-EU meeting (ASEM), which was held here in Bangkok in 1996. That meeting was a great success and paved the way for a flourishing process. I am sure that this meeting will also be a success and look forward to the results of the dialogue.

Annex

The World Commission on the Social Dimension of Globalization

Co-Chairs

Tarja Halonen — President of the Republic of Finland

Benjamin Mkapa — President of the United Republic of Tanzania

Members

Giuliano Amato — Italy

Vice-President of the Constitutional Convention of the European Union and former Prime Minister of Italy.

Ruth Cardoso — Brazil

President of the *Programa Capacitação Solidaria* and former First Lady of Brazil

Heba Handoussa — Egypt

Member of the Shura Council, Egypt's Upper House of Parliament, and a member of the Board of the Central Bank of Egypt.

Eveline Herfkens — Netherlands

Executive Coordinator of the Millennium Development Goals Campaign and former Minister for Development Cooperation of the Netherlands.

Ann McLaughlin Korologos — United States

Vice Chair of the Rand Corporation, Senior Advisor to Benedetto, Gartland and Company, an investment banking firm in New York and member of the Board of various corporations.

Lu Mai — China

Secretary-General of the China Development Research Foundation.

Valentina Matvienko — Russian Federation

Governor of St Petersburg.

Deepak Nayyar — India

Vice Chancellor of the University of Delhi and Chair of the Board of Governors of the UNU World Institute for Development Economics Research, Helsinki.

Taizo Nishimuro — Japan

Chairman of the Board of Toshiba Corporation and Vice Chair of the Japan Business Federation.

François Perigot – France

President of the International Organization of Employers (IOE).

Surin Pitsuwan – Thailand

Member of Parliament and former Minister of Foreign Affairs of Thailand.

Julio Maria Sanguinetti – Uruguay

President of the Circulo de Montevideo and former President of the Republic of Uruguay.

Hernando de Soto – Peru

President of the Institute for Liberty and Democracy and influential author of best-selling books on economic policy.

Joseph Stiglitz – United States

Professor of Economics, Business and International Affairs, at Columbia University. Joseph Stiglitz received the Nobel Prize for Economics in 2001.

John L. Sweeney – United States

President of the American Federation of Labour and Congress of Industrial Organizations (AFL-CIO).

Victoria Tauli-Corpuz – Philippines

The founder and Executive Director of Tebtebba Foundation (Indigenous Peoples' International Center for Policy Research and Education).

Aminata Traoré – Mali

Author and Director of Centre Amadou Hanyrat Ba (CAHBA), one of the organizations of the African Social Forum.

Zwelinzima Vavi – South Africa

General Secretary of Congress of South African Trade Unions (COSATU).

Ernst von Weizsäcker – Germany

Scientist, member of the German Bundestag and Chair of the Environment Committee of the German Bundestag.

Ex-officio

Bill Brett – United Kingdom

Chairperson of the Governing Body of the ILO for 2002-2003 and member of the House of Lords (UK).

Eui-Yong Chung – Korea

Chairperson of the Governing Body of the ILO for 2003-2004 and Ambassador and Permanent Representative of the Republic of Korea to the United Nations and other international organizations in Geneva.

Daniel Funes de Rioja – Argentina

Vice Chairperson of the ILO Governing Body and Vice President of the International Organisation of Employers (IOE).

Juan Somavia – Chile

Director-General of the ILO.

Ludovic Tou – Burkina Faso

Chairperson of the ILO Governing Body (2001-2002) and Minister of Employment, Labour and Social Security of Burkina Faso.



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