

World Commission on the Social Dimension of Globalization

A Fair Globalization: Creating Opportunities for All

Brief reviews of policy issues

These brief reviews of key global policy issues are drawn from the report of the independent World Commission on the Social Dimension of Globalization, which was established by the International Labour Organization and co-chaired by President Halonen of Finland and President Mkapa of Tanzania.

The full report, which was published in 2004, is available at
www.ilo.org/wcsdq.

Policy Brief No. 1

A Fair Globalization – Creating Opportunities for All

Globalization is one of the most divisive issues of our times. It is complex and far-reaching, affecting people in different ways. Some view globalization as a positive force that spreads wealth; others blame it for the world's numerous problems. What is absent from much of this discussion, however, is globalization's impact on ordinary people throughout the world.

This question was at the heart of the work of the independent World Commission on the Social Dimension of Globalization, which was launched by the International Labour Organization in 2002. The Commission's report, "A Fair Globalization – Creating Opportunities for All", was published in February 2004.

The report's central conclusion is that globalization has enormous potential for good, but urgently needs to become fairer, with its benefits extending to many more people and countries. This means changing the path of globalization. "There are deep-seated and persistent imbalances in the current workings of the global economy, which are ethically unacceptable and politically unsustainable... Seen through the eyes of the vast majority of men and women, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children", the report says.

Widening Gap Between Rich and Poor

Globalization can and does improve many people's lives, but for many more it currently is not delivering. The income gap between the world's richest and poorest countries has widened in recent decades. Only 16 developing countries had economic growth of more than 3 per cent a year between 1985 and 2000, while economic output declined in 23 developing nations. Expansion in trade, foreign investment and new technology has bypassed many, especially in Africa.

The rapid growth in global markets has not been accompanied by the development of economic and social policies geared to the needs of people. Rules on international trade, investment, finance and migration are viewed as unfair by developing countries, which do not have an adequate say in governing the global economy. Similarly, workers and the poor have little or no voice in this process.

Key Characteristics of Globalization

Today's globalization involves vastly increased flows of goods, services and finance across national borders. This has led to greater competition among companies and countries.

In addition, easier and faster travel and communication have reduced the cost of doing business across borders and made the world seem smaller. Events in one place can have an immediate effect on people thousands of kilometres away. But while barriers to moving goods and money across borders have been reduced, restrictions on the movement of people remain intact, or have become tighter.

All these developments reflect decisions taken at national and international level as well as rapid technological change.

The report recommends changes in attitudes and policies to create a strong social dimension for globalization. This should be based on universal values, including respect for human rights and individual dignity, democracy and opportunity for all. While there are no miracle cures, the report puts forward a series of recommendations and proposals to help make globalization a positive force for all people and countries. “Our proposals are ambitious but feasible. We are certain that a better world is possible.”

The report outlines a series of coordinated actions at national, regional and international levels involving international bodies, governments, workers, employers and civil society. In addition to fairer rules on trade, finance and migration, the report calls for policies to promote decent employment, sustainable economic development, social security, education and health care. Decent work, which meets people’s aspirations and respects their rights and dignity, should become a global goal.

Decisions and policies linked to globalization should be made in a way that is more democratic and coherent, the report says. For this to happen, it is important to strengthen local communities, ensure better and more effective government and reform international institutions.

World Commission – Mission and Make-Up

The World Commission on the Social Dimension of Globalization brought together 26 personalities from various walks of life, including world leaders from government, business, academia, trade unions and civil society. Its co-chairs were President Benjamin William Mkapa of Tanzania and President Tarja Halonen of Finland. ILO Director General Juan Somavia served on the Commission in his personal capacity.

Launched at a time of fierce debate over globalization, the Commission’s aim was to stand above the ideological conflict and look at globalization from the point of view of ordinary women and men. The Commission consulted a range of organizations, leaders and experts and held a series of dialogues throughout the world. While commissioners brought their own history, experiences and expertise to the discussion, they did not represent interest groups or nations, so their conclusions do not commit the ILO or other organizations. But the report that emerged from this process establishes common ground on a subject where agreement has been sorely lacking.

The Commission hopes that widespread discussion of the messages and ideas in its report will contribute to reshaping globalization to meet the needs of women and men throughout the world.

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Why A Fair Globalization?

“The current path of globalization must change. Too few share in its benefits. Too many have no voice in its design and no influence on its course.” These conclusions by the World Commission were based on analysis of economic and social trends as well as observations gathered in talks with a wide range of people. They reflect the Commission’s view that globalization is shaped by decisions and policies. It is not a process that is set in stone.

Global Opportunities

Globalization today has many aspects. Reduced barriers to trade, capital flows and investment encourage economic links between countries, regions and continents. Cheaper and faster transport and communications help to make markets global. Products can be assembled in one place with parts from the other side of the world. Trading in stocks and bonds in London happens with the click of a computer mouse in Singapore.

At the same time, global communications and the rapid flow of information create and strengthen ties between people many thousands of miles apart. There is more awareness of the way others live and of social or political problems in far away places.

These developments have brought benefits. They promote open societies and open economies and encourage the exchange of ideas, knowledge and goods. In East Asia, economic growth lifted 200 million people out of poverty in a single decade.

Global forms of communication, such as television and the Internet, spread awareness of human rights and social issues. This has helped social movements to mobilize support and press governments and institutions to be more accountable. “As a result, a truly global conscience is beginning to emerge, sensitive to the inequities of poverty, gender discrimination, child labour and environmental degradation, wherever these may occur,” the World Commission report says.

Globalization offers much opportunity to make the world a better place.

Global Problems

In many instances, however, this opportunity remains unfulfilled. Worse still, unequal distribution of the benefits of globalization means that while some are growing wealthier, others are getting poorer.

The gap between rich and poor countries has widened, as has the divide between rich and poor within some nations. In sub-Saharan Africa and Latin America, for example, more people lived in poverty at the end of the 1990s than at the beginning of that decade. Despite the creation of fantastic wealth, half of the world’s workers and their families, or about 3 billion people, live below the \$2-a-day poverty line.

The majority of the world’s population, which works in the informal economy, does not directly participate in markets and globalization on a fair and equal basis. In the formal economy, rapid change in business and economic conditions all too often comes without adequate help for adjustment, bringing uncertainty and insecurity to workers and businesses. This is the case in both developed and developing nations.

International rules favour the developed world over developing countries and the powerful over the less strong. While capital and goods move freely across borders, people often cannot. Protection of trademarks, patents and capital flows is frequently more stringent than protection of workers' rights.

While the economy is becoming increasingly global, social and political institutions remain largely local, national or regional. Existing international bodies do not give the public a real say in how markets are run, or tackle inequalities between countries. This imbalance contributes to a feeling that globalization puts markets first and people second.

Because of global media and communications, there is greater awareness of the growing gulf between winners and losers. The resulting dissatisfaction and questioning of "the system" can turn to profound alienation. It becomes easier for crime and extremist ideologies to spread.

World Views

Concern over the impact of globalization was evident during the discussions the World Commission held with a cross-section of people around the world. These dialogues took place in 2002-2003 in Africa, the Middle East, Asia, Latin America, the Caribbean, Europe and North America.

While opinions varied, common themes were the power of globalization and its impact on culture, identity and the economic livelihood of individuals. Many voiced a sense of instability and insecurity. Often globalization was judged by how it affected chances of getting a decent job.

"There is a growing feeling that we live in a world highly vulnerable to changes we cannot control; a growing sense of fragility among ordinary people, countries and entire regions", a participant in Costa Rica said.

There was general support for openness and connection between societies, but participants were much less positive when asked about how globalization affected their jobs and incomes. *"There is no point to a globalization that reduces the price of a child's shoes, but costs the father his job,"* a participant in the Philippines said.

These discussions also revealed unease about the fairness of rules governing the global economy. And some argued that even when rules are fair, those in a weaker position need extra help to benefit from globalization.

There was widespread agreement on the need for a renewed role for the state, which had been weakened too much by globalization. The importance of education, skills and technology were also underlined. People in both sending and receiving countries voiced concern over the effects of migration, and a fairer framework for the movement of people was viewed as essential.

The message was that the world needs a fair globalization.

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What Is A Fair Globalization?

“Our vision is one of a process of globalization which puts people first; which respects human dignity and the equal worth of every human being.” A fair globalization means creating real opportunities for more people and more countries.

For this to happen, globalization must become more balanced, inclusive and democratically governed than it is today. It must have a strong social dimension based on internationally accepted principles and values. “Without such a social dimension, many will continue to view globalization as a new version of earlier forms of domination and exploitation,” the World Commission report warns.

Universal Values

The tendency has been to view globalization as something separate from values, ethics and principles. The emphasis is on market success and winner takes all, rather than the economic and social needs of women and men. “Globalization has developed in an ethical vacuum,” the World Commission report says.

Yet the world has committed itself to a number of principles and values, contained in the treaties and declarations that are part of the United Nations system. Key among these are: respect for human rights, including economic, social, cultural, civil and political rights; fairness; solidarity; and ecological sustainability.

Such values include the commitment to fight discrimination, ensure equality of the sexes and eradicate poverty. They underpin democratic societies and are essential for an open and effective market economy.

A fair globalization means making these values an integral part of the process of global economic integration. This is a shared responsibility, which will involve changes in attitudes, policies and structures. International organizations, national governments, business, labour, civil society and the media all have important roles to play.

The Social Dimension of Globalization

Globalization needs a strong social dimension if it is to uphold basic human values and improve people’s well being. “Globalization is seen through the eyes of women and men in terms of the opportunity it provides for decent work; for meeting their essential needs for food, water, health, education and shelter and for a liveable environment.”

The essential elements of this social dimension include:

- Basing globalization on universally shared values, with economic development founded on the respect for human rights.
- An international commitment to eradicate poverty and meet the basic material and other needs of all people.
- A path of development that provides opportunities for all, expands sustainable livelihoods and employment, promotes gender equality and reduces disparities between countries and people.
- Making the system for governing globalization more democratic and accountable.

International Scene

A fair globalization serves the interests of the many, not the few. To ensure this is the case, it is necessary to take into account the needs and views of more countries, peoples and groups at the international level. Developing countries, in particular, must have a greater say in the policies that affect them.

The World Commission report proposes changes in international rules and institutions to bring more democracy, accountability and participation to the international system. It also calls for countries to honour their global commitments, in particular pledges to devote at least 0.7% of national production to international aid and reduce the debt burden of heavily indebted developing nations.

In parallel, it is necessary to encourage and strengthen the global community, based on a sense of shared humanity and a shared planet. This involves greater dialogue between a wide variety of parties, including states and the many groups and networks that have an interest in shaping globalization.

Local Space

A fair globalization also depends on actions, decisions and policies at regional, national and local level. It is necessary to build on efforts by regional groupings to promote social cohesion and solidarity among their members. There should be leeway for countries to develop appropriate policies for their level of development. A strong, efficient and accountable state that serves the interests of all its citizens is also necessary. And local communities must be reinforced so they are in the position to benefit from globalization as well play a role in shaping it.

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Next Steps: Beginning at Home

The way in which people experience globalization is strongly affected by national and local circumstances. Values, political systems, policies and institutions help to determine whether countries and their citizens benefit from the global economy. Conversely, the actions of individual nations and communities are crucial in shaping globalization, as well as the international response to it. For these reasons, building a fair globalization begins at home.

Governing Well

Problems in the way nations and their economies are governed exist everywhere in one form or other. Public servants and administrations often are not accountable enough, while poor corporate governance is increasingly worrying. Corruption is widespread in many developing countries, and it is far from absent in industrialized countries. All too often, bribes paid in developing nations come from counterparts in the developed world.

Yet good governance is vital “for effective and equitable participation in the global economy”, the World Commission Report says. Guiding principles for governing are democracy, social equity, respect for human rights and the rule of law.

A well-functioning democratic political system involves more than the holding of regular, free and fair elections. Rights must be respected, including civil liberties such as freedom of expression and of association. It is necessary to remove obstacles to the growth of workers’ and employers’ organizations, and to social dialogue between them. Efforts are also needed to promote representation of the poor and other socially disadvantaged groups.

“These are fundamental conditions for the development of a vibrant civil society that reflects the full diversity of views and interests”, the World Commission report says. An open and representative society also helps to make governments more accountable.

Another aspect of national governance is the necessity for countries to consider the impact of their domestic policies on others. This is especially the case for economically powerful nations, which also have greater influence in international decision-making.

Effective State Role

Meanwhile, governments have to play an effective role in creating the conditions for successful integration into the global economy. Policies, including those related to liberalization, must reflect the specifics of individual countries. Liberalization is unlikely to yield positive results without appropriate institutions and regulations to oversee markets. These require capable and strong public administrations.

The uncertainties and change brought by globalization increase the need for many of the services provided by governments. These include social protection and public investment in transportation, communications and other infrastructure. At the same time, governments should work closely with others -- business, trade unions and community organizations -- to build the capacity to cope with a more competitive global environment.

Governments also should focus on macro-economic policies that deliver high and stable growth. Social dialogue between governments, workers and employers is especially important in this context.

An important challenge for governments is to bring the informal economy into the economic mainstream. This is desirable on several fronts. Most informal workers are excluded from the opportunities provided by globalization and do not have the rights and benefits that are integral to decent work. Their exclusion from markets and services stymies the potential for growth and development. And lost tax revenues make it harder for governments to provide the types of services described above.

Linked to the informal economy is the fact that lack of property rights keeps up to four billion people from participating in the global economy. This property, usually land and housing, may be worth substantial amounts. But it cannot be used as loan collateral, discouraging credit and investment. “Failure to deal with this issue frustrates the potential for growth and development of millions of small enterprises”, the World Commission report says. It advocates legalization of *de facto* property rights.

Strengthening People and Communities

If people are to benefit fully from – and contribute to – globalization, they need capabilities brought by education, training and good health. “Ensuring that all children have adequate access to education is an essential public sector function for countries at all income levels”, the World Commission report says. All countries that have gained from globalization have invested significantly in their education and training systems.

Given the threat that HIV/AIDS poses to education systems, especially in sub-Saharan Africa, it is necessary for prevention and treatment programmes to focus on teachers and other members of the education community.

While effective central government is indispensable, there is also much that can and should be done locally. “It is at this level that participatory democracy can be strongest, where much political mobilization occurs, where autonomy can be realized and solidarity is a part of daily life”, the World Commission report says. This implies greater decentralization, accompanied by adequate resources.

Local economic development is also an important component of a successful international economic system. National and international policies, such as micro-credit and support for management, can help to foster local economies. Such efforts can help to ensure that local communities profit from the global economy, or at the very least are not threatened by it. In parallel, it is necessary to respect the culture, identity and rights of indigenous and tribal peoples.

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Next Steps: A Better International System

As the world becomes more interconnected through globalization, there is increased need for effective international policies, rules and institutions. Individual governments acting alone cannot deal with the many and complex issues linked to globalization. These require collaboration across borders and continents. It is also necessary to develop ways of supervising global markets. The term “global governance” is sometimes used to describe the international bodies, rules and arrangements associated with globalization.

In analysing this international scene, the World Commission report finds that major improvements are needed. “What has emerged is a fragmented and incoherent system consisting of a patchwork of overlapping networks and agencies in the economic, social and environmental fields,” the report says. Existing arrangements do not adequately cover some issues, such as international migration and foreign investment. Moreover, “while in a few areas the rules function well, in many they are too confining and often unfair”, the report concludes.

Unequal Power

Many of the problems identified by the World Commission report are rooted in the unequal economic strength of countries. Wealthy industrialized nations have the markets, financing, investment funds and technology so needed by the developing world. This translates into power to shape international agreements and institutions. There is “a built-in tendency for the process of global governance to be in the interest of powerful players, especially in rich nations,” the report says.

In some international organizations, the wealthier countries have more say due to unequal voting arrangements. But even when this is not the case, economic power produces bargaining strength that poor countries can find difficult to resist. Within the developing world, the least developed countries often find themselves in the weakest position.

Moreover, international negotiations now cover complex subjects in a wide range of areas, such as finance, trade and the environment. For some developing countries it is difficult to be present at all meetings, let alone have enough officials with the necessary technical expertise. In addition, many important decisions related to globalization take place in groups where membership is limited to rich countries, such as the Group of 7 and the Basle Committee.

Lack of Balance, Coherence

This situation has contributed to a lack of balance and coherence in international policies and rules. At the same time, the international community has failed to put in place a consistent set of economic and social policies designed to ensure that globalization benefits all people. For example, there is more emphasis on opening markets than on helping developing countries to adjust to resulting changes and compete globally.

International policies have so far put a low priority on the goal of full employment and decent work for all. Not enough attention is paid to the way in which policies and agreements affect job creation. And efforts to promote social and economic security are absent at the international level. “The wave of globalization a century ago was associated with a strengthening of social protection systems, notably in Europe and the United States. By contrast, the tendency today is just the opposite”, the World Commission report says.

The specialized nature of international agencies means that not enough thought is given to how action in one area affects another. Decisions taken on trade, for example, can wipe out the benefits of some aid payments.

Global Reforms

It is the role of the international community to uphold universal values and take forward the call of the Millennium Declaration to “make globalization a positive force for the world’s people.” For this to happen, there must be a concerted effort involving international organizations, rules and arrangements to redress today’s imbalances. At the same time, national governments should renew their commitment to “a strong effective multilateral system that can support a fair, productive and sustainable global economy.”

The World Commission report stresses the importance of the United Nations system and calls for it to be reinforced. It outlines reforms to make multilateral organizations more democratic, accountable, transparent and coherent. In some cases this means changes in voting procedures, in others more openness to public scrutiny and consultation.

It calls on international organizations to help find a better balance between social goals and economic policies, shifting the focus from markets to people. International bodies should systematically examine the implications their policies have for decent work, gender inequality, education, health and social development. Such agencies should also work together to address the social dimension of globalization through “Policy Coherence Initiatives”, which aim to find new solutions to global problems, taking different perspectives into account.

The report recommends the setting up of a Globalization Policy Forum among interested international bodies. This would provide the opportunity for the United Nations and its specialized agencies to work with others to foster a more balanced and fair globalization.

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Next Steps: Making International Rules Fairer

“The rules of the global economy should be aimed at improving the rights, livelihoods, security and opportunities of people, families and communities around the world”, the World Commission report says. In many instances this is currently not the case.

The rules governing trade and finance tend to favour the interests of developed nations over the developing world. They also limit the scope for countries to enact policies appropriate for their level and type of development. And they fail to prevent financial crises, which can cause economic and social havoc and have devastating long-term effects on development.

International rules are also unbalanced, with not nearly enough emphasis on the rights and needs of people. (See also “Decent Work – A Global Goal” and “People on the Move”.)

Balanced Trade Rules

The World Commission report strongly supports a multilateral approach to trade and encourages efforts to make liberalization beneficial to all countries and socially equitable. “A glaring inequality in the global trading system is the persistence of trade barriers in the North against labour-intensive goods produced in the South”, the report says. And while 70 per cent of the world’s poor live in rural areas of the developing world, industrialized countries continue to spend billions of dollars a year on subsidies and protection for their farmers.

These policies shut off vital markets and help to depress world prices in commodities that many developing countries depend on for export earnings. The World Commission report strongly recommends prohibiting new export subsidies and trade-distorting domestic supports in agriculture and calls for the phasing out of existing ones. It calls for reduced trade barriers on exports from developing countries, especially agricultural products, textiles and garments.

At the same time, the report recognizes that trade liberalization often leads to difficult adjustments in both developed and developing countries. For this reason, it is important to strengthen provisions giving developing countries freedom to liberalize progressively. National policies are also needed to help working people throughout the world cope with change. “Trade liberalization should not be enthroned as an end in itself. It is but a means for achieving ultimate objectives such as high and sustainable growth, full employment and the reduction of poverty”.

Financial System

Both developing and developed countries have an interest in a stable financial system that provides a foundation for entrepreneurship and investment.

Currently, financial interests in industrialized countries heavily dominate the global financial system. Governments of these nations have voting strength in international financial institutions, such as the World Bank and the International Monetary Fund, which in turn play a major role in determining the economic and financial policies of developing countries.

Investment houses and banks in developed countries enjoy tremendous market power internationally. Rating agencies based in the developed world increasingly decide how credit-worthy developing countries are.

Meanwhile, the financial system has been prone to frequent crises and instability. Finance flows in and out of countries and markets rapidly, often based on short-term considerations or incomplete information. There is also “herd behaviour” by financial market operators, with problems in one country spilling over to others, regardless of their economic health. Most of the risks and negative consequences of this volatility have been borne by middle-income countries.

The international financial system needs to become more stable and should “support the integration of developing countries into the global economy in a manner that promotes development”. Progress in this direction has been slow and limited. Moreover, developing countries are not adequately involved in the design of new financial standards and codes. The World Commission report calls for wider participation in the process of reform. “Neither G7 ministers nor multilateral officials have a monopoly of knowledge of which [development] model is best”, it says.

Space for National Development

If countries are to draw maximum benefit from globalization, they need a mix of policies that strengthens the ability of their citizens, businesses and economy to cope with greater competition. Unfortunately, the rules now governing the global economy often limit the space for such national policy development.

For example, world trade rules hinder the type of selective protection, or strategic promotion, of domestic industries that played a part in the economic development of successful, industrialized countries in Europe, North America and Asia. Such trade rules are often reinforced through conditions set by international lenders, including the International Monetary Fund and World Bank.

In addition, there is strong international pressure for investment and capital to move freely in and out of developing countries or those shifting from state-controlled to market economies. This contrasts with the gradual liberalization of capital movements by number of industrialized countries, in some instances fairly recently. Rapid liberalization of finance has proved highly destabilizing to economic policymaking in a number of nations, from Latin America to East Asia.

The World Commission report says developing countries should be allowed to take a cautious approach to freeing up movements of capital. When responding to financial crises, developing countries should have the leeway to adopt policies that minimize social costs. There should also be a fairer sharing of the burden between lenders and debtors. The current system “continues to place the interests of lenders above those of indebted countries and the poor within them”.

Policy Brief No. 7

Next Steps: Decent Work – A Global Goal

For men and women throughout the world, the true test of globalization is its impact on the world of work. If gains from globalization are to be widely shared, opportunities must be converted into decent employment. This involves action across a range of areas, both social and economic. And it means making decent work a global goal.

The Agenda

Reducing unemployment is a major challenge in both developed and developing countries. But this alone is not enough, the World Commission report says. Many people are employed in jobs that are unacceptable – “often in appalling working conditions, low productivity or subject to coercion”. Most men and women do not have access to adequate levels of social protection, such as social security, pensions and medical coverage. All too frequently, rights, dialogue and voice are absent from the workplace.

If globalization is to become fairer and meet the aspirations of women and men, all these issues must be addressed. Full employment, social protection, rights at work and social dialogue make up what has come to be known as decent work. Promoting decent work is part of a broad-based strategy for social and economic progress. Expanding decent work is necessary in developed and developing countries. It should be a global objective, or goal.

Better Policies

Job creation should be viewed as a priority in national and international economic policy-making, rather than a side issue, as is often the case today. The World Commission report recommends many ways in which this can be done, including through policies to encourage entrepreneurship, better management of the macro-economy at national level and more coordination between countries. For example, it calls on governments to adopt employment targets as part of the budgetary process. It is also necessary to tackle rules, policies and market behaviour that can act as barriers to employment.

Moreover, there needs to be a coordinated effort to achieve a faster growth rate for the world economy. This global growth strategy should involve not only governments, but also central banks.

In developing countries, it is necessary to encourage growth of new jobs that provide incomes above the poverty line. In addition, programmes that support enterprise development, expand employment opportunities and improve productivity for the poor should be strengthened.

“Beyond the creation of jobs, it is important to strengthen policies that help countries to cope better with the social strains of globalization”. These include social protection systems. To this end, the World Commission report calls for the establishment of a minimum “floor” level of social protection for the global economy.

Rights and Dialogue

Although the global community is pledged to protecting and promoting fundamental workers rights, practice on the ground tells a different story. Widespread discrimination and blatant violation of labour and trade union rights persist across the world. An estimated 246 million children are involved in child labour, and bonded and forced labour exists among adults and children.

“Growing economic insecurity and inequality have exacerbated problems of xenophobia and racial and religious discrimination, “the World Commission report says. “Many workers face political and administrative hurdles when trying to make their voices heard. There are continued reports of the imprisonment, disappearance or murder of trade unionists who try to exercise these rights”.

International Labour Standards

The international community recognizes the value of international labour standards in improving employment and labour conditions worldwide. Such standards are contained in conventions and recommendations of the International Labour Organization, which are adopted by employers, workers and governments from the ILO’s 177 member countries. International labour standards are a central plank of decent work.

Over the past decade, a consensus has emerged on a series of “core” labour standards as a minimum set of rules for labour in the global economy. These were reaffirmed in the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998, and are:

- Freedom of association and the effective recognition of the right to collective bargaining.
- The elimination of all forms of forced or compulsory labour.
- The effective abolition of child labour
- The elimination of discrimination linked to employment.

It is essential that respect for core labour standards form part of a broader international agenda for development, the World Commission report says. It advocates strengthening the ILO by increasing its resources. In addition, other international institutions should support international labour standards, ensuring that none of their policies or programmes prevents implementation of these rights. It is also necessary to expand technical assistance to help governments, workers and employers implement core labour standards.

Workers, employers and governments have a central role to play in spreading decent work. Dialogue among these “social partners” helps to balance interests fairly and manage economic and social change linked to globalisation. Discussion and negotiation makes the workplace more democratic and accountable. And through dialogue and collaboration, business and labour can take the “high road” to achieve gains in productivity and efficiency, rather than the “low road” of cost cutting and downsizing.

Policy Brief No. 8

Next Steps: Global Production Systems

A key feature of globalization has been the emergence of production systems spanning countries and continents. In these international production chains, goods can be conceived and designed in one country, but made of components and raw materials from a number of others. Subcontracting is often involved, sometimes extending outside the formal factory system to include outsourcing to home-workers.

Such systems have grown especially rapidly in high-tech industries, including electronics and computing, and for labour-intensive consumer goods, such as clothing and footwear. More recently, they have appeared in the services sector, with people answering telephones, handling insurance claims or designing software for others thousands of kilometres away. There are an estimated 65,000 multi-national enterprises, with about 850,000 foreign affiliates, engaged in global production.

Mixed Picture

Globalization of production gives developing nations the opportunity to attract foreign investment and speed up industrialization. In practice, however, such gains are often unevenly spread and have not always lived up to expectations. For example, while foreign direct investment in the developing world grew rapidly in the 1990s, it remains highly concentrated in about 10 countries, with China alone accounting for nearly a quarter of such flows.

Moreover, unfair or insufficient rules on trade and finance can limit the benefits of global production. Trade barriers persist in developed countries, and the way tariffs are structured makes it more difficult for developing countries to move into higher value production, where rewards are greater.

Competition and investment issues are also important. While multinational enterprises “have in many instances contributed to higher growth and an improved business environment, their dominance in global markets can present formidable barriers to entry for new firms, especially those from developing countries”, the World Commission report says.

There is growing concern that competition to attract foreign investment is leading developing countries to go too far in lowering regulations, taxes, environmental protection and labour standards. Such “beggar thy neighbour” investment competition can reduce the positive impact of investment and push nations into offering unnecessary concessions. It can have long-lasting implications for development, especially given the already stretched government resources in most developing countries.

International Cooperation

As part of the effort to tackle such problems, the World Commission report suggests greater cooperation among countries on competition and investment policies.

Regarding competition, national anti-trust authorities should work together to prevent dominance of global markets by individual companies or through mergers. An underlying aim should be to make it easier for developing country firms to enter global production systems.

“Over the longer term, there may be a need to establish an International Agency on Competition Policy”, the report says. The report acknowledges, however, that “environment is not yet ripe” for this type of body.

On foreign direct investment, “greater international effort is needed to construct a balanced, development-friendly framework”, the World Commission report says. Previous attempts to reach agreement on international rules for foreign direct investment have faltered, in part because of fears that these did not adequately protect the interests of host countries, their companies and workers.

Currently, a patchwork of accords among countries and regions regulates foreign direct investment. “We are concerned that developing countries may be accepting unfavourable terms” in investment treaties “as a result of unbalanced negotiations with stronger developed country partners”, the World Commission report says.

As a first step towards a more balanced and open international framework, countries, acting together, should provide clear information about the investment incentives they are offering. This could begin on a regional basis. The next stage would be to find an appropriate forum for negotiations on a framework to include all interests and promote equitable development. This might be an appropriate subject for a Policy Development Dialogue. This is a mechanism proposed by the World Commission report for gathering together a cross-section of organizations, groups and people, including those under-represented in formal structures, to develop common policy ideas.

Decent Work

These proposed moves on competition and investment would help to promote decent work in global production systems, including in export-processing zones. But more action is needed. There should be a concerted international drive, involving a broad range of economic and social policies. These would aim to improve labour standards and help developing countries, enterprises and workers to get the most out of participating in global production.

“We cannot accept a policy based on lowering labour or environmental standards or excessive tax competition”, the World Commission report says.

Policy Brief No.9

Next Steps: People on the Move

Over the past decade, more than 10 million people a year have crossed borders to live in a country that is not their own. In some cases, this migration is temporary, while in others it is long-term. What was once predominantly a South to North flow now also includes moves from one developing country to another. Numbers have increased despite tighter immigration controls in many industrialized countries.

These migration patterns are linked to globalization. Cheaper and easier travel facilitates moves across borders and oceans. Media and communications bring greater awareness of lifestyles in wealthy countries. A widening income gap between the rich and poor parts of the world spurs people to seek economic opportunities elsewhere. These factors, combined with aging populations in many developed countries, make further increases in migration likely.

Lack of International Framework

Despite this trend, there is no coherent international framework covering migration and the issues related to it. This contrasts with the extensive multilateral policies and agreements regarding movement of goods and capital. “While the rights of foreign investment have been increasingly strengthened in the rules set for the global economy, those of migrant workers have received far less attention”, the World Commission report says.

Developing countries see this as a gap in the rules covering the global economy. Many argue that a loosening of immigration controls in industrialized countries would be a swift and powerful way to increase the benefits of globalization for the developing world.

Migration and Development

Migration has advantages and drawbacks for developing countries. Migrants transfer about \$75 billion to their countries of origin, 1.5 times the level of development aid. If migrants return home, they can bring valuable skills and connections. Links between the diaspora and home communities can also prove beneficial.

On the other hand, when skilled workers leave, developing countries can face labour shortages in key sectors, such as health, education, science and technology. If education is state-funded, this amounts to a transfer of resources from developing country governments to those in the developed world.

There are ways to boost the positive effects of migration for developing countries, however. Dual citizenship, the easing of re-entry conditions for non-permanent migrants and tax or other incentives to encourage migrants to return home can all bolster “skills circulation” between sending and receiving nations.

Other pro-development ideas include reducing the transaction costs and risks for money transfers, providing tax incentives for migrants to invest in their countries of origin and allowing migrant workers to receive their pensions after returning home. Another way to help developing countries would be to assign a share of all income tax paid by migrants to a development fund.

In the absence of a multilateral accord on migration, a number of problems have emerged. These include the exodus from developing countries of highly qualified people, often called the brain drain, and a sharp increase in illegal migration. There has also been an expansion in trafficking of people, which can lead to women and children being trapped in exploitative and degrading situations.

Balancing Interests

“A multilateral regime for the cross-border movement of people that makes the process more orderly and eliminates the exploitation of migrants could offer considerable gains to all”, the World Commission report says. The report acknowledges that views over migration are highly polarized. Both sending and host countries can benefit from migration, as can migrants. But there are also potential costs, such as the displacement of local workers and social upheaval. These need to be taken into consideration.

Nonetheless, the report strongly urges that a multilateral framework to govern international migration be created. Its objectives should be:

- To facilitate increased migration opportunities in a way that takes into account the interests of sending and receiving countries.
- To make the process orderly, predictable and legal.
- To eliminate trafficking and other abuses where women are especially vulnerable.
- To protect fully the rights of migrant workers and ease their local integration.
- To maximize the developmental benefits of migration.

Policy Brief No.10

Next Steps: Regional Integration

Regional groupings of countries can serve as a stepping-stone toward a fairer globalization. Much depends, however, on how strong a social dimension they have.

Regional arrangements take many different forms. Most are free-trade areas, but there are also efforts at deeper regional integration, for political as much as economic reasons. The European Union is a prime example, and processes with similar goals are under way in Latin America and Africa.

Managing Global Forces

There are several ways in which regional integration can make globalization more equitable for member countries. By creating a larger domestic economic market and coordinating policies, regional groupings can help countries and their people to manage global economic forces better. It becomes easier to withstand outside economic shocks and there tends to be less pressure to lower social and environmental standards to attract investment. The adoption of a common currency, such as the euro, can also promote stability. And belonging to a regional body can enhance the international clout of individual nations, particularly smaller ones.

Regional groups also can help develop the capacity needed to take advantage of global opportunities. Investment in skills, infrastructure, research, technology and support for innovation can prove more far-reaching and successful when there is a critical mass of people and money.

By working together, countries can also improve the conditions under which people connect to the global economy. Promotion of human rights and democracy, cross-border movement of people, prevention and treatment of HIV/AIDS and prevention of trafficking are all currently pursued at the regional level, albeit to varying degrees. And “when social goals are built into regional integration and regional institutions this provides a starting point for building them into the wider global economy,” the World Commission report says.

The extent to which today’s regional groupings are delivering a fairer globalization varies. While the EU has made enormous progress, “the rhetoric and the reality do not always coincide”, the World Commission report says. Elsewhere, gains are uneven. Economic crises have affected progress in Latin America, while Africa needs more investment.

It is also necessary to distinguish between regional accords involving countries with similar living standards and those that bring together industrialized and developing countries. The latter can produce unbalanced results.

Social Goals

If regional groupings are to help build a fairer globalization, they must have a strong social dimension. Goals related to employment, the environment, labour standards, human rights and gender equality should be built into the process of integration.

The World Commission report suggests ways of doing this. The integration process should be founded on principles of democracy, accountability and participation. This means an important role for bodies such as regional parliaments. Workers and employers organizations as well as other groups should also be closely involved, including through formal structures.

There should be social targets, backed by regular measurements and reporting of results. Areas that could be covered by such targets are: basic rights, rates of employment, poverty, education and social security. Separate statistics on men and women should be gathered so that gender issues can be addressed.

In addition, it is necessary to raise funds for investment and to help countries adapt to greater competition. This is especially crucial when the regional group includes nations at different stages of economic development. The EU's structural and cohesion funds, for example, have helped to narrow the gap between poorer and richer areas in Europe. Regional financial institutions are also significant.

Regional Route

“Our image of globalization comprises a set of linked, interacting regions, not an Orwellian world of competing blocks”, the World Commission report says. Such regions should be open to ideas, goods, capital and people. Rather than constraining the global economy, regional integration can help to address some of the imbalances of globalization.

Moreover, there are connections to be made between regional and global integration. Regional institutions and values can serve as building blocks for the international system, while global institutions can help to bring together the world's regions.

Policy Brief No.11

Next Steps: Democratic and Accountable Societies

If globalization is to be fairer and more balanced, it must reflect a much wider spectrum of needs and views. This depends on extending democracy, accountability and participation at all levels. It also entails creating opportunities for dialogue throughout society, especially on issues linked to globalization. The experience of the World Commission itself illustrates the scope for finding common ground among people from different backgrounds and countries.

The drive to make governance of globalization more open and democratic has implications for a variety of organizations and actors. These include international bodies, governments, parliaments, trade unions, employers and non-governmental organizations, which all have a role in determining how globalization affects people throughout the world.

International Level

“There is widespread dissatisfaction with the present decision-making systems” in international institutions, the World Commission report says. For example, membership of the UN Security Council is based on the situation after World War II not today. Moreover, voting rules do not give developing countries adequate say in international bodies, especially the World Bank and the International Monetary Fund.

“According to one estimate, the developed countries, with around 15 per cent of the world’s population, account for 17 per cent of voting strength in the UN, 35 per cent in the International Fund for Agricultural Development (IFAD), and over 60 per cent in the World Bank and the IMF”, the report says. It recommends the establishment of a fairer system of voting rights in the World Bank and IMF to give developing countries increased representation.

Following extensive criticism in recent years, international institutions have made considerable efforts to consult more widely, release information and develop methods to evaluate their work. While this is welcome, more still needs to be done.

The World Commission report suggests that all UN bodies strengthen evaluation units and publish their findings. External evaluation should be encouraged, with recommendations followed up. It also calls for reforms in the WTO’s working methods and negotiating procedures. Furthermore, the report points out that the World Bank’s executive directors do not publish minutes of board meetings. It recommends that executive board members of the World Bank and IMF be accountable to their home national parliaments.

National Role

National governments are crucial in fostering a more open and accountable form of globalization. Policies, values and systems for governing adopted at national level help determine the impact of globalization on people (see *Beginning at Home* for more details). In addition, governments influence the workings of international institutions and can subject international decisions to public scrutiny.

Surprisingly, however, few countries systematically involve parliaments and the wider public in the positions their representatives take at international level. Even within government, there is often inadequate consultation and coordination regarding international issues. These factors contribute to the lack of balance in the current form of globalization. The World Commission report calls on heads of state and government to ensure that positions taken by their representatives at the international level “promote a coherent integration of economic and social policies which focus on the well-being and quality of life of people”.

Within countries, parliaments have much responsibility for assuring democratic accountability. This makes it essential for global issues and a country’s international policies to be debated in parliament. By linking up across borders, parliaments can also play an important role in bolstering accountability and coherence of public policy at international level. There are already global and regional parliamentary groupings, and the World Commission report advocates expanding their involvement in global policies. It also recommends the creation of a Global Parliamentary Group to help oversee the work of international institutions.

Business and Labour

Among the other key actors on the international stage are companies, trade unions and the organizations that represent them. Business and labour can contribute to making globalization more open and accountable in a number of ways. These include participating in international structures, promoting corporate social responsibility, engaging in dialogue at the international level and supporting initiatives for economic and social development.

While a good deal of activity already exists in these areas, there is room for much more. For example, the World Commission report proposes that the World Bank, IMF and WTO create formal structures to consult international labour and business along the lines of what already exists at the Organization for Economic Cooperation and Development (OECD). The report also sees a need to strengthen the voluntary initiatives by companies to address social issues, often known as corporate social responsibility. It calls for the ILO to convene a forum to analyse and discuss issues related to corporate social responsibility, including monitoring and verification.

Civil Society, Media and Networks

“A striking feature of globalization has been the rapid emergence of a community of civil society actors, who network globally to tackle issues of concern to citizens throughout the world”. These have grown from about 1,500 in the mid 1950s to about 25,000 in 2001. Such organizations provide much support for the drive to make globalization fairer. In addition encouraging their work, it is necessary to strengthen the participation of civil society groups from developing countries. At the same time, civil society organizations, in particular the larger ones, must ensure that they are accountable and open to scrutiny.

The media are vital in disseminating the information that is necessary for democratic and accountable societies. Given the prevalence of Anglo-American news sources in recent years, the World Commission report stresses the importance of diversity in information and communications flows. The report also highlights the way in which global networks spanning the private and public sector have helped to promote social policy development.

Policy Brief No.12

A Fair Globalization: Proposals and Recommendations

Priorities for National Governance

- 1) Good government based on a democratic political system, respect for human rights and gender equality, social equality and the rule of law. There must be ways for all interests to be represented and for employers and workers organizations to engage in dialogue.
- 2) An effective government role in creating the conditions for success in the global economy. This entails providing services, care and social protection and raising the capacity of people and companies to compete globally.
- 3) Sound institutions to support and supervise markets, prudent management of the process of integration into the global economy and economic policies to achieve high and stable growth.
- 4) Policies and reforms to bring the informal economy into the economic mainstream.
- 5) Making decent work a key goal of economic policy. This involves giving priority to employment creation, protecting fundamental rights at work, strengthening social protection and promoting dialogue between employers, workers and government.
- 6) Promoting a pattern of development that is environmentally sustainable.
- 7) Strengthening local communities through greater decentralization accompanied by adequate resources. Encouraging local economic development and respecting culture, identity and the rights of indigenous peoples.
- 8) Including social goals in the process of regional economic and political integration.
- 9) Ensuring that national policies and global interests are coherent. Taking into account the impact that domestic policies have on other countries.

A Fairer, More Balanced Global System of Governance

Fair Rules:

- 1) Developing countries should have more freedom to develop the policies needed to accelerate their development in an open trading system

Trade

- 1) Substantial reduction of unfair barriers on exports from developing countries, especially agricultural products, textiles and garments. Prohibit new export subsidies and trade-distorting domestic supports in agriculture and phase out existing ones. Policies are needed to help workers throughout the world cope with change brought by trade liberalization.
- 2) Ensure that technical standards on products are set in an objective way. Avoid using these standards for protectionism and help developing countries to improve their product standards. Prevent abuse of anti-dumping measures and provide developing countries with technical support on procedural issues.
- 3) Recognize that greater access to markets is not a panacea. There must also be a more balanced strategy for sustainable global growth and full employment. Responsibility for the global economy should be shared equitably.

- 4) Rules on intellectual property rights, such as patents, copyright and design protection, should be fair and balance the interests of those who produce and use technology.
- 5) Global trade rules should be applied in ways which take into account the need for economically less advanced countries to build up their capabilities

Global production systems

- 1) More international cooperation on competition policy. National anti-trust authorities should work together to prevent dominance of global markets by individual companies or through mergers. This should make it easier for developing country firms to enter global production systems.
- 2) It is necessary to construct a more balanced, development-friendly framework for foreign direct investment. This should reflect all interests, reduce competition among countries to offer ever-greater incentives and concessions and promote equitable development.

International financial system

Changes are needed to ensure the system fosters global economic growth that is sustainable and improves integration of poor countries into the world economy.

- 1) Greater participation of developing countries in the process of reforming the international financial system.
- 2) Reduce the volatility of financial markets and address the problem of contagion, when “herd behaviour” by market operators means that problems in one country spill over to others, regardless of their economic health.
- 3) Developing countries should be allowed to adopt a cautious approach to liberalizing movements of capital and have the leeway to adopt policies that minimize social costs.
- 4) There should be a fairer sharing of the burdens between debtors and lenders.

Labour in the global economy

- 1) The ILO’s capacity to promote core labour standards should be reinforced. All international organizations should ensure that their actions are consistent with these standards.
- 2) It is necessary to build a multilateral framework of fair and open rules regarding movement of people across borders. First steps should be to: reinforce the application of existing commitments on migrant workers and trafficking, especially of women; and develop dialogue between countries of origin and destination.
- 3) A global forum for the exchange of views and information on migration should be established.

Better International Policies

- 1) More resources are needed at the international level. The commitment of industrialized countries to devote 0.7 per cent of gross domestic product to overseas development assistance must at long last be respected. The effectiveness of aid delivery should be improved.
- 2) Debt relief should be accelerated and deepened.
- 3) New, additional funding sources should be sought.
- 4) There is much untapped potential for voluntary private contributions and philanthropic activities linked to global solidarity.

- 5) There should be more support for socially responsible investment initiatives to channel resources to low-income countries.
- 6) International action is essential to raise investment in education and technology in poor countries.
- 7) International action is also needed to support national social protection systems. The global economy should have a minimum “floor” level of social protection.
- 8) Better-managed global macro-economic policies are necessary, with a focus on achieving full employment.
- 9) Stronger action and dialogue are needed to promote decent work in export-processing zones (EPZs) and in global production systems.
- 10) Decent work for all should become a global goal that is pursued internationally through more coherent policies. Multilateral organizations must link economic and labour policies together better.
- 11) Education, health, human rights, the environment and gender equality should all be addressed through an integrated approach to economic and social goals.

More Accountable Institutions

The multilateral system and state actors

- 1) The International Monetary Fund and World Bank should establish a fairer system of voting rights.
- 2) The WTO should ensure the effective participation of all its members.
- 3) All UN bodies should strengthen their evaluation units, adopt clear policies on disclosure and publish results accordingly. External evaluation should be encouraged, with recommendations followed up.
- 4) Heads of state and government should promote coherence between economic and social policies at the international level.
- 5) There should be serious consideration of existing proposals to create an economic and security council, and a global council on global governance.
- 6) There is a need to strengthen the capacity of the UN’s Economic and Social Council (ECOSOC) to coordinate global policies in economic and social fields.
- 7) Financial contributions to the UN system should be increased.
- 8) There is a need for greater accountability and openness in international bodies, including UN organizations. National governments and parliaments should review decisions taken by their representatives in these organizations.
- 9) A Global Parliamentary Group should be created to oversee work of international institutions and review consistency of global economic and social policies.

Non-state actors

- 1) The voluntary initiatives of companies, both national and transnational, could be strengthened so they can contribute more to the social dimension of globalization. The ILO should convene a forum on this issue.
- 2) The IMF, World Bank and WTO should create formal structures to consult international labour and business.
- 3) It is necessary to encourage the work of civil society organizations and strengthen the participation of those from developing countries. There should also be more and better contacts between civil society groups and international organizations.
- 4) Civil society organizations should be accountable and open to scrutiny.

- 5) Given the central role played by the media in democratic and accountable societies, it is necessary to safeguard diversity in information and communications flows.
- 6) There should be better coordination between international organizations and global networks and partnerships involved in promoting social policy development.

Mobilizing Action for Change

- 1) Governments and non-state actors are invited to hold discussions and dialogues at the national level to follow-up the World Commission report.
- 2) International organizations should ensure that their actions and procedures uphold universal values and human rights in a coherent way.
- 3) The international community should launch “Policy Coherence Initiatives” to design more balanced policies for achieving a fair and inclusive globalization. The first of these should address growth, investment and employment.
- 4) There should be national reviews of the social implications of international economic policies. These should be conducted by international organizations that are responsible for social issues with close participation of the countries involved.
- 5) International institutions should hold “Policy Development Dialogues” on the World Commission report’s proposals.
- 6) A “Globalization Policy Forum” should be set up by interested international organizations. In addition to allowing for dialogue on the social impact of international economic policies, this could prepare a “State of Globalization” Report.
- 7) There is a need for stronger research programmes and data collection on the social dimension of globalization.