



## Second (special) sitting

Monday, 7 June 2004, 10.40 a.m.

*President: Mr. Ray Guevara*

### ADDRESS BY HEADS OF STATE AND GOVERNMENT ON THE REPORT OF THE WORLD COMMISSION ON THE SOCIAL DIMENSION OF GLOBALIZATION

*Original Spanish:* The PRESIDENT

It is for me an honour to declare open the second sitting of the 92nd Session of the International Labour Conference. Today we have a special session, during which the Conference will have the great honour of welcoming four eminent personalities from the world of politics. I refer to the two co-Chairs of the World Commission on the Social Dimension of Globalization, Her Excellency Ms. Tarja Halonen, President of the Republic of Finland, and His Excellency Mr. Benjamin Mkapa, President of the United Republic of Tanzania. I also refer to His Excellency Mr. Georgi Parvanov, President of the Republic of Bulgaria, and the Right Honourable Helen Clark, Prime Minister of New Zealand.

Ms. Halonen and Mr. Mkapa have, for two years, led the World Commission on the Social Dimension of Globalization, carrying out the arduous task of guiding the very varied group that has been plunged in the study of a very complex and extremely topical issue.

Both presented the report of the World Commission on the Social Dimension of Globalization to the Governing Body of the ILO. We are very appreciative of the fact that they have agreed to present it to the Conference this morning. After the presentation, we shall have the pleasure of listening to the President of the Republic of Bulgaria and to the Prime Minister of New Zealand, who will give us their opinions on the report. We shall also listen to the comments of the representatives of the social partners, Mr. Funes de Rioja, Chairperson of the Employers' group and Employer Vice-Chairperson of the Governing Body, and Sir Roy Trotman, Chairperson of the Workers' group and Worker Vice-Chairperson of the Governing Body.

The fact that we have here four distinguished public figures from four different regions of the world, symbolizes the world interest that globalization has aroused. Its importance is such that it has been dealt with at the highest level and this is why the ILO is very pleased to have here today four of the highest representatives of their respective countries.

The presence in this room of Heads of State and Government is a great honour for the ILO, and at the same time it is a challenge for the Organization to be able to fulfil its responsibilities when the time comes to implement the recommendations that have been made. Before giving the floor to our distin-

guished speakers, I wish to remind you that Her Excellency Ms. Halonen, President of the Republic of Finland, made available to the World Commission all the experience that she acquired in her country and internationally during a political career devoted to the fight for social justice, equality and the search for solutions which would make it possible to overcome the shortfalls in employment and social protection. She has been an exceptional ambassador for the World Commission on the Social Dimension of Globalization and she was able to develop the necessary team spirit to obtain understanding between the different interest groups. I am very pleased now to give the floor to Her Excellency Ms. Halonen.

*Ms. HALONEN (President of the Republic of Finland)*

It is a great pleasure and privilege for me to speak at the 92nd Session of the International Labour Conference. The ILO and the International Labour Conference are a unique part of the multilateral international system. Worker and Employer representatives participate in international cooperation as equals alongside Government representatives. This is the ILO's special strength, and provides an exceptionally strong justification for the Organization's decisions and activities.

I owe great thanks to the ILO: the International Labour Conference, the Governing Body and Juan Somavia. Thank you for having the courage and foresight to appoint the independent World Commission on the Social Dimension of Globalization. I thank you for inviting me to co-Chair this Commission, together with President Benjamin Mkapa of the United Republic of Tanzania – or, as I have learned to call him during our days in the Commission, dear Ben.

Two years at the head of the World Commission is definitely one of the most important experiences and greatest high points in my professional life. This is an experience that I will never forget. At this point I would like to thank all the members of the Commission for their excellent cooperation, and my special thanks of course to my co-Chair, Benjamin Mkapa.

Our Commission began work in February 2002 and our report, *A fair globalization: Creating opportunities for all*, was published on 24 February 2004. Our work was not always easy. Commissions are often composed of the people who are like-minded, but ours was largely one of "not like-minded" people: 26 people who came from different backgrounds, have different political views, are from different parts of the world and have their own

strong opinions. The Commission was nevertheless able to publish a unanimous joint report. This is proof of the new attitude and desire to find common answers to common challenges. Our report is proof of the power of discussion and dialogue.

Each one of us would have written a different report and would have emphasized different things. What is important is that ours is a joint report. Everyone had to make compromises but no one had to abandon basic views.

The Commission also arranged an extensive series of consultations around the world. I had the opportunity to attend regional dialogues in Asia, Africa and Europe, as well as national dialogues in China and in my own country, Finland. These consultations were invaluable in helping us to understand how people experience globalization in different parts of the world.

The World Commission's report has been given a good reception by governments, international organizations and civil society. Work is only getting started, however. We do not intend for the report to be just one more publication. We intend for it to be part of a process that will give globalization a human face. All of us are needed in this work.

The Director-General, Juan Somavia, has prepared an excellent report on our Commission's work for this Conference. His Report outlines the role of the ILO in advancing the World Commission's work. It is of key importance to make decent work a global goal and to promote a policy coherence initiative on growth, investment and employment. Both of these suit the ILO quite well. I hope that this Conference will discuss the Director-General's Report carefully and will give the ILO and its secretariat a clear mandate to promote the recommendations in the World Commission's report.

The recommendations in the World Commission's report cover a much wider field than the ILO's direct scope, however. One section consists of recommendations to nation States and civil society, including business and employers' and labour organizations. Another clear whole is formed by matters that come within the sphere of international organizations. In particular, employment and cross-border movement of people are issues which have received the most attention in public discourse. A new kind of cross-border movement of people is especially important for developing countries. Millions of people move for a shorter or longer time, both from developing countries to industrialized countries and to other developing countries. I am very happy to hear that your activities at this session of the Conference will also address this sector.

With regard to the international system, the main emphasis in promoting the work and recommendations of the World Commission on the Social Dimension of Globalization has been by the United Nations as well as the ILO. In April this year, I attended the Special High-level ECOSOC Meeting with the Bretton Woods Institutions and the WTO in New York. I told the participants about the Commission's work and our report. The reception was positive, in my opinion. The Director-General, Juan Somavia will attend the ECOSOC substantive session at the end of June in New York.

President Mkapa and I have planned to focus on making the report and its recommendations better known this spring and summer. Our goal is for the 59th Session of the United Nations General Assem-

bly to approve a resolution this autumn requesting ECOSOC and other relevant bodies to consider our Commission's report and then report back to the 60th Session.

We are currently identifying a suitable agenda item for Finland and the United Republic of Tanzania to present an operational resolution.

It is also our intention for the Bretton Woods institutions to discuss the World Commission's report in a suitable manner. Work is also under way in this regard. The World Bank and the International Monetary Fund cooperated actively in the preparation of the report. I was asked to come and brief the World Bank's European meeting about the report but unfortunately, owing to a previously agreed official visit, the time was unsuitable for me.

Within the World Trade Organization, there seems to be some hope in sight. European Trade Commissioner, Pascal Lamy has said that the European Union (EU) is, in principle, ready to give up agricultural export subsidies if others are ready to do the same.

At the regional level, the European Commission has prepared a communication on our report. The statement is positive in tone and the European Commission recommends that the EU should carefully discuss the report's recommendations and take them into consideration in the EU's internal and external activities.

President Mkapa has similarly informed his African colleagues of our Commission's report, and I believe that this report is also on the agenda at the African Union Summit in Addis Ababa, Ethiopia, a month from now. But you will hear about this, of course, from my colleague himself.

I also had the opportunity to talk about the World Commission and the follow-up work at the Third summit of Heads of State and Government of the European Union and Latin America and the Caribbean.

Finland and the United Republic of Tanzania, have become friends, as you have noticed. We were already, but now our friendship has become even stronger. We also have a joint project to promote a fairer globalization: the Helsinki process. This process seeks new and empowering solutions to global governance problems. It also offers an arena for open and broad-based discussion among interest groups to come up with practical recommendations that the different actors can implement and promote. Although the Helsinki process is an independent and separate process, its work is also based partly on the results of the World Commission on the Social Dimension of Globalization.

It is also good to talk about national activities. I do not know them all, but I can tell you, for example, that my own country, Finland, is currently preparing a national globalization strategy and I believe that already now, there are other countries which are doing exactly the same. There is a lot of information on issues which are important strengths of a nation State, such as good governance and the fight against corruption. I think that you will have the opportunity to discuss all this during the Conference.

Once again, the ILO showed courage and foresight in appointing the World Commission on the Social Dimension of Globalization. The Commission has published its report but, I repeat, this is only the beginning.

Making globalization more human will take time. I hope that the work of our Commission can be part of this process. Achieving change requires a commitment from all of us here. I trust that the International Labour Conference is ready to do its part to promote change. The Director-General's Report provides a good basis for this work.

I am thankful for the privilege of co-chairing the World Commission on the Social Dimension of Globalization. I am also thankful for the excellent cooperation with governments, employers, workers and the secretariat. Without their support, your support, our Commission could not have succeeded in its work. I do wish you a successful Conference.

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*Original Spanish:* The PRESIDENT

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I would now like to call upon His Excellency, Mr. Mkapa, President of the United Republic of Tanzania. Mr. Mkapa has had an outstanding national and international career that started in journalism and which led him to play a role at the highest levels of diplomacy, culminating in the presidency of the Republic, where he is now in his second term.

In the World Commission on the Social Dimension of Globalization he used his gift of communication, constantly encouraging consultations and ensuring that the work was carried out in an atmosphere propitious for consensus. We all recall his brilliant work and his patience during the last session of the Governing Body. I have great pleasure in giving the floor to His Excellency, Mr. Mkapa.

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Mr. MKAPA (*President of the United Republic of Tanzania*)

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The last time I addressed the International Labour Conference was on 12 June 2001 on the theme of the worst forms of child labour, in itself a manifestation of poverty and the negative aspects of globalization. I am honoured to be back this time with my friend and colleague, co-Chair of the World Commission on the Social Dimension of Globalization, President Ms. T. Halonen of the Republic of Finland.

I thank her for the unstinting energy, contagious enthusiasm, indomitable will and vitalizing humour with which she has led the Commission's work, and for the powerful statements she has just made, which I fully endorse. I join her in presenting to you on behalf of our fellow commissioners, the report of the Commission established by the ILO. I also pay tribute to the Commission secretaries, and the whole secretariat for facilitating so efficiently and honourably the foundation, the construction and the follow-up to the work of the Commission.

The report is appropriately entitled: *A fair globalization: Creating opportunities for all*. For that was the essence of the remit of our mandate: to explore innovative and sustainable ways that would integrate economic, social and environmental objectives for rendering globalization a force for good for all people in all countries. I believe we have discharged this mandate with the utmost diligence and objectivity. I commend the ILO Director-General Juan Somavia for his great initiatives and visions to use this organization's unique experience to move the discussion on globalization beyond a stand-off and confrontation to dialogue and cooperation and to recognizing rights and responsibilities of all nations and peoples in an increasingly integrated and networked world.

The global anti-globalization movement encompasses a disparate group, united in their understanding and experience of the unfairness of globalization, of poverty, of inequitable opportunities and outcomes.

Supporters of globalization on the other hand, tell us that globalization is a good thing for the world. We in the Commission also believe that globalization has great potential for good. Indeed it has already done a lot of good and can do more. All we are saying is that, a new thinking is needed to ensure that the good that comes out of globalization reaches more people. Otherwise it will always be politically unbalanced, materially unsustainable, morally indefensible and, from a security standpoint, graphically catastrophic.

Globalization and the conflicting views on it remind me of an Ethiopian proverb which says: "A cow gave birth to a fire, she wanted to lick it but it burned her, she wanted to leave it but she could not because it was her own child." The world has given birth to the fire of globalization. We see and love its huge potential and want to lick it, but some of us get burned in the process. Yet we cannot leave it either, for it is our own child. Protagonists from both sides of the debate must learn to work together to make sure that we all embrace globalization profitably without getting burned.

The Commission's greatest asset was its diversity in terms of the origins, backgrounds, experiences and interests of its members. Its best practice was to consult widely, viewing globalization through the eyes of the people. Its best outcome was that people from such diverse backgrounds and experiences, on a controversial subject such as globalization, could discuss and come up with the largely agreed report we present to you today.

For Africa, the report is in keeping with the aspirations of the New Partnership for Africa's Development, NEPAD, which warns that: "The poverty and backwardness of Africa stands in stark contrast to the prosperity of the developed world and is a blight on humanity. The continued marginalization of Africa from the globalization process and the social exclusion of the vast majority of its peoples constitute a serious threat to global stability". From the ancient Chinese sage Confucius we learn that, in a country well governed, poverty is something to be ashamed of, and I say that in a world striving to be well governed, poverty must be something to be profoundly ashamed of.

The reforming democratic African governments are increasingly under pressure to provide proof that open market systems can work for all. Sustainability of the reform agenda depends critically on this. With the continued erosion of commodity prices eating into farmer's incomes, it is becoming difficult for African and other developing countries' governments to provide the proof. With the little we are doing towards the repayment of debts, there is even less available for invest in human development. Frankly, and this is my personal view, for the least developed countries no amount of debt can be sustainable. Every cent that goes to service the debts we owe each developed country, directly or through multilateral financial institutions, is a cent less from the resources we so sorely need to work towards the Millennium Development Goals. Debt cancellation for the poorest is in my view the best option. Additionally, developed countries must live

up to the commitments of official Development Assistance contained in the Monterrey Consensus.

The report of the Commission argues that globalization must begin at home. If countries are to develop they require sound and stable policy frameworks, they need to espouse market-based policies that are manifestly pro poor and encourage integration in the global economy. They must emphasize economic development with social protection, decent work and good democratic governance at all levels, including the global level. Globalization has many faces but the face that most people protest against is global trade, as currently promulgated and governed by the WTO, and the face of global asymmetry of power, as presented by the G8.

My experience is that even the most virulent opponents of globalization recognize its positive side. What drives them to desperation is the power asymmetry, the lack of voice, the inequalities and the unfairness that seem inbuilt and embedded into the current system of global governance, notably in global trade. We must collectively pursue a global agenda of trade for development of all countries and peoples. The spirit of Doha that makes global development a goal, rather than a by-product of global trade, must not be allowed to die.

I encourage trade unions to continue addressing the political question of how to respond to the unfolding realities of a globalizing world and its impact on work. Globalization is changing the world in ways most of us were not prepared for. Even the concepts of work and the workplace are changing. Inbuilt capacities at all levels for adaptability and flexibility, through appropriate education, skills and knowledge are urgently needed.

The prospects for many developing countries are threatened by inadequate human development, made worse by the spectre of HIV/AIDS that so viciously decimates the workforce, particularly in sub-Saharan Africa. In areas such as these, many countries will require significant assistance from the international community. In Africa, we are looking forward to the Extraordinary Summit on Employment and Poverty Alleviation, scheduled for September 2004 in Ouagadougou, that will establish an important political link in our economic agenda for development and poverty reduction as a way of building up an inclusive global economy. Most developing countries are determined to turn the corner to ensure a brighter future for their people. But to do this, the tripartite constituents must work together in a broader alliance to unleash our full potential, which must also include the immense potential of women. One of the gears in the engine that drives globalization is the multilateral institution system. Each of the system's component organizations has its own mandate and share of operational cover. But in my view, there is a serious deficit of a formal coordinated coalition vision of holistic development between them. For this reason, I wish to underscore the report's recommendation for the establishment of a globalization policy forum between the United Nations and other principal international organizations with a view to evolving a fairer globalization as a sustainable anchor of each social dimension. The report identifies what, in our view, are the necessary tasks ahead if we want to make globalization fairer and, given the diversity of cultures, if we want more people and countries to be included in these processes, opportunities and outcomes. As in other major global undertakings, it

needs political will and vision. Blind opponents of globalization are as unhelpful as blind proponents of globalization. If we all open our eyes and become more objective, we will see manifold opportunities to expand the benefits of globalization and reduce its negative consequences. Yes, a better world is possible and is within our collective reach if the leaders of our world summon the courage and the will needed to lead us in that direction.

I wish to end with the same conclusion that the German poet and scientist Goethe reached two centuries ago. He said, and I quote, "I have come to the frightening conclusion that I am the decisive element. It is my personal approach that creates the climate. It is my daily mood that makes the weather. I possess tremendous power to make life miserable or joyous. I can be a tool of torture or an instrument of inspiration. I can humiliate or humour; hurt or heal. In all situations, it is my response that decides whether a crisis is escalated or de-escalated and a person is humanized or dehumanized. If we treat people as they are, we make them worse. If we treat people as they ought to be, we help them become what they are capable of becoming."

I agreed to serve on this Commission because I believe in the human capacity to rise above parochialism, to be worldly wise, to take the correct turn when confronted with difficult choices and to promote and celebrate the vision of a global human family. Globalization presents humanity with among the most far-reaching decisions of our time and, like Goethe, I believe that it is in our power to do what is right. I appeal to all of you in your different capacities to accept and support the Commission's humble endeavour to engender the correct turn at the fork in the road of our headlong march towards globalization, in the interest of the humanity we all share.

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*Original Spanish: The PRESIDENT*

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I would now like to introduce His Excellency Mr. Giorgi Parvanov, President of the Republic of Bulgaria and a firm defender of democracy in his country, where the winds of modernization are blowing.

President Parvanov is guiding his Government towards stabilization of the labour market, improvement of social security and harmonization of legislation and the bodies of social dialogue with European models. The ILO welcomes the ratification by Bulgaria of the eight fundamental labour Conventions and the links of cooperation that it has forged with Bulgaria in different areas of activity. I am greatly honoured to give the floor to the President of Bulgaria, President Parvanov.

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*Original Bulgarian: Mr. PARVANOV (President of the Republic of Bulgaria)*

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It is a great honour for me to be here and to have the opportunity to discuss the social aspects of globalization before such a prestigious and competent audience. For more than ten years, the trends, nature and consequences of globalization have held our attention and provoked heated debate and even controversy at times. Unless this can be overcome, there is a risk that these differences may deepen and lead to a lasting divide between countries and nations, something that would inevitably be to the detriment of global security, trust and development. This is why I wish to commend the ILO and its Director-General, personally on the initiative to ad-

dress this issue comprehensively for the first time. I would also like to pay tribute to my esteemed colleagues and the co-Chairpersons of the World Commission on the Social Dimension of Globalization – the President of the Republic of Finland, Ms. Tarja Halonen, and the President of the United Republic of Tanzania, Mr. Benjamin Mkapa – and their team. I wish to commend them on the brilliant way they implemented their ideas. The best thing about their report is that it brings together the various views on globalization in a forceful common message that gives us confidence to believe that, through dialogue, we can make the world a better place to live. We all – Heads of State and representatives of governments, trade unions and employers organizations – today have an opportunity and a responsibility to take up this valuable achievement and to implement its message within our governments and our organizations.

Indeed it is hard to find arguments against globalization. The new technologies shorten distances and facilitate communication. The social processes have long since transcended national borders and it is therefore impossible to confine them any longer.

The debate is no longer a question of being for or against globalization but of whether, in its present form, globalization is the best thing for humanity. I fully support the idea that globalization should have a very strong social dimension; it should be based on universal values and should be beneficial for every country, without exception. The report of the World Commission defends this stance in a very convincing fashion. Globalization cannot, and should not, be impeded; globalization should be fairer – and it should have an acceptable social cost. Governments and business should be aware that investment in social policy is a condition for stability. Indeed, we have no right to close our eyes to the fact that extremism, notably terrorism, finds fertile ground in the unresolved social problems of the various regions; we should not see the recourse to military or other force as the only solution to these problems. I would like to assure you that Bulgaria welcomes the specific proposals in this report on improving international cooperation to identify the trends and pace of globalization. Within all the organizations in which we participate, my country will work for active international cooperation to hammer out our positions in shaping world policies and maintaining global political dialogue. Two years ago the ideas in this report may have seemed rather naive; today there may still be people who view these ideas with scepticism, but I believe that the time is near when these ideas will prevail and will dominate world policy. I hasten to endorse fully another of the ideas from this report: I am convinced that regional cooperation is the key to allowing individual countries, especially those with limited resources, to play a more active role in ensuring an equitable distribution of the benefits of globalization. Regional cooperation increases the power of the small, and economically weaker, countries. This is particularly valid for the region of south eastern Europe, which I represent today. Bulgaria has been working for a long time for more active cooperation among the countries of south eastern Europe and has sponsored a number of initiatives to this end. At the internal level, the role of individual States is vital for the achievement of a fairer globalization. Here we face the question of the role of the state and its institutions. A very deli-

cate balance is needed; on the one hand, the withdrawal of the state from direct involvement and interference in the economy, which is only natural, and on the other hand the creation of potent institutions that will ensure that the rules of the game are respected – the rules that apply to everyone, both employers and workers. For countries like Bulgaria, at least, this is how I see things: the state cannot and should not shirk its social obligations and should continue to play an active role in a number of areas of public policy, especially when it comes to creating a stable microeconomic environment or a modern infrastructure, and to reducing unemployment, providing opportunities for decent work, and working to curb poverty. The traditions and future development of my country, and the region it represents, call for a strong civil society and for us to continue to be mindful of social problems.

I am here today as Head of State of a country that has been successful, and which has the ambition of having a stabilizing influence on the whole of south eastern Europe. What is unusual about Bulgaria and the other countries of south eastern Europe is that the emergence of globalization has coincided with the beginning of a very difficult transition towards a market economy and the establishment of democracy and democratic values. It has also coincided with the process of European integration in the region, as a result of which some of the Balkan countries are members of the European Union and others are still on its threshold. We must admit, of course, that despite all our efforts the vast majority of people have paid a very high social price for this policy of reform. Today, when my country has been recognized as a market economy; has an acceptable, fairly low rate of inflation; enjoys political and economic stability; and is in the final phase of its negotiations with the European Union, we realize that we have chosen the right path.

At the same time, I am aware that the process of negotiations with the European Union should not be reduced to a mechanical going through the motions. The important thing is that the countries of south-eastern Europe should be able to create sufficient capacity to adapt and integrate into the European social model. As the Director-General, Mr Somavia, has pointed out on more than one occasion, this European social model is, in turn, going to play a key role in the international organizations' efforts to achieve a fairer process of globalization. I find the proposals made in the report of the World Commission especially useful, notably those aimed at increasing public control of national positions within international organizations in order to improve the transparency of these organizations. I look forward to having these matters discussed later this year in our capital, Sofia, during the tripartite conference for Central and Eastern Europe on the social dimension of globalization, which is to be held under the aegis of the ILO.

I would like to thank the Director-General and his team for accepting this idea with understanding and for supporting it. In closing, may I salute the ILO once again, and particularly Mr. Somavia; the President of the Republic of Finland, Ms. Halonen; and the President of the United Republic of Tanzania, Mr Mkapa. May I congratulate them on this excellent initiative and the well-prepared report, and assure them that Bulgaria will continue to participate in the efforts of the international community to

turn globalization into a fairer process that will benefit all countries and peoples.

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*Original Spanish:* The PRESIDENT

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I would now like to introduce the Right Honourable Helen Clark, Prime Minister of New Zealand. From the very start of her long political career, during which she has also been Minister of Labour and therefore well known to us here in this house, Prime Minister Clark has been recognized for her unyielding defence of international peace and the fight for disarmament. Over the past five years, under her leadership, the Government of New Zealand has strengthened minimum standards in equity, safety at work and employment opportunities.

The support shown by New Zealand for the concept of decent work has been reflected in different initiatives at the legislative level aimed at encouraging the participation of workers and employers, paid paternity leave, considerable wage increases and equal remuneration. Ms. Clark has championed decent work across the whole of the South-East Asia and the Pacific subregion. I now give the floor to Prime Minister Helen Clark.

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*Ms. CLARK (Prime Minister of New Zealand)*

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I thank the Director-General of the ILO for his invitation to me to participate in the special sitting of Heads of State and Government this morning.

I begin by commending the Governing Body of the ILO for establishing the World Commission on the Social Dimension of Globalization and by congratulating the members of the Commission on the comprehensive and thought-provoking report which they have produced. I have personally read it with great interest.

The report analyses the process of globalization in the late twentieth century, examines both its potential and its pitfalls, and suggests ways in which nation states, multilateral institutions and non-state actors might work to ensure that globalization creates opportunities for all and not just for the already powerful.

In so doing, the report moves well beyond the slogans so often associated with discussions of globalization. It recognizes that the process of globalization is here to stay, but that significant policy changes are needed at the national and international levels if it is to contribute to fair and just work. The report also identifies major twenty-first century issues like mass migration across borders, for which there are not, at this time, adequate multilateral frameworks.

I speak today as the leader of a social democratic government in a small western country which, 20 years ago, began exposing itself to radical economic change. Indeed, the New Zealand experience fits the report's description of a "Big Bang" approach to liberalization. From the mid-1980s, New Zealand quickly deregulated its economy, stripped away its tariff and import-control barriers and privatized many of its state companies. The economic liberalization of the 1980s was then followed by significant cut-backs in social provision and by labour market deregulation in the 1990s.

While there is no disagreement that the New Zealand economy was in trouble in the early 1980s, the pace and extent of the moves which followed were highly controversial. The changes in New Zealand came without adequate adjustment mechanisms and created a good deal of social distress. Even as the

economy began to rebuild in the 1990s, the distributional effects on society were very uneven.

My Government was elected at the end of 1999 on a platform of bringing a better balance to economic and social policy. We set out to strengthen the economy's capacity to grow sustainably, to put employment growth at the top of our priorities, to strengthen social safety nets and to re-regulate where deregulation had gone too far. The path we have taken is consistent with the approach which the World Commission's report sets out for ensuring that the benefits of progress are widely shared.

The New Zealand experience is of international interest, both because New Zealand is in the vanguard of economic liberalization and has taken its to a greater extent than other western countries and also because the New Zealand people then voted for a change of direction in order to reassert traditional values in our country of fairness, opportunity and security.

To date, the results have been encouraging. The New Zealand economy has averaged over 3.5 per cent annual economic growth during the last four and a half years of our term in office and unemployment has dropped sharply. In May five years ago, the unemployment rate stood at 7.2 per cent; in May this year it stood at 4.3 per cent.

Our Government has been redefining and rebuilding the role of the State in an open economy. While twenty-first century governments exercise fewer formal and regulatory powers than in the past, there are still critical and important roles for governments to play, and roles which only governments can play. We have defined those roles as being roles of leadership, partnership, facilitation, brokerage and funding and direct provision where appropriate.

We think that governments have a unique ability to develop strategies and bring a range of actors together to work for common goals. Securing our country's niche in the global economy in a way which builds and sustains higher living standards for all is not a task which can be left to market forces to produce. It requires clear and deliberate strategies both to grow the cake and then to ensure that it is fairly distributed.

The World Commission's report notes that "one of the effects of globalization has been to reduce the space for national macroeconomic policies", but that there are policy instruments which can be used. Our Government has been busy creating those instruments to increase the national space for action.

With a population of only 4 million people, New Zealand has a small domestic market. Its very open economy means that all its sectors must be internationally competitive. The expectations of New Zealanders are that they will and should continue to enjoy first-world living standards. The challenge for us has been to apply new-economy principles across all our industrial sectors so that we position our goods and services more consistently at the top of the market and the value chain.

Our Government has adopted a strategy of growth through innovation which focuses on building a highly skilled workforce, increasing investment in research and development and in the commercialization of innovation, getting new products and services to market more quickly, attracting quality overseas investment in areas which add to New Zealand's capacity and promoting what we call "enabling sectors" which have horizontal benefits across the economy and society; thus government-

industry partnership taskforces develop strategies to grow the information and communications technology sector and, through that, to modernize the processes of government, business, education and society. We have organized a taskforce to promote the growth of the biotechnology sector and to see its insights applied across the primary sectors and in food processing and other applied industries. We have been promoting the importance of design in products and markets and we have developed our screen production industry strategies, both because we see this as an outlet for New Zealand talent and also as a vehicle for the promotion of our country as unique and creative and for the spill-over benefits which film has for tourism and other industrial sectors.

As a Government, we have operated on the assumption that there can be no going back on the open economy and that we owe it to our population to secure the very best living standards we can for it. That means working for the kind of economy which can pay high wages and sustain strong public services. We aim to have New Zealand compete on quality, value and innovation, not on low cost and low skills.

As our economy has grown we have been able to invest more in education, in health care and other public services and in infrastructure. We have also had the confidence to improve minimum wages, legislate for an extra week's holiday for workers and implement, for the first time, a statutory right to paid parental leave for new parents. Labour-relations law has been reformed to give more weight to collective bargaining and to enable New Zealand, for the first time, to ratify the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

This year, having built strong structural budget surpluses, we have been able to target tax credits and cuts to low- and middle-income families with dependent children. It is estimated that the result will be to reduce the number of children living in households below the poverty line by up to 70 per cent.

We have been particularly sensitive to the impact which globalization has on national and cultural identity. That has led us to invest more heavily in the arts, culture and heritage in order to protect, enhance and promote what is unique about us and our country. That includes supporting the maintenance of the indigenous language and culture of Maori, including through a dedicated Maori television service established this year.

We have also acted in two other important areas identified in the World Commission report, on sustainable development and on strengthening local government. We now have a sustainable development plan of action prioritizing transport, water allocation, youth development and sustainable cities.

We have ratified the Kyoto Protocol, accepting our share of the global responsibility to slow down and reverse climate change.

New legislation gives greater powers to local and regional government to respond to the needs of their communities and also for new district health boards with elected members to plan and oversee the delivery of local health services.

At the national level, therefore, we have taken many steps to ensure not only that in the age of globalization New Zealand has a strong and viable economy, but also that the results of that percolate

down to, and are reflected in, the quantity and quality of life of all our people.

Of course, we acknowledge the need for action at the international level to address the serious power imbalances there which the World Commission's report identifies.

Globalization has had a very bad reputation in many quarters because it has been held responsible for wiping out jobs and local companies and because global trade and finance rules are seen to disadvantage developing countries in particular. As I have outlined, we have taken steps in our own country to secure our niche in the global economy with innovative products and services which trade for a high value and secure our living standards.

We also work hard with like-minded agricultural exporting nations for better treatment for agriculture in the current WTO Doha Development Round. The recent indication from the European Union that it is prepared to negotiate an end date for the elimination of agricultural export subsidies is very encouraging, although it has made little movement yet on improving agricultural market access.

Last year, at the WTO Ministerial Conference in Cancun, developing country frustration with unfair trade rules boiled over and saw the meeting collapse without achieving any results. That is surely a strong signal to the developed world that the Doha Round cannot succeed unless there are substantial gains for developing countries.

But it is not only the WTO and the international trade rules over which it presides which need change. The Bretton Woods institutions, as the report points out, favour the interests of developed countries and the United Nations Security Council still reflects the international order of 1945. In addition, a lot of power to determine the destiny of the international community lies with more exclusive clubs, whether they be the G7/G8, the OECD, or even the EU. That places a particular responsibility on those clubs to think of the broader responsibility they have, just as the G8 has done in recent years with its new partnership with the African Union for development.

The World Commission report identifies the lack of coherence and the compartmentalization between the multilateral organizations with those in trade, finance, health, social affairs, labour and development often working at cross purposes. This is a phenomenon which nation States also have to deal with as what we call "silo mentalities" can develop in government departments and agencies, which are each charged with their individual missions. In New Zealand we have consciously worked to try to achieve a "whole of government approach" to policy which draws the efforts of diverse agencies together and the same effect would be desirable at the international level.

The central challenge posed by the World Commission is to contemplate reform of global governance in order to ensure that globalization operates according to fair rules and offers opportunities and decent work for all.

Recognizing that governance reforms are not easily achieved, the report initially advocates sustained action based on dialogue. It invites the heads of relevant United Nations bodies, the World Bank, IMF, WTO and ILO to work together on global growth, investment and employment creation in what is termed a policy coherence initiative.

The President of the Republic of Finland's address this morning suggests that there has already been a constructive interest in the World Commission's report from those bodies.

In addition, policy development dialogues are advocated between the multilateral agencies and the non-state actors to work on pathways for more inclusive globalization. The proposal that the WTO or the ILO should take the initiative to establish a globalization policy forum is a useful one which could ensure that platforms are created for sustained dialogue between stakeholders.

This report should be welcomed for injecting a new sense of urgency into the debate about how to channel the forces of globalization in a more consistently positive direction.

At the multilateral level, the running on globalization has been made by the finance and trade institutions within which the power imbalances internationally have been the most marked.

It is now time not only to address the inequalities within those institutions and the rules they set, but also to focus more attention on the social and economic outcomes of their work. As the World Commission report says, trade liberalization, for example, should be seen not as an end in itself, but as a means by which economic growth, full employment and poverty elimination can be achieved.

A fair globalization can distribute new opportunities to those who have been marginalized and disempowered and I share the World Commission's optimism that "the benefits of globalization can be extended to more people and better shared between and within countries, with many more voices having an influence on its course". The alternative of seeing even greater disparities develop within and between nations can only exacerbate international conflict and tension.

The seeds of a more peaceful world lie in addressing the most basic socio-economic issues. That task is well within the ILO's mandate and I wish it well as it seeks to engage other parts of the multilateral system, formal and informal, nation-state-based and civil- society-based, in concerted action to ensure that globalization benefits the many and not the few.

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*Original Spanish: The PRESIDENT*

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The venerable Prime Minister, Ms. Clark, has shared with us her successful experience as Head of her Government and her vision of globalization. We are, indeed, most grateful. As you see, we are gender-equal: of the four distinguished public figures honouring us with their presence, two are ladies and two gentlemen. Let us hope this will continue in future.

As you all know, the ILO is a tripartite organization and this makes it unique within the United Nations family. Tripartism is an essential part of the ILO's structure. It is not, however, merely a static part, because there is the ongoing concern to strengthen it and to make it a reality through social dialogue. In pursuance of this principle, it is my pleasure to yield the floor to the representatives of the social partners, starting with Mr. Funes de Rioja, Chairperson of the Employers' group on the Governing Body.

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Mr. FUNES DE RIOJA (*Employers' delegate, Argentina*)

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It gives me pleasure to convey to this distinguished audience some of my reflections on the re-

port of the World Commission, in whose work I have had the privilege of participating.

I am particularly happy to see the two co-Chairs of the Commission, President Halonen and President Mkapa, under whose expert leadership we were able to arrive collectively at the final report. This difficult task was achieved thanks to their persistence, hard work and let me also add, from time to time, good humour.

Now, let me turn to the report itself. As President Mkapa said, the unique feature of this report is that it is the first time that a commission of individuals with such diverse backgrounds has come together to discuss the issue of globalization and, importantly, has identified that globalization has generated mainly significant benefits and has great productive potential, in terms of economic, political and social development. This is a very commendable achievement.

Business experts would not agree with everything in the report and perhaps, from a business perspective, it would have been written differently. However, on balance, upon the conclusion of the Commission, I am more optimistic for the future and believe that an opportunity now exists to move the debate on to a different, more proactive and engaged level. I believe that this opportunity should be seized.

The report's key message is that a number of countries are not enjoying the benefits of globalization and that globalization has the potential, in terms of economic, political and social development, to lift developing countries from poverty. This is a really important signal to help guide the wide debate on globalization. The consequences of globalization, be they good or bad, are heavily affected by the way the values upon which political and economic options are based and understood, accepted and implemented by all actors in society, be they government actors, businesses, trade unions or responsible citizens. It is a values-based approach to globalization that has the best chance of making globalization work for all.

An extension of this concept is the link that has been developed in the Commission's report between the market economy and democracy. Economic openness is not properly sustainable without democratic institutions and processes to support it. The two – democracy and the market economy – are linked and together they hold the solution to inclusion in the process of globalization. What we must do is address any shortfalls in the democratic market economy model and make that model accessible to all who want to benefit from it. This entails facing up to difficult questions, such as: what makes the model work for some and not for others; and what do the actors need to do to make the model work effectively for the good of all society?

Perhaps the main reason for exclusion from globalization is poor governance and the report focuses strongly on this fact. Certain essential components are needed to create an environment conducive to investment, development and inclusion. For example, productive public expenditure on infrastructure, human development, health, education and skills; open, transparent governance; economic policies that promote economic development and fair rules; the right regulatory environment for entrepreneurship and small and medium-sized enterprise growth; enabling those hundreds of millions who work in the informal economy to be able to migrate and to

stay in the formal economy; and helping young people to find opportunities to develop skills and training. These are some of the key issues that are necessary for economic and social development. In this respect, the role of private sector in promoting investment as a way to fight against poverty and exclusion is an important component of the Commission's recommendations.

I strongly believe that if we are to try and capitalize and harness the private sector in development, then the role of the national employers' organization and business is crucial. This is another indication of the important role of business in economic development and job creation. Increasingly this message is receiving greater resonance through out the multilateral system. Most recently, it was emphasized in the report of the United Nations Commission on the Private Sector and Development entitled *Unleashing Entrepreneurship: Making Business Work for the Poor*. This message also needs to be seized.

At the international level, business needs a multilateral system that complements itself and works fluidly in different areas – which may overlap but where competencies remain different. A multilateral system of competing mandates is one that is a recipe for incoherence and breakdown. The existing multilateral system needs to be more effective, better resourced and more responsive, and efforts need to be made to avoid duplication and mismanagement. Therefore, I welcome calls for greater policy coordination across the international system.

One of the many interesting things that has come out of the research studies conducted during the World Commission is that people are not against globalization but have strong views on certain related aspects of globalization. I think that this is an important distinction and should be a starting point in attempts to make changes to the multilateral system. But, in order to be successful, any process of change has to be underpinned by adept leadership at the local, national, regional and global levels. Leadership that seeks to create a value system for its citizens, that can judge when to promote change, adapt policies and, fundamentally, leadership that takes responsibility for its actions.

Let me conclude by saying that perhaps the greatest achievement of this World Commission is the fact that the time for confrontational debates and "discussions of the deaf" is over. The Commission has underlined that, if we want to achieve a globalization that works for everybody, then we need to engage in collective debate, listen to different points of view and explore ways in which we can move forward constructively.

*(The speaker continues in Spanish.)*

May I conclude in my mother tongue, Spanish.

I, personally and on behalf of the Employers' group, would sincerely like to thank Presidents Mkapa and Halonen. We not only learned a great deal but we appreciated the level of debate in the Commission thanks to their reciprocal attention and respect. I would also like to indicate my group's satisfaction with this opportunity for debate, which brings together so many distinguished government leaders. I would say to the Director-General and his team that we are appreciative, not only of his initiative, but of the secretariat he made available to us as a Commission. This has generated deep debate and

much thought amongst the employers. We are ready to participate in this debate with commitment and responsibility, taking into account the important role of ILO, its values and its action in the context of globalization.

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*Original Spanish:* The PRESIDENT

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Now for the voice of the Workers: I call on Sir Roy Trotman, Chairperson of the Workers' group on the Governing Body, to take the floor.

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Sir Roy TROTMAN (*Workers' delegate, Barbados*)

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We in the Workers' group, as delegates to this Conference, wish to welcome and express our appreciation to the Presidents of Finland, the United Republic of Tanzania and Bulgaria and the Prime Minister of New Zealand, for their courage and their support to the work that we in the ILO have sought to do, particularly in putting together this Commission which is before us today.

This wave of globalization is not something that we can wish away by anything that we might seek to do; that is a fact. It is also a fact that globalization has brought with it much suffering, and pain and anguish. But what is also a fact is that this was not, as we understand it, the intention of the framers of this economic order. Nor, indeed, may I say, was it the intention of the organizers and planners of the World Bank or the IMF.

The World Commission's work seeks to put this contradiction into perspective. It seeks to put forward a body of recommendations to reverse the pattern, and, in the Director-General's words, "to make globalization a force for positive change".

Workers across the world and their families awake on a daily basis in fear of what new sacrifices they will be forced to make, and this is as true in the North as it is in the South. Therefore, we must say that the members of the Commission were quite brave in citing greed and global insensitivity, in my interpretation of the document, as part of the cause of current problems. They have challenged all and they have challenged sundry, to appreciate the level of inter-dependence which now characterizes world relationships. They know, as indeed we know, that unless the worst pockets of poverty and deprivation are removed, then there will never be real peace or real global prosperity. Indeed, I need to say at this stage that although I admire my colleague in the social partnership very much, I cannot agree with him when he says that governance is a factor. This is because we in the Caribbean, for example, have in my view the most democratic institutions in the world, and I do not apologize to anybody for saying that. And yet the problem is to be found there, as elsewhere. It would therefore seem to me that there are natural as well as man made disequilibriums which together are causing some of the difficulties we speak of. And this is why we go to express our great appreciation to the Commission for the recommendations that it has made regarding what has to be done. The Workers' group within the International Labour Organization believes that we have gone well beyond the time for reciting what has been, and that we need action and we need it now. This is because, as President Mkapa has said, globalization has great potential to bring real relief to the many, as opposed to the few. So why do we not think of starting then with a clean slate, a completely clean slate. I start by forgiving you for all the debt that any of you may owe me. Let us ask the

governments that do have debtors to forgive all the debt.

Let us recognize that there is a need to set common standards for all, and let us further recognize that all must be willing and ready to obey such common standards. Let us give due regard to those countries which have handicaps of one kind or another and to prepare to take affirmative action in bringing them to a level where they may be truly competitive.

Also, let us give international empowerment to the International Labour Organization, because we have to make sure that there is a reputable body which has the integrity to oversee the standards that we talk about and to ensure that we are all kept honest.

I liked it when our speakers said that the report is part of a process to give globalization a human face. I do not believe that any commentary I may make would vary from that position, and that challenge today is a challenge to make the World Commission's report work.

The Workers' group sees it as a great opportunity. We stand ready, and we seek daily to demonstrate that we are ready. Our hope is that there is matching action and matching commitment by everyone. Let us do our part.

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*Original Spanish:* The PRESIDENT

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We have heard a presentation of the report of the World Commission by the Commission's co-Chairs. We have heard the comments made by the President of Bulgaria, by the Prime Minister of New Zealand and by the representatives of the social partners.

We shall now hear from the Director-General, in his first session of the International Labour Conference to take place since his re-election. It is my pleasure to call on Mr. Juan Somavia, Director-General of the International Labour Office.

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The SECRETARY-GENERAL

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I would like to thank the leaders who came here today from across the globe to share their insights and perspectives with the Conference, as well as the representatives of workers' and employers' organizations for your encouraging comments on the ILO and myself. You represent different corners of the world. You face very different economic realities and challenges, and thank you for sharing with us the benefit of your experience and your ideas. Taken together it is a fantastic framework for the activities that we have to develop in the next days, with a rich exchange of views, and I believe that this will clearly influence our own discussions. I want to thank also the Heads of the Employers' and Workers' groups for their comments. Let me also say a special word of thanks to President Halonen and President Mkapa for being here and for their collective leadership in co-chairing the World Commission's report and their absolutely permanent commitment to the success of this endeavour. This Organization is very grateful to them for the fact that they did take the decision to co-Chair. I want to thank them for their courage. I know it was not easy to accept the decision to take on this responsibility. There were political reasons. The task was complex and success was hardly assured. It is

not the best invitation that I imagine you have received as politicians! So I want to thank you so much for taking the risk!

The welcome that your report has received around the world is clear evidence of a mission accomplished and, as we have seen this morning, it is stimulating more dialogue, more ideas, more interest. Perhaps there is no better measure of its success. And a fair globalization, as we have heard today, is the foundation of global stability. I think these discussions have advanced that goal. I thank Prime Minister Clark and President Parvanov for sharing their experience. It is very clear, as President Parvanov said, that the implications of globalization, when one is in the process of transition and trying to create not only new political structures, but also new economic structures, are complex, and difficult. But the decision is yours. Prime Minister Clark, you told us that there had been a "Big Bang" application of many of these policies and that suddenly your people were saying, "We don't all seem to be hearing the same thing, and we would like our Government and our system to reflect the fact that not everybody is in on this new situation." I think that both of you have expressed in very clear terms what this report is about. It is about the enormous opportunity we have in front of us if we do not become ideological; is about the incredible instruments that are there, provided we are fair; and it is about the reality that we will not move forward unless we have the capacity for dialogue and the capacity to understand that everybody has a responsibility for ensuring fair globalization. There is no single activity today about which one can say, "That is not my problem." And this has been made very clear by the presentations of our political leaders today. Let me then say that we are talking about change, about leadership. The change that globalization must undergo for its full potential to bloom for everybody requires leadership, and what we have heard this morning is precisely that. We need leaders that are not afraid to lead; leaders who take action; but, as we have heard today, leaders who also have vision. So let me ask you to applaud give them a resounding round of applause for what they have brought to us today.

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*Original Spanish:* The PRESIDENT

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It is with great expectation that we await the introduction by the Director-General, this afternoon, of his Report, *A fair globalization: The role of the ILO*. This marks the beginning of a process intended to distil the conclusions of the work carried out over the past biennium by the World Commission. on the Social Dimension of Globalization.

After the introduction, there will be a discussion in plenary of the report of the Chairperson of the Governing Body, as well as of the Reports of the Director-General.

I would like to warmly thank the highly esteemed public figures who have been so generous and so courteous as to take time to be with us this morning. Let us show our appreciation for our distinguished guests who have so honoured us with their presence by applauding them.

*(The Conference adjourned at 12.15 p.m.)*

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