



**CHECK AGAINST DELIVERY**

**Opening remarks by Juan Somavia  
Director-General of the International Labour Office  
to the  
Forum on the Social and Employment Dimensions  
of an Open Trading Regime  
(Turin, Italy, 26 May 2005)**

I am delighted to be once again here in Turin to join Commissioner Mandelson and Minister Adda in opening this very timely and important Forum.

Especial thanks are due to our hosts, the City of Turin and the region of Piedmont, represented here today by Tom de Alessandri and Gianluca Susta.

May I also thank Enriqu e Baron Crespo for agreeing to chair this session and my colleague Fran ois Tr emeaud and his team here in Turin [[International Training Centre of the ILO](#)] for hosting us and doing so much to make it possible.

It is furthermore a pleasure to share this platform with three old friends and social partners, Fran ois Perigot, John Monks and Giovanni Tria, and also Franciso Thompson-Flores.

I also recognize many colleagues and friends in the audience, including Marc Blondel from the Workers' group of the ILO Governing Body. Thank you all for coming to this important and, I think, ground breaking meeting.

\*\*\*

The European Commission and the ILO, with the help of the Turin Centre, have decided to address perhaps one of the central challenges of our times if we want to move towards a fair globalization.

The advantages of globalization and open trade are known. I will not dwell on them.

We need a policy package in the economic, social and environmental field that maximises the benefits of increased trade, minimizes the costs and ensures that we share the burden and the dividends of international integration fairly, within and between nations.

An approach that recognizes that trade is part – probably the leading element – of the wider process of globalization.

And in this respect, people are uncertain, precarity has grown and the feeling that globalization is maybe not so good after all has grown enormously – beyond protestors in the street, and beyond Seattle and the EU Constitution.

People of course see some of the benefits as consumers, are worried as workers and are definitely reacting negatively as voters.

What the [World Commission on the Social Dimension of Globalization](#) made so evident was that people do not have an ideological view of globalization – they have a very practical view: how does it benefit me? And they are looking, to begin with, for decent jobs.

For many, the jobs they want are not there. They feel that increasingly the jobs available are precarious, uncertain, informal and of low quality.

Why is this happening? Let me give you some figures.

In 2004, a year of relatively robust growth in global output of 5 per cent, employment only expanded by 1.7 per cent and world unemployment fell by only 500,000.

This confirms a trend over the past years. Between 1991 and 2004, while global output grew by 55 per cent and the world's labour force increased by 24 per cent, employment only rose by 22.8 per cent. In consequence, recorded unemployment increased by 45 per cent and the long-running trend towards increased informal economy employment continued.

The region from which I come, Latin America, we have seen in the last 25 years unemployment rise from around 7 per cent to between 10 and 11 per cent. The informal economy now accounts for just under half of all jobs whereas it was about a third in 1980. The number of workers paying social security contributions has slipped from over two thirds in 1980 to around 60 per cent today. And the purchasing power of minimum wages plummeted in the 1980s, and is still on average 10 per cent less now than their value in 1980.

These figures are not politically sustainable. The reality is that increased trade and foreign direct investment is not generating the employment intensive growth we need to keep up with the pace of growth of the world's labour force, let alone reduce unemployment and accelerate the rate of poverty reduction.

One of the most worrying aspects of this jobs' deficit is its impact on young people. The challenge will be greatest in the world's poorest regions, which also have the largest expected labour force growth. Sub-Saharan Africa is forecasted to have an increase in the youth workforce of 30 million, or about 28 per cent.

The failure to reach the Millennium Development Goals risks becoming yet another cause for frustration and anger. We are certainly letting down the Millennium generation.

The World Commission believed that the course we are on presently is not sustainable and saw making decent work a global goal as the main means of shaping a fair globalization. The ILO has taken this on board and we have built our plans for the next four years on the theme of making decent work a global goal.

This means that macroeconomic, financial, trade, investment and labour policies must converge making it an objective of policy-making, rather than a hoped for result.

So how do we move forward. Let me offer some suggestions.

**First**, let us tackle the structural problems of moving towards more sustainable growth. We need to increase the amount of employment growth we get from investment and output growth. We need better investment policies to do this that focus more on the enormous job creating potential of small enterprises.

And we need to ensure that the nearly three billion people living on \$2 a day or less get a major boost to their consuming power. They are the market of the future. Dramatically reducing poverty is not a matter of charity it is the only sustainable way to generate global growth.

We must handle change at work in the sectors exposed to international competition more efficiently.

One of the biggest mistakes of the Washington Consensus was to promote drastic structural adjustment without the corresponding social protection measures. For many developing countries it was pure pain for the majority. This is valid for developed countries as well as developing countries. But the limited means of many developing countries makes this a key issue for international development cooperation.

**Second**, many women and men see their working life directly affected by international trade and investment, whether it be subsidies for cotton production that ruins farmers in West Africa, or a massive restructuring of garment production systems consequent on the phasing out of the old Multifibre Arrangement (MFA) export quotas, or the de-localization of production towards developing or Eastern European countries within a multinational company, or the volatility of orders down the international subcontracting chains which is creating a “just-in-time” workforce which may suit the big buyers but plays havoc with emerging businesses and workers’ family responsibilities.

**Third**, I am particularly concerned by the expansion in the number of export processing zones. I think they exemplify the problem of failing to think through how to maximise the benefits of trade while reducing the downside risks.

The concept itself is doubtful, yet many developing countries have been pressured to create these zones as a way of getting into the export of manufactured goods and to create jobs.

But, there is much tax competition with other developing countries and fiscal costs: are they worth it? There is also documented labour abuse where zone authorities turn a blind eye to the flouting of labour laws with impunity. And the end result is often an enclave with few connections into national development where little value is added and even less stays in the host country.

There are many successful free zones but I am certain that, even there, for the same foreign and national investments involved, better policies could yield much more benefits.

From the point of view of developing countries, and I think from a global perspective too, we need to increase South-South cooperation so as to create an environment in which the zones can move up the value added chain, build stronger linkages with the local economy and wean themselves of unnecessary tax breaks and unacceptable labour abuse.

I stress the South-South cooperation because in this fiercely competitive end of the global production system, countries need to work collaboratively to escape the trap of low productivity, low quality, low wages, low development return and adverse external conditionalities.

**Fourth**, capacity building. Let me quickly mention some areas. Active labour market policies, development of employers' and workers' organizations, promotion of the ILO practice and culture of social dialogue, stronger labour and social ministries, effective labour inspection systems, and conflict resolution practices as an appropriate method of implementing labour clauses in trade agreements.

Cooperation between the ILO and the European Commission on these and other trade-related matters is rooted in the shared values of both institutions. In many ways, the European Union (EU) is a success story in implementing many of the ILO's Conventions and policy outlooks.

Since even before the signing of the Treaty of Rome, in the days of the Iron and Steel Community, Europe has recognized that integration on the trade front needed to be supported by social solidarity organized across frontiers. Today's EU structural and regional funds are the practical heritage of a vision born in the era of post-war reconstruction.

And in the sphere of development cooperation, the EU and many of its member states are way out in front in terms of the size of their development cooperation budgets and their prioritization of poverty reduction.

I applaud the decision of the EU Development Ministers this week to substantially increase official development assistance (ODA) by 2010 so that they will hit the 0.7 per cent of gross domestic product (GDP) target by 2015.

In that context, I think that the EU together with others could do more to focus its aid on the four dimensions of the decent work agenda – employment, rights, social protection and dialogue. We have an ambitious cooperation agreement with the Commission designed to do just that. An important part of our work together is the social and employment dimensions of open trade regime. And I welcome the close collaboration on this with Commissioner Mandelson.

We need a positive agenda for generating decent work – work in conditions where fundamental rights are respected, where the basics of social protection are being constructed, where working people have a voice in the decisions that affect their lives and where businesses especially smaller enterprises have an environment in which to grow and increase employment.

The international community must support governments, like Ghana, so well represented by Minister Adda, which have expanded their efforts to build a job creation capacity.

We at the ILO are developing the mechanism of decent work country programmes as a means of supporting this capacity development. Ghana is a test bed for this integrated thinking.

The work that we are developing with the EU on measuring the impact of policy changes, particularly in the trade field on decent work opportunities and in enhancing the capacity of government and the social partners to construct the policy responses, is of vital importance. It is pioneering and potentially could lead to a real breakthrough towards more coherent policymaking.

Chair, let me conclude by saying how pleased the ILO is to be collaborating with Commissioner Mandelson and his colleagues in this key area. The EU's welcome support is vital to the development of the ILO's Decent Work Agenda. But, if you do not mind me saying so, the EU is being not purely altruistic. There is a limit to national and even major regional solutions.

Europe's own vision of a balance between social and economic objectives – the social model, the social market economy, it has various labels – can only come to fruition in a world that also takes on board the necessity of a social dimension of globalization.

Thank you all for joining us to help create some of the building blocks for that fair globalization.

---