Trade unions and the global economy: An unfinished story

Labour Education 2001/3-4
Nos. 124-125

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Editorial

Globalization, liberalization, adjustment, privatization. These words have become slogans over the last 20 years. Their proponents promised a world of growth. The trickle-down effect of a global economy would, not immediately but in the medium term benefit all, jobs would be created, poverty would retreat and social justice would emerge through the invisible hand of the market. International financial institutions (IFIs) were put in the driving seat, preaching the good word. They no doubt had good intentions and the need for devastated economies to adjust and restructure was more than real. Yet the magic pill did not work.

Consider this: out of the world's 6 billion inhabitants, 2,800 million survive with less than US$2 a day and 1,200 million of those have only half that amount. The average income in the 20 richest countries is 37 times that of the 20 poorest countries. The stock-market value of the ten largest multinational companies is higher than the gross domestic product of 150 of the 189 member countries of the United Nations. More than 130 million children do not attend school and more than 250 million children are at work for most of the day. Africa spends on the reimbursement of its huge foreign debt twice the amount it spends on health.

These figures do not come from trade unions or disgruntled non-governmental organizations. They come from the IFIs themselves. They clearly show that something is wrong with the way the global economy is left to operate at the present time. Globalization is not people-friendly. It lacks a social dimension.

Incorporating social concerns and core labour standards into the policies and operations of the IFIs was the central theme of an international symposium organized for trade unions by the ILO's Bureau for Workers' Activities (ACTRAV). The symposium, entitled "Strengthening workers' participation in the United Nations system and the Bretton Woods institutions" took place in September 2001.

This issue of *Labour Education* is entirely devoted to the work of this important gathering. It includes background material as well as keynote contributions. They point to the failure of the policies of the IFIs to address the negative consequences of globalization on workers around the world and show where such policies run contrary to ILO core Conventions, in particular the Convention on the right to bargain collectively, and on universally accepted provisions for social protection. The documents contained in this publication were written in the spring of 2001 and thus prior to the World Trade Organization (WTO) ministerial meeting in Doha, Qatar.

Amidst calls for greater openness and transparency, the IFIs have gradually become more receptive to dialogue with global trade unions. Representatives from the International Monetary Fund (IMF), the World Bank and the WTO took part in the symposium. If anything, these discussions

have demonstrated that the need for such dialogue has increased. Prejudices have to be overcome. Mutual trust has to be established. One way of contributing to that would be for the IFIs to go beyond occasional meetings with international trade union organizations and respect their own promise of engaging in genuine consultations with trade unions at national level when designing, implementing and assessing their programmes. The much-desired cooperation between the WTO and the ILO has yet to materialize, despite repeated calls to this effect by the trade union movement, including at the last WTO ministerial meeting in Doha.

The success of trade liberalization, structural adjustment and economic integration at regional or world level will in the final analysis depend on how far they meet the aspirations of people and how far they command social, as well as economic, support. That in turn depends on the quality and vision of the policies and on the involvement of key actors, including those representing workers, in their elaboration and implementation.

From the level of discussions that took place at the ACTRAV symposium, where, it should be stressed, all components of the international labour movement took part, there is no doubt about both the commitment and the sense of responsibility that trade unions display in addressing all the issues linked to globalization. They want constructive dialogue and involvement.

By setting up a World Commission on the social dimension of globalization, the ILO can contribute both to promoting and to fostering such dialogue, as IFIs will be invited to join in, in addition to employers' and workers' organizations and governments.

This issue of *Labour Education* is aimed at providing the key elements for such a dialogue to lead to tangible results in shaping a global economy with a human face. Globalization has so far failed to respond to legitimate demands that should be at the top of its agenda. Today, however, there are opportunities to change course. These should not be missed.

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Special thanks go to the ACTRAV team that prepared the background documents reproduced in this issue: Robert Kyloh, Faith O'Neill and Carmel Whelton.

Chapter I

Origins of the Bretton Woods institutions and the World Trade Organization

Haunted by the ghosts of Versailles, the booming 1920s, the depression of the 1930s and the horrors of the Second World War, the leading governments, in the summer of 1944, fashioned an international financial architecture designed to promote peace, financial stability and economic growth.

In the New Hampshire mountain resort town of Bretton Woods, John Maynard Keynes and Harry Dexter White hammered out the details of this new architecture. The World Bank and the International Monetary Fund (IMF), the "Bretton Woods institutions", were created. The former was to provide the resources for infrastructure and hard plant investment necessary for economic development; the latter, with a more diverse set of tasks, would help both developed and developing countries overcome deficits in their balance of payments and specify the internal economies and discipline that would correct such imbalances. The Bank and the Fund, operating out of Washington, would bring sound economics and the world of reputable finance to the task of economic development.

A few years later, an international trade organization (ITO) would be envisaged to promote world trade and full employment. The treaty to establish the ITO was never sent to the United States Senate, and in its stead an interim skeletal set of trade rules the General Agreement on Tariffs and Trade (GATT) constituted the global trade architecture for the next 50 years. The World Trade Organization (WTO) only recently replaced the GATT, greatly expanding GATT's original mandate to cover all aspects of market and trade liberalization.

The trade union movement emerged equally devastated from the Second World War. Some of the best and brightest leaders of the trade union movement lost their lives in this period. But trade unionism's principled stand for freedom, workers' rights and dignity allowed it to assume a strong leadership position after the war in democratic nations and at the international level.

The international financial and trade institutions have increasingly assumed greater influence and responsibility in moulding the global economy in recent decades. The international trade union movement has used what political muscle it has to encourage a multilateral approach to trade, finance and economic development, while also attempting to mitigate the negative consequences of policies emanating from these international institutions, particularly those impacting on workers and the poor. Trade unionists have argued that economic growth must be accompanied by a social floor that ensures that everyone – men and women, the young and the very old – benefit from economic prosperity.

The International Monetary Fund (IMF)

The International Monetary Fund (IMF) was set up initially with 29 member countries to promote international monetary cooperation, to promote exchange rate stability, to assist in the establishment of a

multilateral system of currency transaction payments, to make general IMF resources available to members subject to adequate safeguards, and to shorten the duration and lessen the degree of disequilibrium in the international balance of payments of members.[1] The Articles of Agreement provide for a Board of Governors, an Executive Board, a Managing Director and a staff of international civil servants. The Board of Governors is formally the highest decision-making body and consists of finance ministers or central bankers from all member countries; however, the real power resides with the Executive Board composed of 24 directors. They are appointed or elected by member countries or groups of countries. This Board meets several times a week and deals with a wide range of policy and operational matters, including surveillance of members' exchange rate policies, provision of IMF financial assistance to member countries and discussions about key economic issues. The IMF has described itself as a "financial cooperative, in some ways like a credit union".[2] This is because on joining, each country pays a sum of money, called its "quota", of which 25 per cent must be paid in hard currency and the remainder in its own currency. Each country's voting power in IMF decisions is related to the size of this quota, on which the maximum amount of financial assistance a member can get from the IMF is also based. For example, at the end of last year the quota for the United States was just over 37,000 million special drawing rights (SDRs), whereas the total for a small country like Côte d'Ivoire was just over 300 million SDRs. This represents a fundamental difference between the Bretton Woods institutions and the United Nations system. In the latter, the financial contributions of member States vary according to the economic wealth of the country but the voting strength of all member States is the same, regardless of their size or wealth.

The World Bank Group

The International Bank for Reconstruction and Development (IBRD, commonly referred to as the "World Bank" or "World Bank Group") was originally established to help with European reconstruction after the war. Its first loan was to France, followed by the Netherlands, Denmark and Luxembourg. The Marshall Plan was launched soon afterwards and the Bank was then able to concentrate on assisting developing countries; next in line for help were Chile, Mexico and Brazil.

The Bank comprises two major organizations: the IBRD as such and the International Development Association (IDA) which was established in 1960. Three other organizations are associated with the Bank but are legally distinct from it. The International Finance Corporation (IFC) was set up in 1956 to fund private enterprise (mostly industrial) projects in developing countries. The United States initially objected, arguing that sound private enterprise would always attract funds. The IFC's Articles of Agreement (Article I) therefore specifically restricted IFC investment to "cases where sufficient private capital is not available on reasonable terms". The International Centre for Settlement of Investment Disputes (ICSID) provides arbitration services for investment disputes. The Multilateral Investment Guarantee Agency (MIGA) insures foreign investment against non-commercial risks in developing countries, including expropriation, war and insurrection.

The Bank has more than 180 members and loans and credits outstanding to about 90 developing and transitional countries. It thus has a far-reaching impact on the global economy and poverty reduction. In over 50 years of existence the Bank has loaned more than US$470 billion to developing countries.[3] The IDA is largely financed from grants from donor nations and lends to about 80 lower-income countries. IDA loans are interest-free and have a maturity period of 35 to 40 years. Given these fairly innocuous beginnings and their clear mandate to "do

good", how did it come about that by the late 1990s these institutions had become so comprehensively criticized and the "lightning rod" of anti-globalization protesters and development activists? How have the reforms implemented in response to these criticisms impacted on the day-to-day policies and programmes of these institutions? What role has the international trade union movement played in the critical analysis and reform process now under way within them? What further reforms can be expected from them in the next few years and how should the trade union movement now position itself in relation to them to best promote the interests of its members and the poor? These are some of the questions raised in this issue of *Labour Education*.

Notes

[1] IMF: *Articles of Agreement*, Article I. As of late 2000, IMF membership had reached 182 countries and its total financial resources were about US$280 billion.

[2] *IMF Survey Supplement*, Sep. 2000, p. 9.

[3] Up to the end of June 2000.

Chapter II
Fifty plus years of trade union lobbying on finance and development

Attempts by the international trade union movement to influence the key international economic institutions and global economic policies can be traced back to at least the mid-1950s.

The 1950s and 1960s were an economic "golden age" in the developed world. By the end of the 1940s, production in the United States was expanding rapidly, exports were booming and unemployment was very low. But after the lifting of price controls, inflation started to become a concern. The United States economy was becoming the pivot around which the world economy turned. Throughout the 1950s, economic performance in the United States remained robust and attention started to focus more on the distribution of income.

By contrast, Europe first had to overcome the devastation of war and rebuild the foundations of a strong peacetime economy. Despite this, it was making more rapid progress than the United States towards the development of a comprehensive welfare state. In the United Kingdom, the findings of the 1942 Beveridge Report were making their way into policy and the ordinary worker was the beneficiary. In the rest of Europe, aid through the Marshall Plan had helped to kick-start economic recovery and, fortunately, growth was self-sustaining by the time these foreign resources came to an end. The trade union movement was involved with the implementation of the Marshall Plan and close cooperation between unions, employers and governments was seen as a necessary condition for rebuilding industry and promoting higher productivity. Partly as a result of this, the post-war period saw a strengthening of national trade union power in Europe. At the international level, however, the union movement was split by the cold war and certain internal differences.

The 1950s and 1960s: Halcyon years

Throughout the 1950s Eastern Europe and the Soviet Union also recorded impressive economic growth, with a particular emphasis on the expansion of steel and other large-scale industries, transportation and power generation. By the time Soviet scientists put the space satellite Sputnik into orbit in the latter months of 1957, the pressures for an arms build-up, the space race and the cold war were growing.

Throughout this period the world operated on a set of fixed exchange rates. Governments set the international values of their currencies, then bought and sold currencies to maintain those values. The American dollar was convertible into gold at a fixed rate of US$35 an ounce. The vast majority of governments also imposed restrictions on capital movements into and out of their countries. They were thus not subjected to the dramatic and destabilizing capital movements that have been witnessed in the last decade. The IMF assisted the process by lending to countries with balance of payments difficulties. In 1952, the Executive Board approved proposals for "standardized stand-by arrangements", and in the 1960s various financing facilities were created along with special drawing rights (SDRs).

The 1950s and 1960s were the age of economic certainty in the developed world: Keynesian demand management policies were applied; exchange rates changed every few years on average; companies reviewed the prices of their products once a year; interest rates moved perhaps twice a year, and so on. A company's "real-economy" decisions – on its stocks, payroll and fixed investment – were correspondingly infrequent. The collective bargaining process was therefore reasonably predictable. Employers did not require the degree of labour market flexibility they often seek today in order to cope with economic shocks created by wild swings in the exchange rate and other variables outside their control.[1] From time to time there was tentative evidence of an emerging wage-price spiral but the inflation thus generated was never sufficient to undermine business and consumer confidence for long enough to destabilize economic growth. This economic security contrasted starkly with mounting geopolitical tensions which reached extreme levels during the Cuban missile crisis in October 1962.

Economic life was definitely less certain for those living outside the industrialized countries. For many developing countries in Asia and Africa, it was a period of decolonization and experimentation with development policies. Although this was eventually to give rise to some notable economic success stories in South-East Asia, economic progress in the remainder of Asia and much of Africa and Latin America was deeply disappointing. With populations growing rapidly, economic growth per capita in the developing world as a whole over the 1950s was estimated at less than 2 per cent, although nominal growth rates in excess of 5 per cent were sometimes achieved. The population explosion and the unequal distribution of the benefits of growth meant that social progress was slow and uneven, with overall levels of poverty and illiteracy rising in most developing regions. Even the small trade surplus that developing countries enjoyed with the developed world in 1950 had become a deficit by the early 1960s owing to a deterioration in their terms of trade brought about by "soft" prices for agricultural products in global markets and the upward trend in the price of their imports.

The First Development Decade

According to some well-informed observers, it was against this background that the United Nations, as opposed to the World Bank, took the lead in the international development debate by proposing the First Development Decade in the 1960s, with the emphasis on a global framework for accelerated development and calls for increased private investment and substantial increases in official development aid (ODA) to lift growth rates beyond 5 per cent in the developing world.[2] The establishment of the United Nations Conference on Trade and Development (UNCTAD) in 1964 and the expanding influence of the G77 throughout this period were other key factors impinging on the development debate. Attempts by the international trade union movement to influence the key international economic institutions and global economic policies can be traced back to at least the mid-1950s. Despite the fact that organizations like the International Confederation of Free Trade Unions (ICFTU) at that time had minimal resources and technical capacity to devote to global economic issues, they were able to prepare and periodically issue statements concerning major developments. For example, in 1954 the ICFTU adopted its first comprehensive statement on full employment which included references to the need for global economic expansion, greater liberalization of international trade, increased aid to developing countries and the establishment of a special United Nations fund for economic development. These were positive contributions to the global economic debate and meant that, from the outset, a primary focus of the international trade union movement was on trying to improve economic conditions in the developing world.

Trade union concerns about economic conditions in developing countries were emphasized further in the mid- to late 1950s, when the ICFTU mounted a campaign for increased foreign investment in developing countries and began expressing concerns about the impact of unstable commodity prices and world food reserves on the economic and social conditions in developing countries. A campaign also started at this time to promote increased international aid flows to developing countries. Clearly, the international trade union movement was "doing its bit", with very limited human and financial resources, to promote some components of what would soon become the basic objectives of the First Development Decade.

With the benefit of hindsight, it might be argued that the international trade union movement, like most other organizations, governments and individuals involved in the economic development debate at that time, failed to anticipate and identify a number of other important issues and barriers to development. For example, insufficient attention was devoted to securing the external resources necessary for universal education and the establishment of basic social safety nets in developing countries. Trade unions and others could also have been more critical of domestic corruption, unstable governments, excessive military expenditures and the failure to implement land reform in some countries. These were just some of the factors that would contribute to economic stagnation and conflict in many developing countries in the period ahead.

Shortly thereafter, the trade union movement became concerned at the policies that were being implemented to curtail inflationary pressures in developed countries. These policies restrained economic growth and led to a global recession in 1957-58. In response to these economic conditions the ICFTU began a campaign to organize a World Economic Conference involving the key economic powers of the time, with a view to securing support for coordinated action to stimulate economic growth and restore full employment.

Despite the fact that the IMF and the World Bank were starting to exert increased authority over the global economy, they were not the main concern of the trade union movement at that time. Most trade union activities and recommendations concerning the global economy during the period in question were directed at national governments, because they had more discretionary economic power than today. To the extent that they attempted to influence policy towards the Bretton Woods institutions, trade unions were usually positive and their statements were designed to strengthen these institutions. In the mid-1960s, for example, the ICFTU made detailed proposals for international monetary reform calling for increased reserves for the IMF. These reforms were particularly important for developing countries because they were suffering acute balance of payments difficulties, and greater international liquidity was seen as a necessary precondition to allow developed countries to increase foreign aid flows. In 1962, the ICFTU began a campaign to increase the resources available to the World Bank's International Development Association, which had been established two years earlier, so that it could extend more "soft" loans to developing countries. At the same time, the trade unions were calling on the IMF "to liberalize its operations, particularly with a view to assisting developing countries, and to actively consult trade unions about the policies it was advocating".

Over the course of the 1960s, economic growth in the developing world was relatively rapid, averaging around 6 per cent a year. But growth alone did not generate economic development, and in fact by the end of the decade there were mounting problems, including increased poverty, growing unemployment and a dramatic widening in income inequalities.[3] By contrast, in the mid-1960s there was an impression that the major economic problems of the United States and its main trading partners in the North had been solved. The American economy was expanding at a healthy rate and unemployment was

5 per cent and declining. And yet, by the end of the 1960s, the Bretton Woods system of exchange rates was under siege. The war in Viet Nam and the race to put a man on the moon had pushed the United States into a ballooning deficit, consuming resources that might otherwise have been devoted to promoting greater equality at home and additional assistance to the developing world. The fixed exchange rate system could not sustain a high American deficit coupled with increased inflation. In 1970, the ICFTU underlined the urgent need for: a more flexible administration of the fixed exchange rate system; measures to lower interest rates; steps to expand the institution of SDRs with the IMF in order to increase international reserves; and assumption of responsibility by the IMF for finding ways to stimulate increased aid flows to developing countries. The international trade union movement was maintaining its positive perspective in respect of the principal international financial institutions and promoting multilateralism.

15 August 1971: The end of economic certainty

On 15 August 1971, the US President announced that the United States would no longer undertake to maintain a specific external value for the US dollar.[4] With a few short words, the underpinnings of the carefully crafted IMF gold reserve system had disintegrated. Governments agreed to the "quick fix" Smithsonian Agreement in December 1971 that allowed currencies to fluctuate within a 2.25 per cent band around their central rates. This lasted less than two years, and most currencies were floating against one another by early 1973, when the European Community countries introduced a "joint float" for their currencies against the dollar. By mid-1974, recommendations from the IMF Committee on Reform of the International Monetary System were being implemented and guidelines were adopted for the management of the floating exchange rate system. By 1979, central banks spent over US$40 billion on buying and selling their "floating currencies".[5] During this monetary crisis, the trade union movement issued recommendations calling for coordinated policies to stimulate growth and offset the employment and social impact of the crisis. In what would become a frequently heard request, affiliated national union centres were called upon to lobby national governments on global economic issues, and sent a set of recommendations to respond to the international monetary crisis.

Throughout this period, floating exchange rates worked better than expected, with a few notable difficulties. If a country's exchange rate floated downward, the price of that country's goods became cheaper to export and flooded other markets, resulting in a loud protectionist clamour from the industries affected. Wide swings in exchange rates were causing export and import shifts, leading to calls for import restrictions, quotas and "voluntary" export agreements. The trade liberalization gains of the GATT came under heavy fire.

The first global oil crisis of 1973-74 led to a sea change in global economic policies. Oil prices quadrupled and double-digit inflation reared its head. People stood in long queues at the gas pumps. Oil-importing developing countries were hit hardest because the price of goods they exported stayed the same or decreased, while the price of imported goods like oil went up. One immediate response of the international trade union movement was to ask national trade union centres to start lobbying governments for a global meeting to consider ways of recycling the surplus funds of oil-exporting countries to developing countries at low and concessionary interest rates, and for measures to reflate the global economy.

In many developed countries, inflationary pressures sparked by the oil crisis were exacerbated by a wage-price spiral, and this encouraged a resurgence of neoclassical economic thought and a stronger emphasis on monetary policy. In the second half of the 1970s, the Administration of President Carter in Washington attempted

to counter a strong upward inflationary push from wages and price settlements, and especially from rising energy prices, with an increasing reliance on tight monetary policy. Consumer price increases were into the double-digit range and the Federal Reserve discount rate was around 12 per cent in 1978 and 1979; over the same period, the unemployment rate in the United States jumped from around 5 per cent to just over 7 per cent.

In the 1970s, economic growth rates in the developing world started to taper off, particularly in Africa. Problems associated with growing income inequalities, widespread poverty, rural-urban migration and the expanding informal sector started to attract attention, becoming the focus of the United Nations system and especially of the ILO's World Employment Programme (WEP). According to those associated with the origins of the WEP, this provided "a framework of ideas within which 'new' ingredients were fitted and which amounted to a new development strategy".[6] Some components of this new strategy included: a clearer definition of employment and poverty problems; identification and stimulation of appropriate technologies by sector; the importance of education and human resource development; and the stimulation of a virtuous circle linking employment creation, improvements in income distribution, consumption of local production and productive employment. The international trade union movement found a close ally and a source of new ideas on economic development when the WEP and ILO regional employment teams were established in the mid-1970s. The ILO started to generate innovative approaches to the integration of macroeconomic, sectoral and microeconomic policies. Orthodox development policy was based on the promotion of a single objective, namely, faster economic growth. This theory basically assumed that after a time lag the benefits of economic growth would "trickle down" to the poor. The ILO questioned this assumption and began advocating policies that would explicitly and directly promote three objectives: economic growth; productive employment; and basic needs (food, housing, clothing and public transport). At the core of the strategy was a shift to a pattern of economic growth that was more employment-intensive, more equitable and more effective in the battle against poverty.[7] These were policies that the trade union movement could support politically and disseminate. For the trade union movement, the existence of the WEP and highly qualified teams of ILO economists in the developing regions of the world helped to overcome the problem of having only a very limited trade union research and policy development capability. The trade union movement was, however, critical of the WEP from time to time because it failed to emphasize adequately the importance of labour standards in promoting a balanced approach to employment. International trade union movement participation in the dialogue about the global economy continued to expand, and from 1977 onwards, the ICFTU began preparing annual reviews of the world economic situation. Another important development was the adoption in 1978 of a Development Charter entitled "Towards a new economic and social order", which strongly supported the ILO's "basic needs and employment strategy". Involvement of the international trade union movement with the annual G7 (later G8) summits also dates from this period.

Meanwhile in Washington, the Fund found itself the subject of often acute controversy. It responded by assuming a more active public profile and established its first Office of External Relations in 1980. Its Managing Director, Jacques de Larosière, gave more speeches than any of his predecessors.[8] The country work of the Fund was growing: in 1978 there was a 50 per cent quota increase which significantly increased IMF resources, and in 1980 the Fund decided to play a more proactive role in adjustment policies and to provide balance of payments assistance over longer periods and in larger amounts.[9] By 1981, the IMF had programmes with more than 40 countries, many more than the ten a

year it had averaged in 1974-78.[10] Even relatively wealthy nations like the United Kingdom and Italy were asked by the IMF to put their fiscal or monetary houses in order.

The second oil crisis: The world falls into recession

The second oil crisis in 1979 again plunged the global economy into deep chaos. In the North, inflation accelerated further and balance of payments problems were exacerbated. Policy-makers made the fight against inflation a top priority: monetary policy was tightened further and interest rates jumped sharply, with the discount rate in the United States averaging over 15 per cent in 1980. High real interest rates led to capital inflow and an appreciation of the dollar, while fiscal restraint resulted in strong contraction in global demand. With Ronald Reagan and Margaret Thatcher in control of the two main "Anglo-Saxon" economies, the economic environment was to become ripe in the years to come for those wishing to dismantle the welfare state, make labour markets more "flexible" and diminish trade union power.

In the South, rising real interest rates in countries that needed to borrow and the appreciation of the dollar compounded the emerging debt crisis, while the terms of trade for primary commodity exporters deteriorated further. This led to another international debt crisis and a major threat to international capital markets when Mexico defaulted on its debts in 1982.

Before the Mexico crisis, the international trade union movement had mounted a major campaign to support the recommendations of the Brandt Commission, which had emphasized the interdependence between the economic fortunes of developed and developing countries. The Brandt Report had rightly emphasized that economic support from industrialized countries for the developing world should not be seen as charity or as a cost, but rather as a mutually beneficial investment. Faster growth and higher levels of employment in developing countries would stimulate demand for products imported from the industrialized world. Unfortunately, despite attempts by the union movement to publicize this perspective, it failed to have a fundamental impact on policy in industrialized countries.

The Bretton Woods institutions now took centre stage and held it for the next two decades, effectively determining economic policy throughout Africa and much of Latin America. This process started in the second half of 1982, when the IMF intervened to reschedule Mexico's debt and introduce a major structural adjustment programme. In the months that followed several other countries facing severe debt servicing difficulties received similar support, subject to similar conditions, from the IMF.[11] The conditions attached to financial support from the Bretton Woods institutions had two major components. First, stabilization policies were required and usually included fiscal discipline to cut budget deficits, reductions in public expenditure, currency devaluation, and removal of import controls and export subsidies. Second, this was combined with structural adjustment programmes designed to reorientate the economy towards privately owned export-producing sectors, for the most part the agriculture sector and other primary producers. The policies applied included trade and financial market liberalization, privatization, deregulation of labour and product markets, public sector staff cuts and a strengthening of property rights. Cutting government expenditures often meant reduced spending in areas like education and health, which worsened poverty and income inequality. Public sector staff cuts swelled the ranks of the underemployed and those trying to scratch out a living in the informal sector. For many countries in sub-Saharan Africa and Latin America, this was a period of stabilization and adjustment without growth.

Throughout the remainder of the 1980s and early 1990s, there was a consolidation of what subsequently became known as

the "Washington Consensus". In fact the international debt crisis intensified, poverty became more widespread and underemployment reached extreme levels in most developing countries. The Bretton Woods institutions responded with some partial modifications to their standard stabilization and structural adjustment programmes. For example, the mid-1980s saw the beginning of a second phase of Bretton Woods programmes intended to promote growth with adjustment. The idea behind this was that if growth fell below some predetermined level more resources would be made available to boost the economy. This was soon followed by a third phase of programmes that emphasized growth, adjustment and policies designed to mitigate the adverse social impact of economic reforms. However, the core elements of stabilization and adjustment programmes were maintained and imposed on an ever-increasing number of governments; these programmes involved substantial currency devaluations, dramatic reductions in government expenditure in order to balance fiscal budgets, tight monetary policies and high interest rates, privatization, the introduction of user fees in areas like health and education, and increased labour market flexibility.

The introduction of stabilization and adjustment programmes on such a wide scale was the impetus for a significant expansion in contacts between the international trade union movement and the Bretton Woods institutions. In the view of the trade union movement, the early 1980s were "amongst the hardest for working people all over the world since 1945", and the trade union movement claimed it was responding by increasing the "depth and breadth of its policies on world economic problems and sought to coordinate lobbying of the major intergovernmental meetings".[12] This dire economic situation led to more effective cooperation between a number of international trade union organizations, and the union movement became more visible and vocal in international meetings devoted to economic development and adjustment issues. In response to the structural adjustment programmes of the 1980s and 1990s, the ICFTU, the World Confederation of Labour (WCL) and many national union centres put their political weight behind attempts to make more transparent the process by which economic policy was being determined in developing countries. Economic reform packages for a given country usually emerged from hasty and secret discussions between Washington-based representatives of the Bretton Woods institutions and the most senior political leaders of the country and their financial advisers. The trade union movement called on the World Bank and the IMF to involve national trade union centres in country-level negotiations about economic reforms. The Bretton Woods institutions responded to requests for increased transparency by claiming that decisions about these matters were the responsibility of the national governments concerned and something with which they could not legitimately interfere.

The international trade union movement and national centres were also highly critical of the impact of Bretton Woods policies on freedom of association, collective bargaining, minimum wages and other industrial relations issues. Such criticisms were brushed aside by the senior management of the international financial institutions. In response to union concerns that loan conditionality might impair the ability of governments to implement international legal obligations concerning freedom of association and collective bargaining, the IMF Managing Director sent a written message to one union seminar assuring the international trade union movement that any such concern was "completely unwarranted". In the message, he stated that the Fund was required to respect the domestic, social and political objectives of its members, and that it would be unthinkable for the Fund to require that, as a condition for using its resources, a member country apply any measure that would limit in any way such fundamental rights of individuals.[13] Throughout the 1980s and most of the 1990s, a very large

number of cases before the ILO Committee on Freedom of Association and Committee of Experts on the Application of Conventions and Recommendations concerned breaches of freedom of association resulting from reforms implemented as part of structural adjustment and stabilization programmes. Government defence in many of these cases rested on the fact that they were implementing conditions demanded by the IMF and the World Bank.

The trade union movement regularly reiterated demands about the need for dialogue and concerns about the impact of adjustment policies on industrial relations, unfortunately without much initial success. International unions also organized many regional or subregional conferences in Africa, Latin America and Asia during the second half of the 1980s and early 1990s. Many of the recommendations and resolutions adopted at such conferences were critical of policies and programmes implemented by the Bretton Woods institutions, but, generally speaking, the economic policy alternatives proposed by the trade unions were not comprehensive or country-specific.

With limited financial resources and weak technical economic capacity at both international and national levels, the trade union movement was not able independently to develop detailed alternative economic strategies for all the countries subjected to orthodox stabilization and adjustment policies. The movement therefore had to rely on friendly organizations in the United Nations system to undertake the necessary research to underpin a critical analysis of adjustment policies. Unfortunately, by the mid-1980s, the ILO's WEP was in decline and the ILO ran into political barriers when it tried to launch a high-level meeting on structural adjustment. This meeting and the background research for it were designed to highlight the social and labour implications of adjustment policies. Although the meeting did eventually take place in 1987, without the participation of the United States and other key Northern governments, keen observers have noted that "the United Nations system largely remained on the sidelines" in the debate about adjustment in the 1980s.[14] There was, however, one important exception, and that was the work coming out of the United Nations Children's Fund (UNICEF) on "adjustment with a human face", which was critical of the orthodox approach and sought to put human concerns and people at the centre of development. This approach was subsequently expanded in the human development reports of the United Nations Development Programme (UNDP). The trade union movement, at both international and national levels, used some of the arguments contained in these various reports during the late 1980s and early 1990s to attack stabilization and adjustment programmes, but the movement and its allies failed to attract the necessary political support among the most powerful Northern governments to force any fundamental changes on the Bretton Woods institutions.

The international trade union movement was becoming more vocal and critical of the World Bank and IMF policies and programmes but remained optimistic about its ability to influence the Bretton Woods institutions. An ICFTU report in 1988 claimed that "the IMF has shown some flexibility in the design of its recovery programmes […] Some steps have also been made towards the construction of a framework for closer coordination of the economic policies of the major industrial countries. The ICFTU may fairly claim to have contributed to these shifts".[15] In its 1992 report on contacts with the Bretton Woods institutions, the ICFTU made the following comments:

> Each of these meetings [between ICFTU delegations and senior Bretton Woods staff] resulted in further progress, contributing in practical terms to a growing awareness of the need to take poverty and living standards into account in the design of policies. One concrete result was seen in 1987 when the World Bank, the UNDP and the African Development Bank set up a

> project called the Social Dimensions of Adjustment (SDA). The ICFTU could claim a share of the credit for the existence of this programme, […][16]

The SDA was one programme which was supposed to mitigate the worst social impact of the economic reforms but failed to deliver any fundamental change in the economic fortunes of Africa.

The international trade union movement also appeared relatively optimistic about its impact on the annual meetings of the IMF and the World Bank, which they began attending in an observer capacity in the late 1980s. However, the ICFTU pointed out that because there were no speaking arrangements for non-governmental organizations (NGOs) at these annual meetings, the value of trade union statements depended on affiliates getting their national governments to take up ICFTU proposals in their speeches. It was claimed that this process had worked well on several occasions.[17]

The focus on Central and Eastern Europe in the early and mid-1990s

Relations between the international trade union movement and the Bretton Woods institutions took on a new dimension in the early 1990s, following the political changes in Central and Eastern Europe. The introduction of a market economy, coupled with the dire economic circumstances of a number of countries in the region, meant that the influence of the Bretton Woods institutions increased even further. Many of the reforms they recommended and the conditions attached to loans were similar to the stabilization and adjustment programmes which they had been advocating in developing countries. International trade unions like the ICFTU, WCL and the International Trade Secretariats (ITSs) rallied to support both existing national unions in the region implementing internal political reforms and emerging unions that were trying to defend the interests of their members against the negative social impact of economic adjustment programmes. By 1994 the ICFTU noted:

> The previous decade saw these two institutions [IMF and World Bank] assume a position of unparalleled importance for most developing and formerly communist countries and they now provided the single most important influence on their economic policies.[18]

From the early 1990s onwards, the ICFTU started holding national conferences on the social dimension of adjustment in Eastern European countries (Hungary 1991; Romania 1992; Bulgaria 1993; Poland 1994), which promoted dialogue between national trade union leaders and World Bank and IMF officials. In some cases, follow-up meetings between trade unions and officials from the World Bank and the IMF were arranged in the hope that this would lead to ongoing contacts and a more open and transparent policy development process. Unfortunately, in the early 1990s this objective was not achieved and the process of designing economic reforms in Eastern Europe remained the exclusive domain of the international financial institutions, finance ministers, central bankers and their advisers.

Consequently, trade unions endeavoured to influence Bretton Woods policies in Eastern Europe through various other channels, including more regular contacts between senior trade union leaders from both the WCL and ICFTU and the leadership of the World Bank and the IMF (see box on the WCL and the Bretton Woods institutions in Chapter III). Again, the international trade union movement seemed optimistic about the impact of this approach. In reporting on one such meeting in the mid-1990s, the ICFTU noted that the IMF Managing Director had addressed the conference and this supposedly provided evidence of the increased interest of the IMF and the World Bank in contacts with the trade union movement.

Notes

[1] Pennant-Rea, R.: "Hard pounding this gentleman", in *The Economist*, 24 Sep. 1983.

[2] Emmerij, L. et al.: *Ahead of the curve? UN ideas and global challenge* (Bloomington, Indiana University Press, 2001), p. 44.

[3] ibid., p. 60.

[4] Gold, J.: *Legal and institutional aspects of the international monetary system: Selected essays*, Vol. II (Washington, IMF, 1984), p. 18.

[5] See the article on the international monetary system published in *The Economist*, 29 Nov. 1980.

[6] *Ahead of the curve?*, op. cit., p. 63.

[7] ibid., p. 69.

[8] Pennant-Rea, R.: "Preacher and policeman", in *The Economist*, 26 Sep. 1981.

[9] *IMF Survey Supplement*, Sep. 2000.

[10] *The Economist*, 26 Sep. 1981, loc. cit.

[11] *IMF Survey Supplement*, Sep. 1999, p. 29.

[12] ICFTU: *Report of the 13th World Congress*, June 1983, p. 49.

[13] ibid., p. 57.

[14] *Ahead of the curve?*, op. cit.

[15] ICFTU, *Report of the 13th World Congress*, op. cit., p. 51.

[16] ICFTU, *Report of the 15th World Congress*, March 1992, p. 44.

[17] ibid., p. 45.

[18] ICFTU, *Activities Report*, 1991-94, p. 66.

Chapter III

Growing criticism of the Bretton Woods institutions and the first signs of reform

Perhaps because of the Asian crisis and subsequent contagion and the growing public discontent with their policies, the Bretton Woods institutions announced a range of reforms to their procedures and programmes towards the end of the 1990s.

By the mid-1990s, the truth about the structural adjustment policies of the Bretton Woods institutions was becoming well known. Most independent analyses of their impact were extremely negative and the number of policy-makers, NGOs, academics and other elements of civil society that were highly critical of these institutions was beginning to mount, as shown, for example, by the "50 Years is Enough" campaign launched by the United States Network for Global Economic Justice. Indeed, the annual meetings of the Bretton Woods institutions in recent years have become a "lightning rod" for anti-globalization protesters. At the same time, the Bretton Woods institutions started to come under attack from various "right-wing" supporters and some conservative governments and isolationist groups.

It was against this background that these two international financial institutions started to try to improve their public image and give the impression of greater transparency. The World Bank was initially more successful than the IMF in this regard. These efforts included inviting representatives of the international trade union movement and other international organizations like the ILO to make comments on the drafts of their flagship publications (the *World Development Report* and the *World Economic Outlook*).[1] The Bretton Woods institutions also started to put considerable resources into organizing training seminars to explain their policies and programmes to trade unionists. The union movement responded positively to these invitations and considerable effort went into preparing comments on certain publications. For example, a significant effort was made to influence the contents of the *World Development Report 1995: Workers in an integrating world*. Probably as a result of this work, the Bank acknowledged for the first time that trade union "voice" could have positive economic value. Despite this, the Bank remained sceptical about the economic impact of collective bargaining and critical of bargaining at industry, regional or national level. It was around this time (1994) that the ICFTU and several ITSs decided to open a small two-person Washington office to act as a contact point with the Bretton Woods institutions. In recent times this office has been able to provide the international trade union movement with extremely valuable and up-to-date information and analysis on the IMF and the World Bank. The office has also facilitated new and deeper dialogue between the Bretton Woods institutions and a wide range of trade union organizations, and has made follow-up of discussions much more systematic.

The approach of the international trade union movement to the Bretton Woods institutions was further diversified by sector-level initiatives of a number of ITSs.[2] (See boxes describing the activities of Education International, the Public Services International, the International Transport

Workers' Federation and the International Federation of Building and Wood Workers.)

In the latter part of the 1990s, dialogue between the international trade union movement and the Bretton Woods institutions was dominated by the Asian economic crisis and consequent attempts to reform and strengthen the international financial architecture. The Asian economic crisis, which spread rapidly into Latin America and Eastern Europe, revealed the enormous discrepancy that exists between an increasingly sophisticated and dynamic international and financial world and the lack of a proper institutional framework to regulate it. The crisis also gave brutal emphasis to the spiralling disparity between rich and poor, highlighting the fact that, despite unparalleled economic growth, increasing numbers of people remain trapped in abject poverty.

The Asian crisis led to a further intensification of contacts between the international trade union movement and the leadership of the World Bank and the IMF. Throughout 1998 and 1999, trade unions organized a myriad of meetings in the Asian region and produced many publications concerning the economic crisis, making policy proposals to restore economic stability and growth. Representatives of the Bank and the Fund were involved in many of these activities. The former Managing Director of the IMF, Michel Camdessus, has subsequently often referred to the positive collaboration between the Fund and the international trade union movement during the Indonesian economic and political crisis. While it is difficult to assess the impact of these contacts on the economic policies adopted by the Bretton Woods institutions and Asian

The WCL and the Bretton Woods institutions

The World Confederation of Labour (WCL) has actively lobbied the World Bank and the IMF, arguing for similar policy proposals as the ICFTU. Discussions between the WCL and the Belgian representatives at the Bretton Woods institutions began informally in the 1970s. Discussions in the 1970s and 1980s centred mainly on the role and power of multinational enterprises. The nature of this relationship has evolved since the late 1980s, as the WCL has tried to establish a more structured relationship with the IMF and the World Bank. The aim was twofold:

- to increase the awareness of affiliated trade unions about the impact that IMF and World Bank policies were having on the economic and social policies in their countries; and
- to make the leadership and staff of the IMF and the World Bank understand that structural adjustment programmes and other policies should not be drawn up without paying due attention to their consequences for poverty and workers' rights.

During the 1990s, contacts between the WCL and the Bretton Woods institutions became more frequent and more qualitative.

- In 1989-90, an economist from the Belgian trade union ACV-CSC worked for several months in the office of the Belgian "country" Director of the IMF in order to obtain more precise knowledge of the operations of these institutions.
- This was followed by the organization of regional seminars; IMF and World Bank staff were invited to participate in detailed discussions with trade union representatives.
- WCL delegations have visited the IMF and World Bank headquarters in Washington for discussions with both technical staff and the leadership of these organizations. In recent years, this has become an annual event. In March 2001, the WCL and representatives of the Bretton Woods institutions met in Washington; emphasis was placed on the need to set up more structured links between the Bank and the Fund and trade unions. Both the IMF and the World Bank responded positively to this proposal but so far have not taken concrete steps to establish a structured link.
- In 1998, the WCL opened an office in Washington with one part-time staff member responsible for the follow-up work with the IMF and the World Bank.
- The WCL is now considering establishing a working party on the Bretton Woods institutions so that their policies can be monitored more closely and contacts between the regional organizations of the WCL and the Bretton Woods institutions strengthened.

Education International

Education International (EI) was formed in January 1993 by the merger of the International Federation of Free Teachers Unions (IFFTU) and the World Confederation of Organizations of the Teaching Profession (WCOTP). Since its formation it has worked to counter the negative impact of structural adjustment and "education reform" on education systems, and employment conditions in the education sector. EI has successfully urged and assisted its affiliates to lobby at the national level to press the World Bank to honour commitments to triple lending for education, which it made at the 1990 "Education for All" Conference organized by the United Nations Educational, Scientific and Cultural Organization (UNESCO), UNICEF, UNDP and the World Bank.

governments, many observers have acknowledged that collaboration with the Bretton Woods institutions and the Asian Development Bank in the context of the Asian crisis probably helped to promote a higher degree of social dialogue in some countries of the region. Questions remain, however, regarding the durability of this dialogue.

Poverty reduction and debt relief become top priorities

Perhaps because of the Asian crisis and subsequent contagion and the growing public discontent with their policies, the Bretton Woods institutions announced a range of reforms to their procedures and programmes towards the end of the 1990s. At their annual meeting in September 1999, the two institutions agreed to place poverty alleviation at the centre of their programmes in the poorest member countries by making a series of changes to the system and structure under which concessional lending and debt relief are afforded to developing and transitional countries.

The IMF replaced the much criticized Enhanced Structural Adjustment Facility (ESAF) with a new Poverty Reduction and Growth Facility (PRGF), with poverty reduction as the primary goal. An enhanced Heavily Indebted Poor Countries (HIPC) initiative for debt relief was announced following a major internal review by the Bank and the Fund. It was also decided that all concessional lending and debt relief should be underpinned by a poverty reduction strategy, summarized in a poverty reduction strategy paper (PRSP) to be endorsed by the Executive Boards of

Public Services International and the International Transport Workers' Federation

Public Services International (PSI) and the International Transport Workers' Federation (ITF) have sought to engage the IMF and the World Bank in dialogue on a range of issues including quality in public services, privatization and contracting-out issues, structural adjustment and general cutbacks in public services.

A formal partnership has been established between the World Bank, PSI and ITF with the ICFTU and the Organisation for Economic Co-operation and Development's (OECD) Trade Union Advisory Committee (TUAC), known as the Public Enterprise Reform and Labour Network (PERL-NET). The Network was established to develop constructive dialogue between the Bank and labour organizations on issues surrounding public sector reform and its consequences. Neither the PSI nor the ITF have yet reported any significant policy advances achieved through PERL-NET, but it is seen as an important step in strengthening dialogue and a recognition in itself of the increasing strength of labour's voice in the World Bank.

In contrast to EI, PSI has reported that requests to affiliates to lobby Executive Directors of the Bank and thus address the Bank at the political level, have met with almost total failure. PSI has attributed this to a lack of confidence amongst affiliates to tackle their own government or senior Bank officials on such seemingly technical issues. PSI has responded to this challenge and sought to meet the needs of its affiliates with a range of information and campaign materials, including a new, Internet-based publication called *Stop the world*. This explains globalization and its consequences for PSI members, analyses the organizations and institutions which govern and impact on the global economy, and explains why and how PSI and its affiliates can seek to influence global economic policy.

The International Federation of Building and Wood Workers

The International Federation of Building and Wood Workers (IFBWW) has campaigned since 1996 for the inclusion of core labour standards in the procurement guidelines, standard bidding documents (SBDs) and loan agreements of the World Bank. The IFBWW has worked with its affiliates to engage the Bank at headquarters and at operational level in borrowing countries.

In October 2000 the Bank announced that it would consider upgrading the optional subclauses on labour contained in the SBDs to the status of "mandatory". The Bank staff acknowledged that the texts were unlikely to include clauses incorporating the core labour standards – such as freedom of association and the right to bargain collectively. However, Bank officials did indicate that they were considering the inclusion of some wording to give effect to ILO Convention No. 182, in order to ensure that the worst forms of child labour are not employed on projects funded by the Bank. The revised SBDs were due to be published in May 2001; at the time of writing, these changes have not been implemented but dialogue is continuing between the Bank and the trade union movement on the issue.

the Bank and the Fund before lending or debt relief were effected.[3] PRSPs will also provide context to the Bank's Country Assistance Strategies (CAS) (see box for details of the PRGF, CAS and the Comprehensive Development Framework (CDF).

The fact that developing and transition countries have strategies for poverty reduction is not new, but the Bretton Woods institutions have acknowledged that past strategies "vary significantly in scope, depth, and participatory thrust. They do not always make clear the causal links between public action and poverty reduction, and may not reflect a participatory approach [...] The goal is to help catalyse more poverty reduction".[4]

PRSPs are intended to facilitate this goal by defining how financial assistance will be focused on bettering the situation of the poorest members of society. The PRSP process has been designed to include more systematic consultation with civil society to ensure that poverty reduction targets are appropriately identified and attained. They must be prepared by country authorities, in accordance with the principles embedded in the CDF, for submission to the Bank and the Fund.[5] The need for broader consultation at national level was given added emphasis in the World Bank's *World Development Report 2000/2001*. The report asserts that sustained achievement of poverty reduction requires empowerment of the poor, strengthening of civil society organizations – including trade unions – and the building of alliances between the poor and the non-poor. Despite the apparent commitment of the World Bank and the IMF to increasing consultation with civil society, there is evidence that more is needed. Five full PRSPs have now been endorsed by the Executive Boards of the IMF and the World Bank;[6] trade unions in Burkina Faso, the United Republic of Tanzania and Uganda report that there was little or no consultation with trade unions in the PRSP process.[7] In the case of Bolivia, the Bretton Woods assessment claims that the Government made a bona fide effort to develop a participatory approach to the formulation of the strategy, but also notes that NGOs and civil society groups have raised questions as to whether some consultations were unduly influenced by local decision-makers, whether vulnerable groups were well represented, specifically women and indigenous people, and whether the methodology used promoted real participation, in that it was highly structured and the agenda of the discussions was not sufficiently flexible. The international trade union movement has responded favourably to the stronger emphasis on civil society consultation incorporated in the PRSP process, and has sought to support it. The ICFTU has produced a *Trade Union Guide to PRSPs* for its affiliates, aimed at encouraging and assisting trade union involvement in the process. In July 2001, an ICFTU delegation meeting with representatives of the Bretton Woods institutions expressed disappointment at the lack of substantial progress in securing effective trade union participation in the PRSP process. The trade union movement

PRGF, CAS and CDF

The Poverty Reduction and Growth Facility (PRGF) is a lending facility for low-income countries, with poverty reduction as its primary goal; the specific measures supported by the PRGF loan arrangement have to be derived from the PRSP. The IMF claims that the PRGF's emphasis on country leadership and enhanced collaboration with the World Bank mean that IMF conditionality is less extensive and more focused on the Fund's core areas of responsibility than before.[1]

In theory at least, this should create a more coherent and country-led approach to poverty reduction, with a clear role for civil society participation.

The Country Assistance Strategy (CAS) is the main basis for Board review of the World Bank Group's assistance strategy for borrowers from the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). The CAS document describes the Group's strategy based on an assessment of priorities in the country; it indicates the level and composition of assistance to be provided based on the strategy and the country's portfolio performance. Key elements of the CAS are discussed with the government prior to Board considerations, but it is not a negotiated document. Any difference between the country's own agenda and that of the Bank are highlighted in the CAS document.

The Comprehensive Development Framework (CDF) is essentially a process or way of doing business which is intended to achieve greater development effectiveness. The CDF is rooted in the same macroeconomic approach that has always characterized the IMF and the World Bank, but it recognizes the need to give equal consideration to social, structural and institutional policies. The CDF takes a holistic approach to development policy, acknowledging the need for such policies to be developed through consultation with civil society and with external donors.[2]

Accordingly, the strategies should be:

- *country driven*, involving broadly based participation by civil society and the private sector in all operational steps;
- *results-oriented*, and focused on outcomes that will benefit the poor;
- comprehensive, in recognizing the multidimensional nature of poverty; but also *prioritized*, so that implementation is feasible in both fiscal and institutional terms;
- *partnership-oriented*, involving coordinated participation of development partners (bilateral, multilateral and non-governmental); and
- based on a *long-term perspective* for poverty reduction.

[1] See IMF factsheet on *Poverty Reduction and Growth Facility (PRGF)*, Mar. 2001.

[2] CDF principles were first outlined in World Bank President James Wolfensohn's address on "The challenge of inclusion" given in Hong Kong in autumn 1997 and further elaborated in his address on "The other crisis" given to the annual meetings in 1998.

has proposed that civil society consultation should be a condition of PRSP approval and has requested the IMF and the World Bank not to endorse any future PRSPs developed without consultation with trade unions. No commitments have been given by the World Bank or the IMF in this regard. PRSPs should contain clearer and more detailed information concerning the level of consultation and the parties to it. This would be made easier if the World Bank took a more uniform approach to civil society consultation in all aspects of development assistance. While in theory the Bank strongly supports consultation in the CAS process (for example), in practice this is only pursued with the prior general agreement of the government;[8] the need for government agreement should be removed. Gender is not yet being addressed in a strong and consistent manner in the PRSP process. The World Development Movement examined the gender content of interim PRSPs (I-PRSPs) and PRSPs and concluded that, whilst gender is at least mentioned in almost all cases, there are very few direct proposals to counter the poverty consequences of gender inequality. Balanced, broadly based civil society consultation could result in PRSPs designed to help women overcome many of the additional hurdles they face in escaping poverty. Gender discrimination prevents women from obtain-

ing access to land, credit and ownership of assets. In employment, reducing inequalities can increase women's access to and opportunities within employment, and lead to an increase in women's income and national income. Investments in education for girls and women can have major benefits in terms of bringing down child mortality, reducing overpopulation, boosting production and increasing women's voice in local and national affairs.

The PRSP process is proving to be slow. As of June 2001, only five countries had completed PRSPs and another 36 had interim PRSPs.[9] More than 80 countries are eligible for concessional lending and HIPC debt relief. This means that more than 75 countries have still to complete PRSPs; there is therefore much to be done. The Bretton Woods institutions have defended the lengthy time frames involved in PRSP formulation by citing the need for a qualitative approach. Hastily developed strategies are likely to be poorly devised, lack consultation and be inherently prone to failure. These are legitimate concerns, shared by the trade union movement. However, whilst quality must be achieved, this must not be used as a "catch-all" excuse to avoid acknowledging and addressing the many logistical and institutional problems facing governments in the PRSP process. The commitment of greater technical and financial resources to the process is necessary to speed things up. Whilst poverty reduction strategies should help to improve the focus of future financial assistance, the benefits will be diminished if countries must continue to struggle with the hangover of existing debt. Trade unions are particularly concerned that continued emphasis by the Bank and the Fund on reduced social expenditure in order to receive debt relief and other assistance will work at cross purposes with the stated objective of the PRSP process. It is not clear to what extent a poverty reduction strategy can be truly country-led and -owned if it must always be developed within the parameters of a proven track record of following programmes supported by the IMF and the

The cost of debt

Uganda's total debt in 1998 was US$3.6 billion; debt service has consistently consumed more than spending on health and education. Uganda has one of the lowest life expectancies in the world – 40.2 years in 1994.

Burkina Faso is one of the poorest countries in the world; its total debt is two and a half times the country's total annual exports, and more than half of annual gross national product (GNP). Total debt in present value terms has risen by 20 per cent in two years.

Mozambique is another of the world's poorest countries and is unable to make two-thirds of scheduled debt service repayment. After three attempts to cut debt, Mozambique will continue to pay nearly US$1 million per week and spend almost as much on debt service as on the health service.

In 1996, *Nicaragua* paid US$221 million in debt service; this was over 50 per cent of government revenue. The average debt to exports ratio for 1994-96 was 763 per cent.

...these countries are eligible for HIPC debt relief.

Bangladesh paid debt service of almost US$700 million in 1998, about the same amount as the country spent on health. For every dollar received in aid grants the country spends US$1.04 dollars on debt service.

Nigeria's debt is estimated at over US$30 billion, 14 per cent of Africa's total debt. Since 1980, debt and education spending have been broadly reversed, with debt rising from 1.9 per cent to 8 per cent of GNP, and education spending falling from 6.4 per cent to 1.3 per cent. In 1996, Nigeria paid out US$104.45 in debt service for every dollar received in aid grant. Even so Nigeria is only paying a little over half of its scheduled debt.

Haiti has a debt-to-export ratio of 300 per cent. Its debt was US$302 million in 1980 and that has more than tripled since then. In 1997 it was US$1.1 billion, almost 40 per cent of GNP; 1996 figures for debt service repayment show that more resources were spent on repaying debt than were spent by the Government on health.

...these countries are not eligible for HIPC relief. Why not?

Source: Jubilee 2000UK web site http://www.jubilee2000uk.org

World Bank. The need for efficient and effective debt relief is clear.

The crippling burden of debt undermines financial assistance not just in the form of loans from the Bank and the Fund but also other development aid. All too often, these funds are used to service existing debt rather than for the intended purpose of poverty reduction and development. To make matters worse, the amount of money available in the form of development aid declined steadily during the 1990s. The reduction in debt service will not be enough to compensate for the fall in aid grants, which in 1997 were only 59 per cent of those in the peak year of 1991.

In 1999, the IMF undertook a major internal review of the Heavily Indebted Poor Countries (HIPC) initiative. The review resulted in an enhanced HIPC initiative which the World Bank and the IMF declared to be "deeper, broader and faster". The Bank and the Fund have stated that the principal objective of the debt initiative for heavily indebted poor countries is to bring the country's debt burden down to sustainable levels,[10] subject to satisfactory policy performance, so as to ensure that adjustment and reform efforts are not put at risk by continued high debt and debt service burdens.[11] The poor countries for which debt burdens are said to constitute a risk to development are those which are eligible for concessional loans from either the IDA or the IMF's PRGF. This would amount to some 80 countries, but the number qualifying for the HIPC initiative is reduced by another qualifying criteria that the country must face an "unsustainable debt situation" even after full application of previously agreed debt relief mechanisms (such as the application of "Naples terms" under the Paris Club agreements). A total of 41 countries were identified by the IMF as eligible for partial debt cancellation by the end of 2000.[12] This does not compare favourably with the Jubilee 2000 proposal (endorsed by the ICFTU), which covered 52 very poor and heavily indebted countries, including some that are excluded from the HIPC initiative (Bangladesh, Gabon, Haiti, Nepal and Nigeria). Some of these exclusions are particularly difficult to understand. The ICFTU has already questioned the exclusion of Nigeria,[13] the most indebted country in Africa, and Haiti, the poorest country in the Americas; both these countries are classified by the World Bank as severely indebted low-income countries. Not only is the number of countries limited, but the progress of granting debt relief under the HIPC initiative has been slow.[14] By September 2000, only ten countries had reached the so-called HIPC "decision point", that is, the point at which the Executive Boards of both the World Bank and the IMF determine that a country's debt cannot be brought to sustainable levels by other means and that at least partial cancellation is required. In the autumn of 2000, the Bank and the Fund announced an accelerated poverty reduction and HIPC process, based on increased technical assistance to the countries concerned and a more flexible approach to the criteria for receiving debt relief. Consequently, by July 2001 a total of 23 countries had requests for debt reduction approved and three more are pending. The IMF claims that the packages will lift US$34 billon – half of what they owe – from the shoulders of these countries.[15] However, when the 41 HIPC countries are viewed as a group, external debt as a proportion of GDP will decline from 99.5 per cent in 2000 to 94.5 per cent in 2001, which is an extremely modest decrease. By June 2001, despite efforts to improve the performance of the HIPC initiative, only Uganda and Bolivia had reached the so-called "completion point" in the process and are now receiving debt relief. Significantly, only Chad has reached the "decision point" since December 2000, indicating a slowing down in what is already a less than speedy process.[16]

The World Bank and the IMF have taken limited action to accelerate the process and have announced that special measures will be taken to assist the 11 post-conflict countries which make up the majority of the 19 remaining countries to meet eligibility criteria.[17] The international trade union movement considers that much more needs to be done to increase the num-

ber of countries eligible for HIPC assistance and to increase the level of debt write-off provided to the countries concerned. Trade unions have proposed that respect for human rights, including fundamental workers' rights, should be a precondition for HIPC debt relief. The World Bank and the IMF have not given any indication of their willingness to review the list of HIPC countries. For the fortunate few, the debt reductions should grant at least temporary relief, but there is concern that even the reduced levels of debt may not be at sustainable levels. The international financial institutions determine sustainable levels on the basis of growth projections. In simple terms, the World Bank and the IMF assume that the country's economy will grow at a certain rate and that exports will provide a given return; this figure is used in the calculation of debt-to-export ratios, which must not exceed 250 per cent. If the country's economy does not perform as well as expected, there is a risk that the debt will become unsustainable; in other words the country will not have enough money to run itself and service the debt.

In the context of the recent general slow-down in the global economy, this becomes a real concern. The biannual *World Economic Outlook* released on 26 April 2001 contained IMF predictions that the global economy will grow by only 3.2 per cent in 2001, compared with 4.8 per cent in 2000. If the global economy is slowing down, it is extremely unlikely that developing and transition economies will meet their predicted growth levels, and therefore even rescheduled debt is likely to remain unsustainable.

Modifications to conditionality and privatization programmes

Financial assistance from the Bretton Woods institutions has gone hand in hand with some form of conditionality since the 1950s and, as already indicated, the scope of conditionality increased dramatically in the 1980s and 1990s. More recently, however, the IMF's Managing Director, Horst Köhler, has expressed his intention to streamline conditionality and give greater scope for national ownership of IMF-funded programmes (see box).

Streamlining loan conditionality at the IMF

The IMF has indicated a desire to streamline loan conditions and has identified three major aspects to this:

1. Reassessing the scope of conditionality – i.e. *what* policies are to be covered by the Fund's conditionality – particularly in structural areas.
2. Choosing the appropriate degree of detail of conditionality – i.e. *how* these policies are to be monitored.
3. Clarifying the boundaries between what is covered by conditionality and what is not, as well as between the Fund's conditionality and that of other institutions.

Despite this, there is little indication that the Fund will be any less stringent in requiring specific structural adjustment measures such as reductions in public expenditure, privatization and trade liberalization. This was confirmed by the Fund's First Deputy Managing Director, Stanley Fischer, at an IMF press conference in May 2001, when he said that, while more streamlined conditions were designed to strengthen conditionality and make it more effective, there was no intention of replacing macroeconomic conditionality by governance conditionality.

Indeed, during discussions between an ICFTU delegation and representatives of the Bretton Woods institutions in July 2001, it was confirmed that there has not been much substantive change in the macroeconomic aspects of the conditionality attached to Bretton Woods assistance.

Nonetheless there are some signs of improvement. For example, the World Bank and the IMF have acknowledged that in many countries, rapid privatization has had disastrous consequences. Recently they have also conceded that the pace of financial sector liberalization was sometimes excessive in previous stabilization and adjustment programmes. Several

World Bank studies have revealed that in many cases, government privatization policies adopted at the behest of the World Bank and IMF have led to massive retrenchments, a decline in services accompanied by rising prices and a failure to improve overall economic efficiency.

The failure of privatization has been most pronounced in countries which lack an appropriate legal and institutional environment, properly functioning financial institutions and an adequate regulatory framework; this could certainly be said of most developing countries and many transitional ones. This fact is reflected in a number of recent country reports prepared by the Bank and the Fund.[18] These admissions have been welcomed by trade unions, but they must be reflected in changes in contemporary policies. In practice, it appears that privatization remains a frequent contingent of Bank and Fund support for the development of key services. Laudable policy "changes" at headquarters level thus appear not to have been translated into change at country level, and there is little evidence of a new, less market-driven approach in country-level interventions of the Bank and the Fund.

Similarly, although past mistakes have been acknowledged, there appears to be little substantive change in the trade liberalization and investment policies being expounded by the international financial institutions. Despite claiming to be more flexible in relation to requiring developing countries to remove trade barriers, they seem to retain a strong commitment to export-oriented development strategies. For example:

The January 2001 IMF Article IV consultation report for Haiti praises the Government's open trade policy, one of the least restrictive in the region, despite the hardships that unrestricted agricultural imports have created for small farmers.

Also in January 2001, the Article IV report for Mozambique was critical of the Government's attempts to protect domestic food production and processing, citing them as "troubling evidence of an inward-oriented industrial policy". These comments were made in the context of a country struggling to recover from the devastating effects of prolonged civil war.

The Bretton Woods institutions and privatization

The December 2000 CAS for Uganda criticizes the fact that many privatization schemes remain incomplete and warns that Bank financing for a new hydroelectric project is "tied to milestones in the sector reforms, including progress towards the privatization of the Uganda Electricity Board".

An October 2000 IMF Article IV report criticizes the Mali Government for "insufficient progress" in privatizing key sectors such as cotton, energy, telecommunications and transport. It urges the authorities to show "renewed resolve" in pushing ahead with privatization.

The same policies are expounded to industrialized countries:

In November 2000, the IMF urged the Spanish Government in an Article IV report to adopt "further measures to enhance competition in key areas such as electricity".

With regard to privatization and trade liberalization, trade unions believe that:

- Fund and Bank resources should be available to develop and modernize publicly owned enterprises where appropriate.
- Countries' desires to achieve food security and promote job creation should be respected.
- There is a need for infrastructure development and diversification of export industries to make an export-led development strategy feasible.
- Privatization and liberalization schemes should be accompanied by institutional and regulatory support, which has been lacking in the past.

The "push to privatize" is particularly strong in areas of social protection. In January 2001, the World Bank launched a new social protection sector strategy "From Safety Net to Springboard". The strategy makes it clear that the Bank will continue to promote the scaling back of state-run

old-age pension schemes in favour of private defined-contribution schemes. This policy is based on the contentious presumption that private market-based schemes are more efficient vehicles for delivering social protection.

The Bank's strategy recommends against publicly owned and administered programmes such as comprehensive old-age pensions, unemployment insurance and vocational training. The Bank's policy is to encourage governments to scale back public schemes in favour of multi-pillar systems in which a substantial share of pensions are voluntary and privately managed.

Social security reforms were a major topic of the July 2001 consultations between the Bretton Woods institutions and the ICFTU, with the latter pointing out that:

- In several republics of the former Soviet Union, pension reforms funded by the World Bank have entirely eliminated the public pillar.
- In November 2000, the Bank and the Fund endorsed the Argentinian Government's proposal to dismantle the public pension scheme. This plan was only abandoned by the Government in the face of massive popular opposition.

Trade unions believe that social safety nets are an imperative, and should include old-age pensions, unemployment benefits and child support, as well as maternity, sickness and injury benefits. In their view, the World Bank and the IMF should give positive encouragement and support to governments in this regard. Trade unions are not alone in this view. The United Nations General Assembly Special Session (UNGASS) in Geneva in 2000 concluded that international financial institutions should participate in an ILO-led process to encourage and support governments in developing a comprehensive system of social safety nets, including retirement pensions, unemployment benefits, child support, and maternity, sickness and injury benefits. The International Labour Conference in 2001 adopted a series of conclusions on "Social security – Issues, challenges and prospects" recognizing that "[social security] is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. [...] The State has a priority role in the facilitation, promotion and extension of coverage of social security."[19] The response of the Bretton Woods institutions to these recommendations and trade union concerns has not been encouraging.

Notes

[1] For example, Public Services International played a particularly strong role in drafting the World Bank's *World Development Report 1997: The State in a changing world*, and were subsequently asked to participate in an electronic consultation on the preparation of the *World Development Report 2000/2001: Attacking poverty*.

[2] These initiatives are described in greater detail in the ICFTU's "Millennium mapping" document.

[3] This means that approximately 80 countries will be required to formulate PRSPs. In March 2001, 77 countries qualified for PRGF lending. In July 2001, 79 countries qualified for IDA lending.

[4] World Bank Group: *Poverty Reduction Strategy Paper*, Internal Guidance Note, 21 Jan. 2000, p. 1.

[5] IMF: *Communiqués of the Development Committee*, 27 Sep. 1999.

[6] Bolivia (Mar. 2001), Burkina Faso (May 2000), Mauritania (Dec. 2000), United Republic of Tanzania (Oct. 2000) and Uganda (Mar. 2000).

[7] *Combatting growing world inequality and renewed threats of international financial instability*, statement by the ICFTU, TUAC and ITS to the spring 2001 meetings of the IMF and the World Bank (Washington, 29-30 April, 2001).

[8] "Country Assistance Strategies (CASs): Ten features of a good CAS", at the World Bank web site: http://www.worldbank.org/html/pic/cas/tenfeat.htm

[9] I-PRSPs summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy and lay out the process for producing a fully developed PRSP in a participatory fashion.

[10] The IMF considers a debt-to-exports ratio above 250 per cent to be unsustainable.

[11] See World Bank web site: http://www.worldbank.org/hipc

[12] The countries in question were: Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras,

Kenya, Lao People's Democratic Republic, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, United Republic of Tanzania, Togo, Uganda, Viet Nam, Yemen and Zambia.

[13] Nigeria was originally classed as an HIPC country but was removed from the list in 1998.

[14] See *Combatting growing world inequality and renewed threats of international financial instability*, op. cit.

[15] See IMF factsheet *Debt relief for poor countries (HIPC). What has been achieved?*, Apr. 2001.

[16] Information obtained from the World Bank web site: http://www.worldbank.org

[17] This intention was announced at the Ministerial Level Meetings of the IMF's International Monetary and Financial Committee and the World Bank's Development Committee, held in Washington (29-30 April 2001).

[18] See, for example, the World Bank Country Assistance Strategy (CAS) released for Slovakia in January 2001 and the November 2000 CAS for Jamaica.

[19] ILO: *Provisional Record* No. 16, International Labour Conference, 89th Session, Geneva, 2001.

Chapter IV

Labour issues at the IMF and the World Bank

Historically, the Bretton Woods institutions have been extremely reluctant to promote core labour standards and have hidden behind a narrow interpretation of their constitutions.

One of the major issues to dominate dialogue between the Bretton Woods institutions and the international trade union movement during the latter part of the 1990s was that of workers' rights. A first major step was taken in 1995 when the international trade union movement successfully lobbied the World Bank over the content of the *World Development Report* which that year was devoted to labour issues. The trade unions convinced the Bank to adopt a relatively positive perspective about the impact of trade unions and to support the concept of collective bargaining, at least at a decentralized level. Following the adoption of the ILO *Declaration on Fundamental Principles and Rights at Work* in 1998, considerable effort has gone into getting the Bretton Woods institutions to promote the Declaration and all the core labour standards. Historically, the Bretton Woods institutions have been extremely reluctant to promote these standards and have hidden behind a narrow interpretation of their constitutions or Articles of Agreement which, they claim, prohibit them from interfering in national political affairs and require them to promote only policies that have a beneficial economic impact. In the past they have argued that, because of these rules, they have a particular difficulty in promoting the core Conventions concerning freedom of association and collective bargaining.[1] It was therefore significant that the 1998 G8 meeting of Finance and Labour Ministers in London, where trade unions were present, called on the Bank and the Fund to support the ILO's work. Fully integrating the Bretton Woods institutions in the promotion of the ILO Declaration was a key objective of two major high-level ICFTU missions to Washington (in January 1999 and October 2000). These two missions took consultations with the Bretton Woods institutions to new levels by focusing lobby efforts on their Executive Directors (the government representatives on their Boards), rather than just dealing with their leadership and staff.

The October 2000 ICFTU mission to the Bretton Woods institutions yielded promises of closer collaboration on various issues and some interesting discussions about establishing a "TUAC" trade union consultative-type structure within the institutions. This is unlikely to happen in the near future, but James Wolfensohn, President of the World Bank, did propose some staff exchanges and training programmes between global unions and the Bank. However, the discussions on core labour standards with the World Bank were particularly difficult. According to the joint ICFTU-IMF-World Bank report on the October 2000 meeting, Mr. Wolfensohn noted the Bank's constraints on core labour standards, including the difficulty in imposing them on unwilling countries and internal dissent on the Bank's Board of Directors, but welcomed increased consultation with the ICFTU and agreed to develop a workable mechanism for it. Paradoxically, the discussions with the IMF

seemed more productive. The abovementioned report also states that, on core labour standards, staff indicated that the Fund management and staff fully supported the objective of improving social conditions of labour, including the observance of labour standards, and called for enhanced ILO surveillance of the implementation of such standards.

The mission of the Executive Committee of the WCL in March 2001 discussed the same questions with the World Bank and the IMF, with similar results. Mr. Wolfensohn said that the Bank agreed with core labour standards, except those related to freedom of association. However, he expressed his willingness to discuss this issue with the Bank's Board. The WCL followed up with a letter in May 2001 to remind Mr. Wolfensohn of the commitments made on this issue. No response had been received at the time of writing.

On the WCL proposal to include core labour standards in Article IV discussions and in PRSP/PGRF documents, Horst Kohler, the Managing Director of the IMF, indicated that the Fund was trying to develop a "trust-building" relationship with countries and was therefore attempting to limit the scope of loan conditions. Mr. Kohler reassured the delegation that, after the Asian crisis, the social dimension was in the minds of chiefs of missions, staff and country directors. However, the WCL delegation found that IMF staff were reluctant to read core labour standards into the Fund's statutes without a clear political signal from the IMF's Board.

Trade unions still observe important contradictions in the Fund's stated policy. In the first half of 2001, the IMF released its Article IV report on South Africa in which it severely criticized the lack of flexibility in the labour market and strongly recommended greater decentralization of the country's collective bargaining system. According to an IMF summary of its own report, the Fund recommended that labour legislation be reviewed regularly to eliminate labour market distortions, and that the collective bargaining system be decentralized to provide small and medium-sized enterprises with greater autonomy in setting wages.

This report was issued without consultation with the ILO and despite the fact that the IMF's Managing Director has committed his institution to promoting all the core Conventions. More specifically, in dialogue between senior officials of the ILO and Bretton Woods institutions in the last year, it was reported to the ILO Governing Body that an agreement had been reached whereby the Bretton Woods institutions would accept the principles of collective bargaining underpinning Convention No. 98. Article 4 of Convention No. 98 allows the parties to determine at what level collective bargaining should take place; the IMF report might be seen as advising the Government of South Africa to infringe that principle.

On a more positive note, there was a change in tune from the World Bank in the months following the October 2000 trade union mission to Washington. This can be attributed to follow-up work by the ICFTU, but may also be related to correspondence that Public Services International (PSI) initiated in early 2001 with Dr. Robert Holzmann, Director of the Social Protection Unit at the World Bank. This correspondence included the issue of World Bank support for the ILO core labour standards. Dr. Holzmann informed PSI that:

> The Bank fully and unambiguously supports the promotion of all four core labour standards (elimination of child labour, a ban on forced labour, equal opportunity/anti-discrimination, and the right of freedom of association and collective bargaining). To this end the Bank has: (i) developed a training course for Bank staff on trade union relationships; (ii) developed a tool kit on CLS for Bank staff preparing CASs; (iii) explored with the ILO and the International Confederation of Free Trade Unions (ICFTU) the involvement of unions in the PRSP process; (iv) encouraged country directors and mission leaders to establish working relations with trade unions in client countries; and (v) established an an-

nual consultation process with the ICFTU. This promotion is in line with the 1998 ILO Declaration.

There is also some encouragement in the fact that the Bank's social sector strategy policy document acknowledges that "labour is often poor people's main or only asset" and that "respect for basic labour rights [is among] the first and best ingredients for dealing with risk and enhancing welfare". Accordingly, the Bank now requires an appraisal of the application of core labour standards in the CAS of countries eligible for concessional lending, i.e., the Bank's poorest client countries. To aid its staff in this, the Bank has prepared a "tool kit"[2] explaining the core labour standards and how they should be incorporated in the Bank's activities. The Bank has stated that it will now systematically consult with trade unions in the preparation of CASs for these countries. Although these are significant improvements, trade unions question the rationale of limiting reviews of core labour standards to only those countries eligible for concessional lending; the process should be extended to all countries preparing a CAS. In addition, the CAS is not the only possible vehicle for the integration of core labour standards in the IMF and the World Bank. Core labour standards should become a part of all Bank and Fund operations, as mandatory elements of the Bank's SBDs and other contractual documentation.

Trade unions urge the Bank and the Fund to ensure that lending programmes are at least consistent with the promotion of core labour standards. Consideration should be given, for example, to preventing labour market reforms from leading to a de facto negation of workers' rights. Changes in labour codes should not restrict access to unionization and collective bargaining; the recommendations of the Bank and the Fund are not always consistent with this principle. For example, a new World Bank report on Mexico, entitled *A Comprehensive Development Agenda for the New Era*, was formally presented in Mexico on 21 May 2001. The report includes specific recommendations on labour policy for the Government of President Vincente Fox, most notably proposals for increasing the "flexibility" of Mexican labour. In concrete terms, the report recommends that current regulations mandating severance pay, collective bargaining, exclusion contracts, obligatory benefits, restrictions on contracts for temporary employment and apprenticeships, seniority-based promotion schemes, company-sponsored training programmes and company payments to social security and housing plans should all be reviewed.

Financial market reforms and the Bretton Woods institutions

The trade union movement has also pressed for better regulation of international financial markets. Global efforts for reform have been centred on five key areas: enhancing transparency of market and lending information; improving international standards; strengthening financial sectors; heightening private sector involvement in crisis prevention and resolution; and modifying IMF financial facilities. The aim is to predict and prevent a crisis from developing, rather than merely reacting as a crisis unfolds.

The international trade union movement has made a number of proposals to enhance transparency and consultation within the framework of the Bank and the Fund. In December 2000, the ICFTU, together with a number of environmental and developmental NGOs, made an appeal for greater transparency at the Bank and for the release of a much broader range of documentation, such as all CASs and Article IV reports, regardless of the government's position. The IMF, as a participant in the International Stability Forum, should insist that private discussions be opened to public scrutiny and that public hearings be held to which trade unions, other representative organizations and the ILO would be invited.

In addition to improving transparency, the IMF is helping to increase country

Enhancing transparency at the IMF

The IMF claims that its goal is to "make timely, reliable data readily available to financial markets and the public".

- A total of 49 countries (developing and industrialized) subscribe to the IMF's Special Data Dissemination Standard (SDDS), which encourages member countries to provide detailed and reliable economic and financial data.
- The Fund also encourages members to release Public Information Notices (PINs), describing the IMF Executive Board's assessment of a country's economy and policies. According to the IMF, over 80 per cent of countries now release this information.
- Since September 2000, the IMF has announced a "general policy of voluntary publication" of staff reports and other country papers. The IMF now releases staff reports prepared following Article IV consultations, unless governments specifically object. About 90 per cent of staff reports are now published.

Source: *Progress in strengthening the architecture of the international financial system*, IMF factsheet, July 2000.

liquidity before a crisis strikes. It developed Contingent Credit Lines (CCLs) in 1999 as a new instrument of crisis prevention. CCLs are a new form of lending whereby the Fund will lend *in advance of* a crisis to help countries protect themselves from it; usually, the Fund lends *after* crisis has struck. This potentially innovative approach is inherently limited by conditions that are so strict that no country has been given CCL status and received funds.

Trade unions have supported suggestions that the private sector should share in the prevention and resolution of financial crises. The IMF has appeared to agree, stating that better involvement of the private sector in crisis prevention and resolution can limit moral hazard, strengthen market discipline by fostering better risk assessment, and improve the prospects for both debtors and creditors.[3] In fact, at the March 2001 meeting with the WCL delegation, Mr. Kohler admitted that the availability of more adequate data would not necessarily prevent a further financial crisis, and that international financial architecture should begin, amongst other things, "bailing in" the private sector. While Mr. Kohler mentioned the newly created IMF capital market department, to date there have been no major IMF policy changes vis-à-vis the major global financial players. Likewise, no concrete steps have been taken by the IMF to "bail in" private sector creditors to contribute to resolving financial crises. Obligatory standstill arrangements could be implemented in times of financial crisis, whereby a temporary moratorium would be placed on debt repayments to all creditors, both private and public, and private sector bank creditors would have to participate in comprehensive debt rescheduling arrangements. These measures would enable rescheduling of debt without obliging countries to default on loans. Again, trade unions have supported these proposals.

Similarly, the IMF is making slow progress in utilizing its newly assumed mandate of surveillance of offshore financial centres to put in place further measures for controlling unregulated and unsupervised private international financial flows that transit through these centres.[4]

There are, however, some indications that the IMF may be taking a less dogmatic

Enhancing transparency at the World Bank

The World Bank has taken steps to release a greater amount of documentation surrounding lending programmes.

- Since September 2000, all CAS documents are released, unless a government specifically objects; approximately 85 per cent of all CASs are now public, but there is often a considerable delay between completion of the strategy and its publication.
- PRSPs will not receive Executive Board endorsement unless governments agree to making them public.
- The Bank has been reviewing its information disclosure policy since autumn 2000. The review should be completed during the summer of 2001.

Reforming the international financial system

The international trade union movement urges the IMF and the World Bank to take rapid steps to reform the international financial system. The necessary measures would include:

- improved fiscal and monetary policy coordinated between the currency blocks of the dollar, euro and yen in order to generate more stable parities;
- recognition of the rights of governments to control foreign capital inflows and outflows in the interest of domestic macroeconomic and social stability;
- agreement on the right of developing and transitional countries to operate a temporary debt standstill when circumstances require;
- a mandatory role for the private sector in standstills and in comprehensive debt rescheduling programmes;
- binding international standards for the prudent regulation of financial markets covering capital reserve standards, limits to short-term foreign currency exposure, and controls and certification on derivatives trading and other forms of highly leveraged investment;
- ensuring that banking systems are transparent and bound by effective disclosure criteria;
- developing an effective early warning system based on improved information on currency flows, private debts and reserves;
- the establishment of a currency transactions tax to reduce speculative currency flows and to raise resources for the support of poverty alleviation.

approach to international capital mobility, which was previously encouraged regardless of circumstances.

- In the February 2001 Article IV report for Tunisia, the IMF notes the Government's worry about the potentially destabilizing effects of full capital market liberalization. The IMF mission states that "it was indeed premature to envision a broad scale liberalization of financial market transactions".
- The November 2000 Article IV report for the Russian Federation notes that "in view of the need to avoid a potentially sharp increase in capital outflows [...] the staff recommend temporary approval of the exchange restrictions and [other measures]".

Notes

[1] The Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

[2] Referred to in Dr. Holzmann's statement.

[3] See IMF factsheet on *Progress in strengthening the architecture of the international financial system*, July 2000.

[4] *Combatting growing world inequality and renewed threats of international financial stability*, Joint statement by the ICFTU, TUAC and ITS to the spring 2001 meetings of the IMF and the World Bank, Washington (29-30 April 2001).

Chapter V

The evolution of the global trading system and impact of the World Trade Organization

At the Marrakesh meeting that founded the WTO in 1994, most governments, whether of the North or South, had no idea of the cataclysmic change they had just agreed to or the dimensions of the journey they would soon embark on.

While the United States and the United Kingdom could agree on the basic tenets of the Bretton Woods institutions at the close of the Second World War, the architecture undergirding the international trading system was much more difficult to negotiate. The United Kingdom advanced a proposal to make full employment policy an international obligation[1] and sought to maintain preferential trade treatment for Commonwealth countries. The United States pushed for a rules-based trading system that would lower international trade barriers. At the United Nations Conference on Trade and Employment in Cuba in early 1948, parties reached a compromise in the Havana Charter, a treaty intended to create a new international trade organization (ITO). In the Havana Charter, countries agreed to "take action designed to achieve and maintain full and productive employment"[2] while recognizing that the avoidance of unemployment or underemployment was not of domestic concern alone, but was a necessary condition for the achievement of the general purpose and objectives of the new trade organization.[3] The Charter also recognized that "measures relating to employment must take fully into account the rights of workers under inter-governmental declarations, conventions and agreements".[4] But after negotiating the Havana Charter, the internationalist tide was turning in the United States. The Korean War had started, and President Truman, seeing little support and much opposition, never forwarded the treaty to Congress for ratification.

The General Agreement on Tariffs and Trade (GATT), an interim arrangement designed to last until the ITO became operational, was used instead to set international trade rules. It was not an international organization. It was legally so insignificant as to be deemed not to need Congressional ratification. Its constituent parties were not members but rather "contracting parties". Nevertheless, it rose to the challenge and became a small, well-run international secretariat in Geneva dedicated to lowering customs tariffs and facilitating international trade disputes through panel hearings.

Its principal function was to achieve lower tariffs on international trade in goods. It performed this function admirably well, with average tariffs in developed countries falling from about 40 per cent to their current levels of less than 5 per cent.

The contracting parties agreed to a short set of GATT principles. These included non-discrimination, national treatment, transparency (publication of rules) and reciprocity. These principles, among others, became the legal bedrock of the GATT and its successor, the WTO. Over the years, the GATT dispute settlement system produced a commendable body of jurisprudence breathing life into the original GATT text.

The GATT contracting parties met over a successive number of "rounds" to negotiate further tariff reductions. They spent their first negotiating rounds successfully lowering tariff barriers erected during the disastrous 1930s. International trade unions supported these efforts.

There were 22 original GATT contracting parties, including 11 from developing countries. But as more and more developing countries broke free of colonial rule and became GATT contracting parties, they began to question the merits of the post-war international trade system. The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to provide advice to developing countries on international trade and investment and assist them in their efforts to integrate into the world economy on an equitable basis. Despite the existence of UNCTAD, developing countries often lacked the specific expertise and analytical trade policy skills to contribute effectively in international trade negotiations.

They pushed for greater access to Northern markets but found that their chief exports, including agricultural products, were not even on the negotiating table. Instead, the Europeans and the United States continued to increase their subsidies to agricultural production and agricultural exports.

When Asian producers began to compete seriously with Northern textile manufacturers, developed countries first imposed quotas and then regularized the quota system into the Multifibre Arrangement in 1974. This was originally conceived as a temporary measure to enable the textile industry of the developed world to adjust to market forces. The dismantling of the Multifibre Arrangement was one of the South's main achievements during the Uruguay Round. It should be completely abolished by 2005.

Developing countries had long been critical of the GATT principle of non-discrimination, which treated all trading partners equally, regardless of their level of economic development. They called for rules allowing preferential treatment for States at earlier stages of industrial development. In 1971, GATT granted two sets of waivers, each valid for ten years. The first allowed industrialized countries to grant preferences to developing countries, shepherding in the implementation of the Generalized System of Preferences (GSP). The second permitted developing countries to exchange preferences among themselves. Trade unions have always strongly supported preferential tariff rates for developing countries.

The European Community consequently implemented a series of Lomé Conventions to grant, among other things, non-reciprocal, preferential access to products originating in certain African, Caribbean and Pacific (ACP) States. During Lomé Convention negotiations, trade unions urged that trade and aid provisions be linked to the observance of minimum international labour standards and that trade unions be consulted at all levels in the planning and implementation of programmes funded under Lomé Conventions.

As countries were beginning to recognize the different trading needs of developing countries, the Bretton Woods system of exchange rates was coming apart at the seams. The new system of flexible exchange rates was causing swings in exports and imports, leading to "new protectionism" in the form of (for example) voluntary export restraints (VERs). This threatened to eviscerate some of the hard-

Third Lomé Convention (1984)

Trade union demands:

- Education and vocational training.
- Rights for migrant workers.
- Better working conditions.
- Social and trade union rights.
- Active participation of women in development programmes.
- Greater trade union role in implementing the Convention.
- Funds to allow unions to contribute to development policies.

won gains under the GATT trading system, as the GATT was not prepared or equipped to deal with such "non-transparent" measures.

A new type of trade liberalization was therefore envisaged that would not stop at borders. The Tokyo Round of GATT negotiations dealt with more than tariff barriers. It covered subjects such as government subsidies, government procurement, regulation of product standards and strengthening anti-dumping rules. Throughout the Tokyo Round, the international trade union movement called for the establishment of comprehensive world commodity agreements, the extension of a global system of tariff preferences related to the degree of economic development of a country and the adoption of a GATT clause to facilitate a smooth transfer of industrial activity to developing countries.

The trade union movement was also engaged in a long-running campaign to establish a link between international trade agreements and respect for a minimum level of basic workers' rights through a workers' rights clause. Unions pointed to the GATT Preamble, which states that ensuring full employment is an important objective of international trade. Trade unions also sought measures for the adjustment of industries and employment creation under socially acceptable conditions. The establishment of a tripartite committee was requested under the auspices of GATT to limit the negative social repercussions of changing patterns of trade. National trade union centres were active in approaching governments to seek support for these proposals.

By the mid-1980s, further cracks were beginning to show in the GATT edifice. Industrialized countries, above all the United States, were under heavy domestic pressure to increase protectionism. Gains made in reducing both tariff and non-tariff barriers during the Tokyo Round were considered insufficient. Some said that without enhanced access to new markets, American business support for the entire international trading system was in jeopardy.[5]

The Uruguay Round began in Punta del Este in September 1986. It got off to an inauspicious start. Industrialized countries wanted the rigours of GATT procedures to apply to other disciplines like intellectual property, investment and trade in services. Multinational pharmaceutical companies were seeking enhanced patent and trademark protection in developing countries. Developing countries were adamantly opposed to the GATT covering new subjects, especially intellectual property, until they could achieve a more level playing field in the area of trade. They were seeking the end of the Multifibre Arrangement and vastly improved access to Western agricultural markets. The Cairns Group of Northern and Southern agricultural exporting countries, led by Australia, was established to pry open the European agricultural market. European countries were mostly seeking to protect their agricultural subsidies system. The international trade union movement sought a strengthened GATT role, the maintenance and extension of concessionary treatment of developing countries, the opening up of world trade in agricultural products, the linkage of measures on trade in services to codes of conduct on the activities of transnational corporations, the introduction of a workers' rights clause relating specified ILO labour standards to trade in the GATT, and the encouragement of policies to ease the adjustment of established industries to trade-induced changes in the structure of employment. National trade union centres were also asked to put pressure on national governments in all of these areas.

The Uruguay Round talks were complicated and long-drawn-out, but no one ever envisaged that a new world trade organization would emerge at the end of the discussions. Why and how did such a seismic shift come about?

First, throughout the 1980s, the United States had dusted off its domestic trade remedies and was using them aggressively against perceived trade rule violators. A "Special 301" section of the Trade and Competitiveness Act, 1988, specifi-

cally targeted countries with inadequate intellectual property provisions. To many countries, any rules-based multilateral trading system was better than the arbitrary use of unilateral trade remedy measures. Second, the United States was actively pursuing a policy of bilateral or trilateral free trade agreements to achieve many of its trading aims. For example, the North American Free Trade Agreement (NAFTA) included provisions relating to intellectual property, investor-state investment provisions and trade in services. The underlying message was "if we can't do it with you, we will do it without you" and no country was prepared to risk losing access to the huge American market. Third, American-led multinationals mobilized to push for new trading rules.[6] Fourth, the debt crisis and corresponding structural adjustment programmes, which traumatized so many economies and social programmes across the South, sapped the will to fight (and the resources) of many developing countries. At the Marrakesh meeting that founded the WTO, governments adopted 29 multilateral agreements covering everything from intellectual property to textiles.[7] The World Trade Organization came into being in January 1995 to administer multilateral trade agreements, act as a forum for trade negotiations and settle trade disputes. It is fair to say that at Marrakesh most governments, whether of the North or South, had no idea of the cataclysmic change they had just agreed to or the dimensions of the journey they would soon embark on. The United States achieved most of its aims with the new trade organization. Developed countries agreed to marginally open up their agricultural markets, committing themselves to make further concessions in new negotiations at the turn of the century. Developing countries accepted legal rules to protect private intellectual property with a phased timetable for their implementation. A new framework was envisaged for negotiating trade in services, and it was even possible to adopt a modest agreement on investment measures related to trade in goods.

The Trade Policy Review Mechanism (TPRM)

The TPRM was established on a provisional basis in 1989 as a part of the GATT, but it became a permanent feature of the new WTO. It is one of the most innovative reforms to emerge from the Uruguay Round. The TPRM reviews countries' economic performance to ensure compliance with WTO obligations. The review focuses on:

1. macroeconomic conditions (trade policy regime);
2. micro-topic issues (information on imports and exports); and
3. information on industrial and sectoral policies.

The purpose of the mechanism is to contribute to "improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements". The mechanism also contributes to achieving "greater transparency and understanding of the trade policies and practices of Members". The main goals of a country review are to provide a detailed picture of the trade regime of individual WTO member States and encourage governments to follow WTO rules and disciplines. Technically, there are three review cycles based on share of world trade:

- the "Quad" Members (United States, Canada, European Union and Japan) every two years;
- a group of 16 developing countries every four years; and
- all the other Members every six years.

Developing countries were not as successful in achieving their aims. In return for the above (considerable) concessions, they achieved very modest gains in agriculture and an end to the Multifibre Arrangement. Although this latter was no pyrrhic victory, the lengthy deadlines agreed for its dismantlement did somewhat sour the taste of triumph.

The developing countries also agreed that all WTO obligations were enforceable through a novel multi-step dispute settlement process. To move beyond the inherent problems of reaching consensus for the adoption of panel reports, negotiators agreed on the idea of "negative consen-

sus", whereby a panel report was automatically adopted unless all countries refused to adopt it. Foreseeing that, under this new system, most panel reports would be adopted, the negotiators created an independent Appellate Body to provide a security blanket or a "safety valve" against "bad panel decisions".[8] The Appellate Body is made up of seven well-qualified international trade and finance experts, lawyers or diplomats. While the first Appellate Body comprised four members from developed countries, the balance has now shifted, with developing countries providing the majority of members.

The WTO is a significantly different animal compared to its GATT predecessor – probably much more so than its negotiators ever realized. The WTO has put in place an enforceable legal regime governing most aspects of the global trading economy. The dispute settlement provisions are binding and much more effective than those of the original GATT. Judges, particularly at the appellate level, have a great deal more power to interpret rules and develop new law. The rule of law is supreme.

Where the GATT tried to subtly harmonize different regulatory or administrative systems around the world, the WTO now calls for major changes in domestic regulation. The WTO is moving towards real global integration, in contrast to the GATT's mandate to realize "shallow integration". To meet new WTO commitments, governments will have to make sweeping changes to many domestic policies, laws and administrative regulations and procedures. World Bank economist Michael Finger estimates that a typical developing country must spend US$150 million to implement requirements under three WTO agreements (those on customs valuation, sanitary and phyto-sanitary measures, and trade-related intellectual property rights).[9] This is more than the annual development budget of many poorer countries. For example, Argentina spent over US$80 million to achieve higher levels of plant and animal sanitation and Hungary spent over US$40 million to upgrade the level of sanitation of its slaughterhouses alone.[10] TRIPS is the most glaring example of this "positive regulation", whereby governments are called on to move beyond harmonizing their laws and adopt legislation protecting the rights of intellectual property holders – with enforcement procedures to ensure that it is done satisfactorily. By joining the WTO, a government assumed a "single undertaking" and accepted all agreements. This was different from the system of GATT codes from the Tokyo Round, which allowed governments to sign some codes and not others.

Notes

[1] Kapstein, E.B.: *Sharing the wealth: Workers and the world economy* (New York, W.W. Norton and Company, 1999), p. 88.

[2] Havana Charter for an International Trade Organization, Article 3(1).

[3] ibid., Article 2(1).

[4] ibid., Article 7(1).

[5] Ostry, S.: *Reinforcing the WTO* (Occasional Paper 56, 1998, Group of Thirty).

[6] Ostry, S.: "The future of the world trading system", 47th Annual Economic Outlook Conference, University of Michigan, 19 Nov. 1999, p. 5.

[7] These included the 1994 General Agreement on Tariffs and Trade, a General Agreement on Trade in Services (GATS), and Agreements on Trade-Related Aspects of Intellectual Property (TRIPS) and Trade-Related Investment Measures (TRIMS). An Agreement on Agriculture and an Agreement on Textile and Clothing were also agreed.

[8] Steger, P.: *The Appellate Body and its contribution to WTO dispute settlement*, Statement at the University of Minnesota Law School, 15-16 Sep. 2000.

[9] Finger, J.; Schuler, P.: *Implementation of Uruguay Round Commitments: The development challenge* (Blackwell Publishers Ltd., 2000), p. 525.

[10] ibid.

Chapter VI
From Singapore to Seattle

After a glimmer of hope in Singapore, Seattle saw popular confidence in the multilateral trading system fall to an all-time low in both the industrialized and the developing countries. The Qatar ministerial meeting failed to address the key trade union demand on core labour standards.

At the first WTO ministerial meeting in Singapore in 1996, the ICFTU focused its campaign activities on securing the creation of a working group on core labour standards within the WTO. This was not approved by the heads of State, but the inclusion of text on core labour standards in the final ministerial declaration was seen as a success in at least establishing the subject of labour standards as an issue for discussion within the WTO. After heated debate, the following text on core labour standards was agreed:

> We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO secretariats will continue their existing collaboration.

At the Singapore meeting, some 30 trade unionists took part as NGOs but worked together as a trade union team. This can be contrasted with the Marrakesh meeting of GATT, where there was no ICFTU representation.

A second ministerial meeting in Geneva in May 1998 was devoted to celebrating the 50th anniversary of the GATT. For the first time, the WTO became the object of public demonstrations by anti-globalization groups which at times turned violent.

In preparation for Seattle, the ICFTU developed a four-part strategy on the basis of an in-depth three-day seminar held in Geneva in December 1998. First, the ICFTU would develop the overall arguments and rationale to support the strategies of the campaign. Next, through regional and subregional activities, affiliates would be informed about the goals and discuss them. National affiliates would then be called upon to lobby their governments aggressively. In addition, the ICFTU created a task force on Trade, Investment and Labour Standards (TILS) composed of representatives of national affiliates, ITSs, TUAC and ETUC to develop and coordinate this campaign. The establishment of a web site and email discussion group were also effectively utilized to develop and implement this campaign. The latter has remained since Seattle as a central means of communication for the labour movement on WTO issues.

The third ministerial meeting in Seattle in November 1999 changed the paradigm for WTO ministerial meetings. The meeting was a complete fiasco. The matter of resolving disagreement on the new head of

the WTO had diverted attention away from the trade agenda in Geneva. The parties in Seattle were still too far apart, and trade negotiators consequently failed to reach agreement on launching a new "Millennium Round" of trade talks. But another part of the Seattle story was provided by the tens of thousands of peaceful protesters and a few violent ones who staged sit-ins and disrupted the city's downtown area. How did it ever come to this?

First, after months of planning using the World Wide Web, email and the Internet, people joined together in a rally organized by the trade union movement to express concern about the social impact of trade liberalization. Electronic communication had revolutionized people's ability to communicate, strategize and organize in order to voice their demands and mobilize forces for change.

But second, electronic communication also significantly contributed to people's new-found awareness, appreciation and understanding of what international trade rules meant in their daily lives. Just as people associated structural adjustment programmes in Africa with higher primary school fees and lower school enrolment, so they also associate TRIPS obligations with high pharmaceutical prices. Women have long understood that, because of their different roles and responsibilities at home and in the market place, international trade rules have a different impact on them. Vastly improved communication structures meant that international trade rules were no longer solely within the purview of government trade negotiators. Trade rules now belonged to everyone.

Third, Seattle turned the spotlight on the culture of secrecy that had always permeated international trade negotiations. The famous "green room" discussions, where self-selected groups gathered to negotiate privately, were roundly criticized by those developing countries that could not get a seat inside the room.

Fourth, at Seattle, developing countries had assumed a mantle of strength and combativeness never before demonstrated during international trade negotiations. They put forward over half of the proposals submitted by WTO members regarding the issues that should be included in the draft ministerial declaration.[1] The sophistication and expertise of Southern governments was due to their enhanced access to greater trade data information and more detailed policy analysis. With an empowering sense of control, developing countries led the exodus from Seattle – disheartened by Northern arrogance, secrecy and intransigence. The Seattle meeting was generally regarded as a step forward by the trade union movement. On the plus side, unions built successful coalitions and effectively delivered their message of universal solidarity. As one union leader noted: "Before Seattle we were dead in the water on trade. The big companies had their way completely. Now we've raised the profile of this issue and we're not going back."[2]

On the core labour standards agenda, a number of closed meetings were held, chaired by Costa Rica. The "Costa Rica Document" which was emerging from the discussions proposed the creation of a discussion group which would address trade, globalization, development and labour with a view to promoting a better understanding of the issues involved through a substantive dialogue among governments and relevant NGOs. It was proposed to open participation in the discussion group to other relevant international organizations such as the ILO, World Bank and UNCTAD, and to make factual summaries of the discussions publicly available. The Costa Rica Document was on the table when the ministerial meeting was suspended, and as such was not formally adopted by that meeting and does not have the status of a consensus text. Its preambular paragraphs are significant in that they effectively place the WTO in an international context which exceeds the scope of the WTO mandate. The text recalls that the members of the WTO have agreed that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume

of real income and effective demand. It also reaffirms the WTO pledge to implement the commitments assumed in the Copenhagen Declaration on Social Development, including the goals of poverty eradication, the promotion of full employment and social integration, and the pledge contained in the Rio Declaration on Environment and Development of 1992 that "All States and all people shall cooperate in the essential task of eradicating poverty as an indispensable requirement for sustainable development, in order to decrease the disparities in standards of living and better meet the needs of the majority of the people of the world."

The Costa Rica Document also recalls the Singapore ministerial declaration and welcomes the work being undertaken in the United Nations system, including the ILO Working Party on the Social Dimension of Globalization in particular, the adoption of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up.[3]

The text goes beyond the Singapore Declaration and represents an inherent understanding (at least among those members that supported the text) that the WTO needs to operate in cooperation and collaboration with the entire system of international governance and to develop effective policy to accommodate not just the issue of core labour standards but also the broader development agenda, sustainable development and environmental protection.

From Seattle to Qatar

After Seattle, popular confidence in the multilateral trading system fell to an all-time low in both the industrialized and the developing countries. Since then, the WTO has worked hard to restore a "business-as-usual" atmosphere by concentrating on its built-in agenda including agriculture, trade in services and select intellectual property negotiations. In March 2001, negotiators agreed to broad guidelines for future bargaining on opening services markets to foreign competition.

In response, Public Services International (PSI) and Education International (EI) have joined forces to campaign for the protection and promotion of their members' interests in relation to trade in services. This alliance stems from the vulnerability of government services under GATS. PSI and EI are particularly concerned about the potential drain on the skills base in the public sector created by increased international mobility and reduction of working conditions where the use of foreign labour is used to undermine local wages and conditions.

Other ITSs are also steadily developing sector-based initiatives particular to the concerns of their own affiliates. Common strategies include information and campaign materials aimed at enabling affiliates to engage with national governments on issues surrounding trade and labour standards. ITSs have also sought to develop direct contacts with WTO officials, inviting them to attend meetings and seminars and participate in policy discussions with ITS staff and affiliates.

But the true test of the multilateral trading system will be at Qatar. Is it possible to devise an international trading system that meets the competing and often conflicting needs of countries and people at such varied levels of economic development? Will developing countries use their new-found political and numerical clout to stop a new round, agree to a limited round, or promote a "development round" devoted to a Southern agenda? How will the 200 plus regional trade agreements notified to the WTO to date impact on the negotiations? Trade negotiators will be hard pressed to reach a final agreement at Qatar, even if the expected restrictions on protesters allow government officials easy access to the meeting rooms.

A North-South chasm is developing, with the North trying to persuade the South to agree to a new round of trade liberalization and many developing countries wanting to "take a breather" and slow down the negotiation process. They are not convinced that scarce government funds should be spent on implementing WTO obligations

PSI and EI join forces

PSI and EI have launched a joint campaign publication entitled *Great expectations: The future of trade in services.* The document informs affiliates about the issues surrounding GATS which are of importance to their members and seeks to create support for campaign action.

The campaign operates at global, regional and national level and uses networking and publicity to lobby governments at national level and within the WTO itself.

PSI and EI support affiliates in campaign action. They have undertaken to: track and oppose the privatization of health care and education; track United States companies that are providing health services in other countries; share information on education institutions promoting cross-border services; and tell target nations about the effect of these companies on their health or education systems.

PSI and EI have produced two publications in a new series entitled *Common concerns for workers in education and the public sector* which address the potential effects of GATS on health and education services. They are: *The WTO and the General Agreement on Trade in Services: What is at stake for public health?* and *The WTO and the Millennium Round: What is at stake for public education?*

In March 2001, PSI endorsed an NGO's sign-on campaign entitled "Stop the GATS attack" that calls for a moratorium in the GATS negotiations.

rather than on building roads or schools. They are rightly concerned that they may be brought to dispute settlement for violating Uruguay Round commitments that they simply cannot afford to implement. Vague promises of new and additional resources hold little sway, given the scant technical assistance they have received since Marrakesh and the magnitude of the development challenges confronting them.

The WTO obligations themselves are often at cross purposes with human development needs. The TRIPS Agreement puts the protection of intellectual property rights before basic health rights like access to cheap, affordable medicines. This means more expensive and more limited HIV/AIDS drugs in Africa. After a loud public outcry, some pharmaceutical companies have proposed differential pricing for some drugs in Africa, but even cheaper drugs will be too expensive for many AIDS sufferers. A series of special one-day sessions, at the instigation of African countries, is discussing TRIPS and affordable medicines in the run-up to Qatar. Possible solutions include strengthening the public health safeguard provisions of TRIPS to ensure that governments have a clear right to override patents in the interests of public health, longer implementation periods and a moratorium on any dispute settlement action that would impede access to affordable drugs.

Dismantling over 30 years of trade-distorting textile quotas will also not be without pain and economic disruption – particularly for the millions of women working in the textile and clothing industry worldwide.

The European Union is pushing for the launch of an "ambitious new round" at Qatar, to include new themes like competition policy, environment issues and substantially expanding the rules governing private sector investment across national borders. The United States was pressing for lower tariff barriers on agriculture and services, but now appears to be prepared to accept the much wider European negotiating agenda.

But none of this represents the agenda of many of the Seattle protesters. Their calls for greater openness, enhanced internal and external transparency and new modalities for public participation at the WTO have not been met. There have been no fundamental changes in any WTO procedures since the Seattle debacle. Even relatively minor efforts to reform, such as allowing the public to attend TPRM reviews, have been solidly rebuffed. The Appellate Body toyed with the idea of allowing limited external participation during the autumn 2000 Asbestos Panel hearing. Concerned parties were permitted to submit "friends of the court" briefs and the Appellate Body received 17 submissions, including from ICFTU-ETUC, Greenpeace and the American Public Health Association. Within hours of the deadline they were all rejected on spurious grounds.

Workers at Qatar: A trade union agenda

The WTO needs:

- A full assessment of the economic, social, labour, gender, environmental and developmental impact of previous WTO negotiations and the potential impact of any further negotiations.
- Some form of formal structure to address trade and core labour standards, with the participation of the ILO, such as a WTO negotiating group, a WTO working group, a WTO committee or a WTO standing working forum. Such a body should also address wider issues of social development, with particular attention to the impact of trade policies on women.
- Increased transparency and financial assistance to ensure that all members (particularly the least developed countries) are able to take part fully in all WTO activities and procedures, including its disputes settlement mechanism.
- Specific consultative structures for trade unions at the WTO, including for the TPRM. The scope of the TPRM should be expanded to include trade-related environmental, social and gender concerns, including core labour standards. External transparency is further required in the conduct of all WTO negotiations.
- Environment, health and safety rules to take precedence over WTO rules.
- Clarification that countries can maintain the right to exempt public services (for example, education, health, water and postal services) and socially beneficial service sector activities from any WTO agreement covering the service sector.

Workers want:

- Greatly enhanced debt relief and a substantial increase in development assistance for developing countries that respect human rights, including fundamental workers' rights.
- The WTO provisions for special and differential treatment to enable developing countries to have increased flexibility, to ensure they have the liberty to take tariff-freezing, tariff-raising or import-limiting measures when necessary.
- Improved market access for developing countries (addressing tariff peaks and tariff escalation in their areas of interest) particularly for least developed countries.
- Review of the TRIPS intellectual property agreement to incorporate developing country concerns, particularly in the area of access to life-saving drugs as with HIV/AIDS medication.
- Multilateral agreement to extend the Uruguay Round implementation deadlines for developing countries.

One of the big North-South fault lines at Qatar will concern core labour standards, with some in the North at least vocalizing support for their inclusion and the South vehemently resisting. More work needs to be done to explain the strong link between core labour standards and improved trade competitiveness and workplace productivity. For example, the OECD 2000 study on international trade and core labour standards concluded that countries which strengthen their core labour standards can increase economic efficiency by raising skill levels in the workforce and by creating an environment which encourages innovation and higher productivity. The study also found that countries that develop democratic institutions – including respect for core labour standards – before the transition to trade liberalization will weather the transition with less severe adverse consequences than countries without such institutions.[4]

WTO members must seize the opportunity they have at Qatar to build a new consensus around a social, environmental, development-oriented, democratic, accountable, transparent and fairer rules-based world trading system. Building this consensus will require active dialogue and debate with the social partners and other members of civil society.

Conclusion

Trade unions have only been modestly successful in advancing their globalizing social justice agenda with the Bretton Woods institutions and the WTO. The ACTRAV symposium provided an opportunity to receive an update on the most re-

cent developments at the WTO and within the Bretton Woods institutions from representatives of these organizations who participated in panel discussions with trade union representatives. Following these discussions, the symposium also provided an opportunity for the trade union movement to engage in internal discussions and to reflect on what should be the next steps in promoting the trade union agenda at the WTO and within the Bretton Woods institutions.

In addition to this paper, participants at the symposium had at their disposal reports on developments in the relationship between the trade union movement and the international financial institutions at regional level. This enabled participants to discuss technical capacity constraints that may exist among union structures at regional and national level and that impinge on the ability of the union movement to influence the policies and programmes of the IFIs.

From the material presented in this paper, it is evident that the Bretton Woods institutions and the WTO are moving their agendas forward at an accelerating pace. Without additional resources, trade unions will not be in a position to research the issues, analyse the implications for unions and workers, and devise strategies to advance the trade union agenda effectively on the global economy.

These considerations give rise to a number of questions that might be considered by trade unions. They include the following:

- What should be the key trade union priorities vis-à-vis the WTO and the Bretton Woods institutions in the immediate and medium term?
- How can national- and local-level affiliates be better used in trade union strategies concerning the international financial, development and trade organizations?
- What strategies can national union centres and individual unions use to effect change at the Bretton Woods institutions?
- How can trade unions better cooperate among themselves to mitigate the negative influences of the Bretton Woods institutions?
- With regard to the global economy, should trade unions devote more attention to working and forming alliances with the media, NGOs, environmental groups, individual employers and employers' organizations?

The WTO is facing its big test: a new round of trade liberalizing negotiations or a "Balkanized" group of stronger regional trade pacts. How can the trade union movement position itself to bring the greatest pressure to bear on both sets of processes?

Notes

[1] Chadha, R.: *Developing countries and the next round of WTO negotiations* (Blackwell Publishers Ltd., 2000), p. 432.

[2] George Becker, President of the United Steelworkers of America, quoted in *Time*, 13 Dec. 1999.

[3] The full text of the "Costa Rica Document" is contained in Annex III of the Evaluation Report on the ICFTU Campaign for Core Labour Standards in the WTO, prepared for the Norwegian Confederation of Trade Unions by Mark Anner.

[4] OECD: *International trade and core labour standards*, (OECD, 2000), p. 14.

Recent developments in Africa

The place of trade unions in Africa is particularly important at a time when workers are confronted with complex challenges arising out of globalization of the economy and increased worldwide competition. In this context, trade unions in Africa urgently need to develop new and effective responses in order to influence the speed and direction of the process of globalization and liberalization.

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In an effort to improve policies of the international financial institutions (IFIs), particularly the IMF and the World Bank, trade unions have been trying, nationally and internationally, to engage them in dialogue and to convince them of the need for more socially oriented and long-term policies.

Meetings with the heads of the IFIs have been held in Washington and elsewhere.

World Bank and IMF representatives have taken part in seminars with trade unions and in some cases have sought to involve them in the implementation of projects. Both sides have gained from the experience. The IMF and the World Bank have started to become more sensitive to the social implications of their policies.

African trade union leaders, with their counterparts in the industrialized countries, have consistently called for vigorous concerted action to promote a world economic recovery and reduce the risk of future recessions. Union delegations have urged the IFIs to build a stronger social dimension into the process of opening up world trade to competition. They ask for reforms of under-regulated stock markets and for action to reduce poverty. The unionists fear that the emerging crisis is widening the gap between rich and poor and demand policies aimed at stimulating recovery in developing and transition countries. They point to the need for higher rates of economic growth in Europe and Japan.

There is much scope for unions to influence decisions at international levels. Policies of the IMF, the World Bank and the World Trade Organization (WTO) directly affect the lives of working people. So do policies of the Organization for African Unity, the African Development Bank, and the European Union.

The issues currently affecting workers and their organizations that could warrant the proposed "stock-taking" exercise, with respect to the policies and priorities of the IFIs under consideration could include (but are not limited to) the following:

- Popular constructive engagement between trade unions and the IFIs
- Employment creation
- Alleviation of poverty
- Structural adjustment programmes
- HIV / AIDS pandemic and its influence on development
- African debt crisis, HIPC initiatives and PRSPs

How to create jobs in Africa

Trade unions the world over demand action from political leaders in all countries to keep the promise they made at the UN's Social Summit in Copenhagen in 1995. This set a target of worldwide full employment in conformity with the rules of the International Labour Organization that protect workers from exploitation. This would be achieved through the following measures:

- Giving the public sector a greater role in creating more jobs. This would include investment in roads, bridges, schools, clinics and other infrastructure; support for industrial restructuring and counter-cyclical investments.
- Improving education and training (focusing in particular on the transition from school to work), public works programmes, vocational counselling and enhanced opportunities for skill development (especially for women).
- Increasing purchasing power especially through increases in national minimum wages with the objective of satisfying basic needs.
- Providing citizens with adequate state-backed health care, social security and education.

Unfortunately, the response to these demands has been lukewarm. Indeed, the onset of economic liberalization policies has reduced concern for creating jobs. Instead they have brought about retrenchments in both the public and the private formal sectors, with economies still unable to provide significant employment opportunities even in the most dynamic sectors.

All this, coupled with the new threats of globalization, has brought about a decline in union membership and finances. It seems clear that the survival of unions depends on the availability of more and better jobs for the labour force. This in turn requires workers with skills to fill new jobs as they become available. And that requires unions to help provide training for the unskilled and to adopt new strategies to assist unemployed workers.

Various trade union forums have been called to address these issues in Africa. These include the regional educators' workshop on "the role of trade union education in employment creation in Africa" organized by the International Confederation of Free Trade Unions (ICFTU) and its African Regional Organization (ICFTU-AFRO) (Nairobi, September 1999), the trade union educators conference (Kampala, October 1993) and the ILO / ICFTU-AFRO workshop on "Employment creation and the informal sector: The trade union role" held in Johannesburg in May 1999.

These forums have underscored the importance of the active participation of trade unions in national economic decision-making. It is the only way to guarantee the incorporation of their concerns into development programmes. They should campaign to be consulted on all matters that affect workers' well-being. They should ensure that they are part of the national budgeting process as well as the investment plan formulation.

Trade unions and poverty alleviation in Africa

Poverty is an issue that has preoccupied trade unions in Africa for a long time. It is also a subject in which the IFIs have recently displayed a lot of interest. For instance, the dedication of the World Bank's *World Development Report 2000/2001. Attacking poverty*, is another sign that the Bretton Woods institutions have adopted a new approach to Africa's development dilemma.[1]

Africa is a continent rich in poverty. Africa enters the twenty-first century comprising some of the world's poorest countries. Average income per capita is lower than at the end of the 1960s. Almost half of sub-Saharan Africa's 640 million people live on no more than 65 American cents a day. The average GNP per capita for the region is US$492, but in 24 coun-

tries GNP per capita is under US$350, with the lowest incomes found in Ethiopia (US$100), the Democratic Republic of the Congo (US$110), Burundi (US$120) and Sierra Leone (US$130). This is absolute poverty.

Unlike the IFI chiefs, trade union leaders in Africa do not need to look for scientific definitions of poverty. To them poverty does not require academic discourse or statistical references. They feel it, live in it and are affected by it. Even among their own trade union members, a majority are well within the poverty bracket. The working poor, the unemployed, the landless, those without basic skills, rural folk and the retrenched could be classified as poor, and most belong to or were once members of trade unions. Their leaders are convinced that poverty has not been given the priority it deserves. Neither governments nor the development partners have fully played their part.

In December 1999, the World Bank and the IMF said in a joint statement that their new approach to reduce poverty "recognizes the increasing evidence that entrenched poverty and lack of economic opportunities and asset endowments can themselves be impediments to growth". They also emphasized the importance of "the active involvement of civil society" in the implementation of poverty-reduction strategies. The ICFTU/TUAC/ITS April 2000 statement expressed agreement with the IFIs' newly found concern for poverty reduction and for civil society participation, but only to the extent that "it translates into concrete policy changes".

There are a number of ways in which trade unions can contribute to poverty reduction. A genuine dialogue with trade unions throughout the process of structural adjustment, especially in privatization and other structural reforms, can make the reforms more effective and more palatable.

Collective bargaining for productivity-related wage increases is the most direct contribution of trade unions to poverty reduction, in that union members include the working poor in Africa and incomes in the organized sector of the economy often support extended families.

In addition to their economic role as representatives of the workers, trade unions take on a social policy and human development role as well. Trade unions in Africa are proactively involved in a number of human development campaigns. They monitor and denounce child labour. They promote gender equity. They provide education and training for their members. They demand governments that are accountable to the people. They promote conflict resolutions and combat arms proliferation. They educate members about HIV/AIDS. Some unions have also recently organized workers in the informal sector and helped them with entrepreneurial and other skills training. They are often instrumental in pressuring governments to prefer policies which require the creation of jobs rather than those which do not.

Trade unions and structural adjustment policies

The IMF/World Bank-sponsored structural adjustment programmes (SAPs) continue to be embraced by many governments in Africa, with disastrous implications for the labour movement. Of particular importance has been the degeneration of living standards and economic recession caused by the massive devaluation of national currencies, reduced public spending and high external debt payments.

In effect, the implementation of economic reforms has also made the realization of the general objective of trade unions – to defend and improve the living standards of their members – more difficult. For example, privatization and retrenchment policies have brought about an increase in the cost of living, deteriorating social infrastructure and above all declining trade union membership.

The ICFTU-AFRO can boast that trade unions have been in the forefront in offering alternative policy prescriptions to off-

Trade unions' new approach to structural adjustment programmes

This project on new approaches to structural adjustment programmes, which commenced in April 1998, sponsored by the Netherlands Trade Unions Confederation (FNV) and the Trade Union Solidarity Centre of Finland (SASK), is a natural follow-up to the national conferences held in many African countries. The project countries are Benin, Chad, Ghana, Niger and Zambia.

The activities carried out and studies conducted at the national level have shown that it is not just the government that is interested in seeing more prosperous countries. The participation of all stakeholders including employers, workers, NGOs, academicians, women's groups, youth, the international community, etc., is a clear testimony to this. Because everyone stands to lose or gain according to whether policies are implemented or not.

The results of the activities carried out during this first phase of the project showed that trade unionists on the African continent should be proud that, in one way or another, they will be part of a reoriented development process. However, this assumes that the strategies adopted in the studies will serve to disseminate information through the media and to train civil society. It is, therefore, important that such an initiative should be further enhanced and supported to widen the benefits.

set the negative effects of implementing economic reforms. In fact, much ICFTU, ICFTU-AFRO and International Trade Secretariats (ITS) work has been done to respond to these crises, with some success. The ICFTU has organized, and continues to organize, several regional and national conferences on the subject of economic reforms. The basic objective of these conferences has been to assist national unions to make an impact on government policy and on public opinion in general, by providing a forum where government, employers, the ILO, the IMF, the World Bank, the media and other interested groups could discuss national economic and social policies based on an agenda set by the trade unions.[2]

The fundamental problem with the IMF- and World Bank-supported adjustment programmes is that they have not taken into account the close connection between social development and economic policies and the need to establish a broad consensus about the purposes and timing of reform through widespread consultation. Although both the IMF and the World Bank have expressed increasing concern about the social dimensions of structural adjustment and demonstrated a willingness to meet and discuss their policies with unions, they have not in practice undertaken the in-depth reform needed to manage a world economy that is failing to serve the needs of the majority of the world's population.

Many of the countries with which the IMF and the World Bank are most closely engaged have only recently established a democratic basis for government. The process of economic reform and the way in which the dialogue between governments and the IMF and the World Bank is conducted, can have a profound impact on the process of political reform and the building of democratic institutions including free trade unions.

Meeting the conditions required by the Bretton Woods institutions places considerable strain on the still-fragile mechanisms for participation and accountability. In many cases structural adjustment programmes have provoked political crises that have set back both democracy and development, particularly in countries where governments have failed to consult and involve organizations of civil society organizations, including trade unions. Indeed, in an increasing number of African countries, the IMF and World Bank have hired pro-deregulation consultants on labour market issues rather than use the expertise of the ILO. Cases in mind are Chad, Senegal and Uganda. Pressure from the IMF and the World Bank to cut public spending has in many cases gravely weakened social security systems.

Trade unions, nationally and internationally, including the ITS, have consistently criticized the policies of the IMF and the World Bank and highlighted the absence of an adequate social dimension to their SAPs in developing and transition countries. They call for changes in economic reforms to make them more respon-

sive to the needs of Africa on the basis of consultation with unionists and other stakeholders.

Unions also believe that all IMF and World Bank agreements with national governments must be made public. SAPs must incorporate the principles of transparency, consultation, adequate levels of social spending, good governance and responsible financial management. National consultative committees, including trade unions and other organizations of civil society, are needed to decide and monitor the use to be made of funds released under adjustment programmes in general.

Thus, as well as proposing changes to the direction of their economic and financial policies, the trade unionists have advocated a widening and opening of the relations between the IMF and World Bank and other international institutions, notably the ILO, the Economic and Social Council of the United Nations and the trade union movement. This, however, does not in any way mean the labour movement has only been interested in criticizing the SAPs. The trade union movement could not have accepted to be part of the structural adjustment participatory review initiative (SAPRI) process in Africa had that been the case.

The main aim of the trade union call for more consultations with the Bretton Woods institutions is the need for more socially oriented and long-term policies. The inadequate attention given to poverty alleviation, employment creation and social dimensions in general is a matter of serious concern to unions. The fact that the "social protection" has become a concern gives some indication that the Bank is responding to trade union demands.

However, although issues like child labour, social security, pensions, etc., are being given some consideration, aspects related to labour markets and workers in particular are conspicuously absent in most documents and operations. In other words, there still exists a "social deficit". Providing adequate education and health care for all their people must be the objective of all countries.

HIV/AIDS pandemic in Africa

A report released on 20 February 2001 by the United Nations states that HIV / AIDS is now considered "the most formidable development challenge of our time". The report was issued in preparation for the General Assembly Special Session on HIV / AIDS held in New York in June 2001.

HIV / AIDS is now found everywhere in the world, but has hit hardest in sub-Saharan Africa. Africa is home to 70 per cent of adults and 80 per cent of children living with HIV, and to three-quarters of the people worldwide who have died of AIDS since the epidemic began. During 2000, an estimated 3.8 million people became infected with HIV in sub-Saharan Africa, and 2.4 million people died. AIDS is now the primary cause of death in Africa.

At the national level, the 21 countries with the highest HIV prevalence are in Africa. In Botswana, South Africa and Zimbabwe, one in four adults are infected. A child born in Zambia or Zimbabwe today is more likely than not to die of AIDS. In many other African countries, the lifetime risk of dying of AIDS is greater than one in three.

Whilst the World Bank is proud that it is offering generous extra funding to fight AIDS, trade unions in Africa point out that the money is a loan and not a grant and so will increase African debt still further. And the reason extra funding is needed is that African countries are being pressured into buying patented drugs from big manufacturers at exorbitant prices, rather being allowed to import the same drugs in generic form from India, Brazil and other low-cost producers.

Promoting core labour standards

There is now general agreement that good governance is an important prerequisite for long-term socio-economic development. However, the struggle for good governance is plagued by uncertainties. For instance, the Bretton Woods institutions

Trade unions' attempts towards decent and productive employment in Zambia

Trade unions in Zambia consider employment creation important for the social and economic progress of their country. In a national seminar (December 2000), the Zambia Congress of Trade Unions invited other social partners to continue prodding the Government to formulate and implement a national employment and labour market policy in which all stakeholders are involved. In 1997, at the initiative of the trade unions the Government engaged social partners to design a national labour market policy. The participants were concerned that the draft national labour market policy has not been brought up for national debate which would enable stakeholders to agree on key parameters before the policy's implementation. They were also concerned that the Interim Poverty Reduction Strategic Paper (dated 7 July 2000) compiled by the Government of Zambia, with the assistance of the Bretton Woods institutions, has not given the issue of employment creation the prominence it deserves.

have pushed for changes not only in macroeconomic structures but also in labour laws, which they argued were too costly for poor countries and too restrictive for employers. This provided an avenue for many governments to relax basic labour laws, exposing workers to a high degree of job insecurity.

For example, in Zimbabwe the Labour Relations Act No. 16 of 1985 was amended in 1992 as part of the labour market deregulation giving employers the right to hire and fire. Wages too were liberalized. Employers have responded to this amendment by terminating workers' careers at will. Nonetheless, some progress has been achieved. But IFIs and multilateral and bilateral donors must go further to make it absolutely clear to the remaining dictatorships around the world that they will not be allowed to continue the repression of their people. The IMF and the World Bank should become part of a worldwide strategy to uphold human rights, and indeed there are already some links between their activities and human rights.

On this matter, the ICFTU and its affiliates, including those in Africa, have campaigned for many years for a social dimension to structural adjustment and to promote dialogue between unions and the Bretton Woods institutions over the policy response to the crisis. One of the most prominent issues in this dialogue has been the role of core labour standards in development, social policy and good governance. The eight core ILO labour standards enshrined in ILO Conventions covering freedom of association, the right to collective bargaining, the abolition of child and forced labour and the promotion of equality at work, are among the most highly ratified ILO instruments.

Trade unions in Africa are taking the lead in defending workers' human rights in the global economy by supporting the campaign for the inclusion of a workers' rights clause (based on the core labour standards) in international trade agreements in order to eliminate unfair trade competition deriving from labour exploitation.

Africa's debt crisis, the HIPC initiative and PRSPs

In April 1999 the ICFTU-AFRO organized a conference in Libreville, Gabon on the African debt crisis. The conference aimed at enabling unions to respond to the crisis, as well as give proposals for more worker-friendly debt relief and development strategies. It provided a forum for trade union leaders to exchange experiences and formulate a forward-looking policy on how best to manage their national economies in order to avoid recurrence of high debt, while also ensuring equitable economic growth and development.

The conference brought together ICFTU-AFRO affiliates and friendly organizations from 45 African countries and was assisted by the participation and contributions of the ILO, the IMF, the World Bank, the United Nations Development Programme, the Organization of African Unity, the United Nations Economic Com-

mission for Africa, Global Coalition for Africa, the European Union, the Jubilee 2000 debt relief coalition, ITSs and trade unions from developed countries.

The overall conclusion of the conference was that the trade unionists called for: the cancellation of debt to low-income African countries that respect human rights; the observation of core labour standards; and adherence to policies that effect meaningful social development and effect good governance, transparency, accountability, popular participation and responsibility in their economic management.

Participants were unanimous in reaffirming the eight core ILO labour standards that comprise the human rights of workers as the best yardstick. These assert the right of workers to form and join unions, and to negotiate conditions of employment that are fair and appropriate for their country's level of employment. They outlaw forced labour which prevent workers from having a say in where they work or in the terms of their employment, seek to end discrimination in employment, which stops particular groups of workers such as women or migrant workers from benefiting from trade growth, and seek to end the commercial exploitation of children.

The conference endorsed the position that adherence to the eight basic ILO standards would prevent the most extreme forms of exploitation, ensure social justice and equity and ensure that development goes hand in hand with the improvement of workers' rights.

Conclusion

Trade unions in Africa, like their counterparts elsewhere, have been calling for high-level national bodies that would discuss major economic and social policy issues, reach a consensus on the road to be taken and recommend that it is taken by the IFIs. Such bodies would include the main stakeholders, including representatives of the trade unions.

Already, positive responses from IFIs have been described as notable and impressive in their attitude to trade union concerns. These responses need to be cemented. The result should be that stakeholders such as the trade unions should have a say in how workers' destinies are decided in the assembly of structural adjustment loans. For these consultations to be effective, unions should be consulted at the stages of design, implementation, monitoring and evaluation.

Notes

[1] World Bank: *World Development Report 2000/2001: Attacking poverty* (Oxford University Press, 2001).

[2] For example, besides participating in practically all pan-African and subregional conferences organized by ICFTU-AFRO, the Bretton Woods institutions have taken part in the national conferences on the social dimensions of adjustment. The national conferences have been held in Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Gabon, Ghana, Guinea, Kenya, Malawi, Mali, Mauritius, Morocco, Mozambique, Niger, Rwanda, Senegal, Togo, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

Trends in the Asian and Pacific region

The Asian miracle has highlighted the benefits of globalization. The region has witnessed a consistently high rate of economic growth. Yet, this is also the region that accounts for the largest number of people trapped in poverty. The Asian crisis in 1997 has underlined the need for caution and for making international financial institutions rethink their policies and programmes.

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An examination of global capital flows in the years preceding the East Asian crisis is revealing. The proportion of private capital flows and short-term, speculative portfolio capital increased steadily during the period from 1990 to 1996, one year before the crisis struck some East Asian economies. Malhotra (1997) points out that the proportion of global overseas development assistance (ODA) in 1996 was less than the private capital flows to just one Asian country, i.e. the People's Republic of China (US$42.3 billion).

Consider just one revealing statistic: compared with an anticipated demand for developmental capital of nearly US$1.5 trillion in developing Asia over the next decade, the funding potential of international financial institutions (IFIs) is estimated at around US$25 billion per year.

The resources of IFIs such as the World Bank for concessional lending are dwindling while those of the International Finance Corporation, the World Bank's private sector investment arm, are increasing. This means that concessional lending for poverty reduction has shrunk but private sector lending, particularly to multinational companies, has expanded.

There is concern in some Asian countries that foreign capital and multinational companies are expanding into non-priority areas, distorting social choices, and even leading to de-industrialization. The role of multinationals in pressurizing national governments to lower labour standards and in violating labour standards in several Asian countries, for example, in export processing zones (EPZs) in Bangladesh and in some infrastructure projects in Pakistan, remains questionable.

The footloose character of foreign capital received much attention after the Asian financial crisis. Even the IFIs have come to realize that there is a need for regulating the speed and sequencing of capital movements. The Asian crisis has led the IFIs to review their policies in a number of other areas. The question is to what extent they are really committed and capable of translating new ideas into action with positive and tangible results.

The death of the "Washington Consensus"

Williamson (2000), originator of the phrase the "Washington Consensus", argues that the meaning he envisaged was a summary of the lowest common denominator of policy advice handed out by the Washington-based institutions (which include the United States Treasury, the Federal Re-

serve Board, the IMF and the World Bank). The subsequent use of the term, however, began to signify neo-liberal or market-fundamentalist policies. He agrees that there is no consensus on a wider agenda and the policies designed to eliminate poverty should go beyond the original version of the Washington Consensus.

The IFIs focused on economic reforms and liberalization. They have not, at least until recently, paid attention to rising unemployment and poverty. Their interest in the labour market was to make it "flexible" through liberalizing retrenchment, lay-offs and closures, and stringent controls against strikes. There was no corresponding interest in checking employer militancy and lockouts. Even new rules provide for guaranteed returns for capital (in infrastructure projects involving foreign direct investment (FDI) by multinationals in Asia), not security of jobs and / or incomes for labour.

Initially, the IFIs took the view that national economic policies were within the sovereign domain of the respective governments and that they were merely tendering advice, which becomes conditional when they refer to funds they lend. It was for the governments to decide whether to consult trade unions and other civil society institutions. The IFIs wanted the governments to do as they were told because IFIs believed that, unless adjustment programmes were carried out as planned, governments would not be able to balance their budgets, honour their commitments to IFIs and repay the debts. Therefore, they did not show much interest or merit in governments discussing the policies with other institutions in civil society because it might signal permission to deviate substantially from the Washington Consensus.

It was only when IFIs' policies faced repeated reversals and failures all around, and when criticism began to mount, that they became concerned about the need to develop a wider political consensus for their policies in the countries concerned. Even so, the IFIs were more content to engage in a policy dialogue with civil society institutions other than trade unions.

The intervention of the ILO and the campaigns by the international trade union movement, however, paved the way for inputs from trade unions in the development dialogue at national, regional and international levels. Again, the Asian crisis played a significant role in that evolution. Both the IMF and the World Bank began to reconsider their formerly cold relationship with organized labour in developing countries (O'Brien, 2000). The evidence of the new attitude can be seen in the structural adjustment loans to the Republic of Korea, which called for dialogue with unions and social protection for workers. In this, the contribution of the Korean trade union movement and the support extended by the international trade union movement deserve appreciation.

The truth remains that the IFIs had singularly failed to foresee the impending crisis. Even a year before the crisis they were lauding the miracle and hailing the robustness of the Korean economy. The IFIs simply reacted to the crisis. The Asian Development Bank (ADB) (2000, p. 23) noted that "as many as 60-85 per cent of loans in Indonesia are non-performing, compared with 20-30 per cent in Korea and Malaysia, and 50-70 per cent in Thailand". Yet, the IFIs keep supporting privatization. The ADB (2000, p. 134) goes to the extent of saying that "reforms must ensure that the private sector, not the government, is in charge of raising production, creating jobs, and increasing income levels". There is little appreciation of the fact that most of the developing and some of the newly industrialized economies (NIEs) and transition economies are in such dire straits that the domestic private sector has neither the will nor the capacity to measure up to this daunting task.

Almost no country in the region had felt it necessary to create social security systems when their economies were booming. Apart from the Republic of Korea, crisis-affected countries were not able to create credible social safety nets. When the crisis hit and the need was greatest, the capacity to establish social safety

nets was weak. Large-scale job reductions without income or social security contributed to social and political unrest.

Juan Somavia (1999), Director-General of the ILO, observed that "there are market failures with devastating consequences on the horizon. The so-called Washington Consensus, which stemmed out of the Bretton Woods institutions in the 1980s and 1990s, is objectively dead. That consensus died in the turmoil of the Asian crisis. It was too ideological, too simplistic and too detached from the real life of people. The pendulum is swinging back. The challenge for us is to have very practical solutions, very value-oriented solutions, and to understand the complexity of the problems in which we find ourselves."

These calls for changes did not occur overnight. They are not advocated just by trade unions. Even within the IFIs there is rethinking about the failure of the Washington Consensus and, in fact, the Bretton Wood institutions themselves are now looking at development holistically within the framework of the ILO Philadelphia Declaration, realizing that "poverty anywhere is a danger to prosperity everywhere".

The need for reforms

All IFIs have poverty reduction as an overarching objective. The real social challenge in the region is to improve the quality of life for around 900 million people who live below the dollar-a-day poverty line. Already in 1995, the World Social Summit in Copenhagen reinforced the need to pay attention to the social effects of economic changes. The World Bank has recognized the role of workers and made them the focus of attention in its 1995 World Development Report entitled *Workers in an integrated world*. In 1996, the United Nations Development Programme's (UNDP) *Human Development Report* underlined the fact that human development should be the goal and economic development should be the means (UNDP, 1996). It later called for globalization with a human face (UNDP, 1999).

Rodrick (1997) expressed concern about whether social disintegration is the price of economic integration. With mounting pressure over ever-increasing social problems which are perceived to be the by-product of the market-fundamentalist policies that IFIs have pursued, there is a growing realization of the need to rethink the IFIs' policy advice and show concern for social and economic implications on the poor and the vulnerable sections in developing countries. Within the IFIs, introspection began: Joseph Stiglitz, the former World Bank Senior Economist, questioned the IMF's rescue formulae; the IMF became sensitive to the social costs and the World Bank unveiled its plan to involve civil society in working out development strategies.

The Development Committee of the World Bank/IMF requested in October 1998 that the World Bank should "work with the United Nations, the Fund and the other partners to develop general principles of good practice in structural and social policies". The World Bank responded with a draft outlining general principles in the following four areas:

- achieving universal access to basic social services, including access to education, health care, reproductive health, and sanitation and safe drinking water;
- enabling all men and women to attain secure and sustainable livelihoods and decent working conditions; with the provision of full employment, compliance with core labour standards and sustainable development;
- promoting systems of social protection consistent with a country's level of development, sustainable and supportive of informal mechanisms. The document recognized that safety nets should not foster permanent dependency and should strengthen the local economy; and
- social integration "to foster societies that are safe, stable and just; promote respect for diversity; achieve equity between women and men; foster toler-

ance and protect human rights; and enhance the participation of all groups of people in their economies, societies and natural environments".

It is quite obvious that the World Bank drew inspiration from the conclusions of the UN Social Summit at Copenhagen in 1995 while formulating the aforementioned agenda.

The new lending strategies of the IMF and the World Bank now require countries which seek to borrow funds to draw up a poverty reduction strategy paper (PRSP), in which they identify targets for reducing poverty. This is separate from the structural adjustment participatory review initiative (SAPRI) launched by the World Bank in July 1997 in eight countries. Nepal and Bangladesh in Asia are part of the first stage PRSP and SAPRI initiatives respectively. The Emergency Structural Adjustment Facility (ESAF) has been transformed into a Poverty Reduction Guarantee Fund (PRGF).

The IMF and the World Bank have been advocating "bottom-up participation" and a strategic partnership with civil society.

To make IFIs pay more attention to social policy, suggestions offered by Brown (1998) deserve attention. They include:

- imposing international taxes aimed at preventing the avoidance of taxes by multinationals at home and abroad and for the revenue gained in this way to be fairly distributed;
- bringing "social clauses" into multilateral trade and investment agreements to set basic standards for labour rights and global trade and production;
- making IFIs (the World Bank / IMF) accountable to recipient as well as donor countries;
- strengthening the UN's implementation and monitoring of the relevant elements of the human rights framework (mostly economic and social rights); and
- proposing international guidance in the form of, for example, "principles of best practice in social policy".

The following proposals could be added to this list:

- give an equal say, if not stake, to all member countries in the governance of IFIs as proposed by the South-South Commission;
- redistribute wealth from richer parts of the world to its poorer parts on the basis of democratically developed and designed pacts (Van der Hoeven, 2000); and
- monitor foreign aid not only by the donors but also by groups of other aid recipient countries (as the American aid under the Marshall Plan to Europe after the Second World War was monitored by the European countries themselves) (Van der Hoeven, 2000).

IFIs and trade unions

Despite the overtures to the International Confederation of Free Trade Unions (ICFTU) and the International Trade Secretariats (ITSs), the IMF and the World Bank still have to recognize the special and distinctive contribution that trade unions can make in social and economic development policies and programmes. There is no mention of either the role of trade unions or the need to improve labour rights as part of PRSP initiatives.

IFIs' policies generally paid attention mainly to product and capital markets, but not labour markets. Further, IFIs have been advocating privatization and wage depression (World Bank, 1996 and 1997) regardless of the nature of the private enterprise and the conditions of unemployment and poverty in the developing countries. The result has been a steady increase in unemployment and poverty. Given the absence of credible systems of compensation and social security benefits for affected people, the unmitigated consequences caused untold suffering for vast sections of vulnerable communities in several countries. The new human resource policies pursued by multinationals and emulated by domestic enterprises in these

countries in the wake of liberalization, privatization and globalization (LPG) have undermined trade unions and collective bargaining, replaced representative systems of workers' participation in management with direct systems of workers' association in management, and led to a fall in union membership.

The IFIs tried to advocate policies aimed at sensible economics. In the process, they initially tried to isolate politics from economic decision-making, undermined trade unions and other civil society institutions and ignored the interests of labour.

There is, as yet, no convincing evidence that the policies of IFIs – particularly capital and trade liberalization measures – will automatically result in growth with a more equitable distribution of wealth. Everyone knows there are winners and losers in the process, but there are apprehensions about who the winners are and who the losers. Compensation to the affected is talked about, but not delivered. When it is delivered, it is usually too little and too late.

While increasing segments of the international labour movement, led by the ICFTU and ITSs, are advocating the inclusion of workers' rights clauses into international trade agreements, unions in some Asian countries are resisting the linkage between international trade and international labour standards because they regard it as "protectionism" by developed countries. This does not mean that these unions are happy with the labour standards in their countries. They worry that with widespread unemployment and poverty, any sanctions against their countries' trade and economy might further reduce the prospect for jobs.

However, some trade unions (for example, in Australia) have tried to convince their colleagues in Asia that the "social clause" is not about reducing social protections and existing living standards; it is about labour's rights, not wages or wage costs; it should be seen as a mechanism to raise, not lower, people's material living standards. As Harcourt (1997) argues, "there should be more carrot than stick in the social clause. Instead of threatening sanctions, it could instead be framed in such a way that market access and access to trade agreements be offered to countries that make particular efforts to raise labour standards".

Trade unions in the region believe that they can make a contribution to increased trade, employment, growth and living standards and hence the reduction of poverty. Further, they are convinced that strengthening democracy, social participation and peace would also make an important contribution to international stability. They also hold the view that "achieving the successful development of sustainable economic relations will depend upon a shared vision of the social goals of economic growth and development, not on a narrow free-market agenda based on business promotion alone". Towards this end, attention needs to be paid not only to political, economic and cultural aspects, but also the fourth pillar – the social pillar based on respect for fundamental workers' rights and consultation with trade unions, on both the general and specific priorities of the various pillars of cooperation.

Developing genuine dialogue

As O'Brien (2000, p. 545) notes, differences between trade unions and IFIs are over ideology and opposing interests: "Even if IFIs are willing to review and reconsider the policy paradigms, neoliberal ideology opposes political interference in the market such as international labour standards or social dimensions of SAPs." Trade unions in the region are, therefore, like some governments, caught in a dilemma: should they cooperate with IFIs' policies that hurt their interests? Even where there is interaction between the two, they have different goals. Trade unions want to influence the IFIs' policies to give due attention to social effects. IFIs want trade unions to support their policies to give these a sense of ownership and partner-

ship. IFIs are also keen to get the help of trade unions in containing corruption and improving the quality of governance. Both seek reciprocal influence. Much depends on who influences and who is influenced.

The ICFTU has had the foresight to provide leadership to persuade both their affiliates and the IFIs about the need for dialogue and mutual understanding. Undoubtedly, over a period of time, such a dialogue will promote a two-way concern for both product markets and labour markets, reduce the pitfalls of taking positions and making decisions based on an incomplete understanding and an ideological perspective. Interactions will help both sides to cooperate and accommodate and to cease treating each other as adversaries.

In January 1999, the ICFTU and the World Bank had their first high-level meeting to discuss ways and means to increase dialogue with trade unions. This signalled the World Bank's acknowledgement of the contribution that constructive relations with unions could make to socio-economic development. The purpose of the World Bank's dialogue with the trade unions has involved three main objectives: enhancing familiarity and trust; exchanging concerns and views; and transferring knowledge. Between January 1999 and May 2001 at least 25 meetings were held between the Bank and international union organizations. Besides the ICFTU, the ITSs and the World Confederation of Labour (WCL) also participated in several of these meetings. The World Bank has also sent officials to attend and interact with union conferences at international and regional levels. Within the Asia-Pacific region, the World Bank has either participated in or invited trade unions to a number of conferences during 1999-2001. The World Bank also joined the Asian Development Bank in inviting trade unions and representatives of other civil society institutions at regional conferences in Bangkok and Manila during 1998 and 1999 respectively.

The World Bank staff are also engaged in ongoing dialogue with trade unions as part of their consultation with civil society. This includes both informal discussions and information sharing. For example, trade union officials have been consulted with regard to the Bank's assistance strategy in the Republic of Korea and in the development of a social protection strategy in Thailand. Country teams are encouraged to consult with trade unions in preparing Country Assistance Strategies (CAS) and as part of the Comprehensive Development Framework (CDF) process. The World Bank staff have also begun to encourage governments to consult trade unions in the process of writing their PRSPs.

The World Bank is now committed to strengthening its in-house expertise in order to support the dialogue with trade unions. To this effect, its staff underwent training. Its Social Protection Unit conducts training courses for staff on trade unions and has developed a web site with details on industrial relations and contact information for national trade union organizations in Bank client countries and developed an online tool kit on core labour standards which includes encouragement of consultation with trade unions. The World Bank has also published a booklet, *Working together: The World Bank's partnership with civil society* (World Bank, 2000) which is supposed to serve as a general resource guide for civil society organizations (including trade unions).

Assessment of trade union strategies

The responses and strategies of national trade unions vis-à-vis the IFIs take different forms according to the various contexts within Asia-Pacific in terms of the nature of state, industrial, political and ideological aspects, and the state and status of unions, among others.

In several Asian countries trade unions are not quite convinced that trade liberalization and promotion can bring positive outcomes in terms of higher living standards and more employment. The trade union statement to the third summit of ASEM (Asia-Europe Meeting) in Seoul on 20-21 October 2000 asserts that if the free

market model advocated by ASEM leads to a concentration of the benefits of growth in the hands of multinational corporations, working people throughout the region will reject ASEM. Trade unions are particularly concerned about one of the ASEM instruments: the Investment Promotion Action Plan (IPAP) concerning multinational companies, which extol the absence of strikes as an effective investment incentive. The trade unions recommended the integration of the OECD guidelines on multinationals into the IPAP as part of a process of building a successful framework of rules concerning the treatment of foreign direct investment within the ASEM area, including a review of the legislation and behaviour of EPZs in different countries in order to avoid social dumping.

In Thailand, unions in state-owned enterprises (SOEs) overplayed their hand in their strong opposition to privatization through strikes and other disruptive actions to pressure the Government to back off from its commitment to further privatization. In retaliation, the Government removed the unions representing workers in the SOEs from coverage under the Labour Relations Act and established new laws regulating and significantly reducing the power of the unions in SOEs.

In Singapore and to a large extent in Malaysia, if privatization was taking place, it was for reasons other than performance. While privatizations in Malaysia were fraught with allegations about lack of transparency, Singapore did not face such wrath from its critics. In both countries, SOEs fared better because, if the State resorted to privatization, it was to redefine its role voluntarily rather than due to pressure from IFIs. And, in Malaysia, despite a privatization programme, the state sector was growing anyway under the Government's encouragement to *bumiputeras* (sons of soil). Unlike most other Asian countries privatization did not lead to mass-scale downsizing.

The same tendency observed in Thailand has been noted in South Asia, particularly in India. In Pakistan too, the State has intermittently imposed draconian measures to deny basic trade union rights to workers in certain key sectors. In India, dissatisfaction with the performance of services / utilities under public ownership has resulted in a general loss of sympathy for the workers in SOEs. Assertion of consumer rights and citizen's rights through consumer courts and public interest litigation has further undermined union power. Trade unions can best win public support when they articulate the woes of the consumers and the public than when they narrowly define and defend their members' interests. When the State and employers get together and want privatization, the best response for trade unions is to form a broader coalition with a wider public and mobilize opinion on whether and how privatization is going to harm public interest.

A notable feature of Singapore's adjustment and the trade unions' response to it concerns the proactive stance taken by the Singapore National Trade Union Congress (SNTUC). The SNTUC has addressed the issue of liberalization and globalization by stressing support and active participation in the provision of skills training for their members. Similarly, the Malaysian and Korean unions have actively mobilized support for the creation and / or improvement of safety nets for those affected by the adjustment process. The Australian unions' experience with social accords and labour law reforms shows that it is not an unmixed blessing to have a Labour Party in power. In India, too, trade unions have realized the hard way that political parties, regardless of their differences, ideological or otherwise, tend to act similarly in tackling economic problems with inputs from IFIs.

The legacy of the past

Colonial influence persists in many parts of the region even though colonial rule ended some decades ago. For example, the South Asian industrial relations system continues to inherit British "diseases" and that in the Republic of Korea and the Philippines, the American diseases.

Ideology dominated trade unions in the Asia-Pacific region, with the World Federation of Trade Unions (WFTU) and the ICFTU orchestrating support of diametrically opposite ideologies. Since the end of the cold war in 1989, the influence of the WFTU has, however, declined in the region.

Business interests demand that the developed countries take advantage of tightly controlled unions and low labour standards. The political interests of developing countries seek to underwrite rapid economic growth through FDI attracted by cheap and compliant labour. Many countries in the region do not have independent unions. The State effectively controls rights to freedom of association and to collective bargaining. Therefore, there are problems for unions in establishing a transnational political role to restrain IFIs which are essentially intergovernmental organizations with their own vision of economic development.

Although governments associated with trade unions (for example, in Australia, Poland or the United Kingdom) have been pursuing the same policies as their political opponents (whether liberal, conservative or of a different kind) and unions are finding it a liability to have their own party in power when they have to fight policies which ignored or undermined social and labour issues, the general impression seems to be that at least labour-led governments consult with their unions and in some cases trade unions were able to extract concessions on the content, extent, speed and sequencing of reforms.

A changing environment

There is a strong intervention by international union bodies – WCL, ICFTU and ITSs – which needs to be further strengthened. But it has to be built through grassroots participation, not official international union structures alone. Regional cooperation among trade unions was apparent recently when unions in Australia and New Zealand came to the aid of the union movement in Fiji which was facing a number of problems. Solidarity among trade unions at the regional and international levels is, however, much lower than it could or should be.

The achievements of social dialogue at the national level in countries such as the Republic of Korea (Korean Tripartite Commission), the Philippines (the Social Accord between employers' federations and trade unions) and Singapore (arrangements for retrenched workers and Skills Developments Programme) should serve as beacons for the trade union movement in dealing with the challenges emerging due to liberalization, privatization and globalization. The key trade-offs negotiated by trade unions in Asia to overcome the challenges of the economic crisis (see box) highlight the positive role of trade unions.

Despite the positive results of trade union actions in some countries in the region, overall trade unions are getting weaker with not only a declining membership base but also the emergence of decentralized, enterprise-level bargaining. In several cases, changes in labour laws as a result of liberalization and globalization have not been to the advantage of workers. There is a need for unions to rethink their strategies to mobilize support for a return to the industry framework where it previously existed.

Seizing the opportunity

The first and foremost challenge of trade unions concerns the attack on rights at work, human rights and sustainable development. Trade unions need to develop concerted action at the local, national, regional and international levels to rally support for core labour standards embodied in the 1998 ILO Declaration on Fundamental Principles and Rights at Work. The concept of decent work advocated by Juan Somavia, Director-General of the ILO, is intended to gain support for an agenda based on workers' rights, job creation, social protection and social dialogue. Trade

Key trade-off to save or create jobs through social dialogue at national level in ASEAN countries

- *Philippines*. A Social Accord on Industrial Harmony and Stability (1998) between the Employers' Confederation of the Philippines and two major labour federations, namely the Trade Union Congress of the Philippines (TUCP) and the Labour Advisory and Consultative Centre (LACC), provided for six months' "mutual restraint" on lay-offs and industrial disputes. At regional level, the Department of Labour and Employment (DOLE) organized tripartite conferences on the theme "Saving jobs and saving industries", culminating in "Regional Social Accords".
- *Singapore*. A Tripartite Panel on Retrenched Workers (February 1998) provides for: (1) development of a network of information on retrenchments before they occur to match job vacancies; (2) exploration of alternatives to retrenchment through redeployment, adjustments in working time and wages, and training possibilities; and (3) advice on training opportunities and use of a skills development programme (December 1996) as an alternative to lay-offs. The programme, spearheaded by the National Trades Union Congress (NTUC) and funded by the Government, allocates training subsidies of up to 80 per cent of course fees, and 70 per cent of absentee payroll for training conducted during normal hours of work.
- *Malaysia*. A Tripartite Committee on Retrenchment has been set up to monitor retrenchment. It encourages reference to Malaysia's Tripartite Code of Conduct for Industrial Harmony, in particular the passages relating to retrenchment which stipulate a range of alternatives to retrenchment. The Government has introduced legislation (following consultation with the tripartite National Labour Advisory Council) requiring employers to notify the Labour Department of prospective lay-offs one month in advance. The new law also aims to expand labour force participation of married women through increasing flexibility of working time. A data bank was established by the Federation of Malaysian Manufactures (FMM) and the Malaysian Trades Union Congress (MTUC), to facilitate mutual data exchange on jobs available and retrenched workers seeking employment.

Source: *Globalization and change: Social dialogue and labour market adjustment in the crisis-affected countries of East Asia*, ILO-EASMAT, 1999, background paper presented at the ILO/Japan Asian Regional Tripartite Seminar on Industrial Relations and Globalization, Bangkok, 31 August-2 September 1999.

unions should influence the IFIs to incorporate these basic elements of human progress into their developmental assistance programmes.

The IMF and the World Bank are involved in poverty reduction in 40 heavily indebted poor countries, four of which – Cambodia, Mongolia, Nepal and Sri Lanka – are in Asia. Trade unions should approach their national governments and insist that they be fully and explicitly included in the poverty reduction consultation process and the preparation of PRSPs.

Trade unions should form strategic partnerships/alliances with other actors/institutions in civil society, including cooperatives, communities, and consumers, environmental and human rights groups. They should transcend the boundaries of the workplace and the narrow concerns of their membership and articulate wider social concerns of the most vulnerable poor and those in non-traditional forms of work – the unorganized/informal sectors, the migrants, the minorities, and even the unemployed – in their communities.

The IFIs are now in a mood to take the civil society institutions into their confidence and engage them in the dialogue for ensuring wider participation, concern for social effects, respect for human rights, sustainable development and good governance. Here lies the opportunity for trade unions, through unity at local level and solidarity at regional and international levels, to impress upon their respective governments and IFIs that they have a positive outlook and approach to developmental issues.

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Countries in transition: The great transformation – successes (?) and failures (!)

Transforming the former planned economies into market economies has certainly been one of the greatest challenges governments have been facing in recent decades. The goal of the transition process was clear: improving the welfare of the people through democracy and market economy. However the transition path was unknown and has been hotly debated throughout the whole period.

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When the Soviet system collapsed in 1989 in Central Europe and two years later in the heart of the 'Empire', the people and the elites turned to western governments and their global financial institutions for advice on how to transform their countries into prosperous and democratic societies. At this stage there was massive public support for radical change and a naïve enthusiasm for self-regulating market economies. The old system was – this should not be forgotten in the light of later nostalgia – totally discredited on grounds of efficiency, justice, ecology, freedom and democracy. The system collapsed in 1989 because virtually nobody was prepared at that time to defend it.

The "shock therapy"

Given the frustration with a state-led economy and a state-led society in particular, the younger elite was very receptive to the idea of adopting a radical market-orientated transition strategy, the so-called shock therapy. But it was also attractive because it promised an easy fix through very few strategic decisions. An elite that had lived with an ideology that provided dogmatic but clear answers to a complex world was quite happy to have another infallible ideology at hand. The invisible hand of the market replaced the visible hand of the party in their view of the world.

"The irony of it all is that the modern critique of utopian social engineering was based particularly on the Bolshevik approach to the transition from capitalism to communism, and the shock therapy approach tried to use many of the same principles for the reverse transition. It is almost as if many of the western advisors just thought the Bolsheviks had the wrong textbooks instead of the whole wrong approach. With the right textbooks in their briefcases, the 'market Bolsheviks' would be able to fly into the post-socialist countries and use a peaceful version of Lenin's methods to make the opposite transition."[1] The message delivered by the international mainstream was very simple LSP (liberalize, stabilize, privatize). The issue of institution building was added later but still regarded as a second, medium-term step, because only the first three measures could be taken immediately.

For Stanley Fischer, then Acting Managing Director of the International Monetary Fund (IMF), the evidence of 25 transition economies proves that mainstream economic advice works. The faster the transition, the faster the recovery.[2]

The reasons for the different performance of countries, according to the IMF, are seen in the more adverse initial conditions of some countries and in the inconsistency of the reform implementation in the less successful ones. The different initial conditions do not require fundamentally different approaches to transition. The same medicine should be given to all "patients".

In a recent staff paper the IMF insists on these and other points:

> In the countries of Central Europe and the Baltic, commitment to macroeconomic stabilization came sooner and implementation of structural reforms was firmer. These countries have re-joined the ranks of middle-income countries and can claim to have completed their transition, or at least the basic first stage of it. In the next stages, these countries face the challenges posed by accession to the European Union (EU), and, more generally, by the process of catching-up with the richer nations. The mainstream view is that Russia and other countries of the Commonwealth of Independent States (CIS) can and ought to follow a similar path, but there is increased appreciation of the difficulties of institution building and of the power of vested interests to derail the process of reform in the interim.[3]

It should be kept in mind that millions of people have been left out of this successful transition. Even in Central and Eastern Europe (CEE) the cost of transition has been unexpectedly high. According to the European Bank for Reconstruction and Development (EBRD), only five transition countries recorded in 2000 a higher GDP than at the beginning of the transition in 1989.[4] A massive collapse in output, high and persistent unemployment, growing income disparities, declining expenditure on education, health care and social transfers, and widespread corruption took place in all these countries. It has been argued extensively in the literature that the focus on macroeconomic liberalization and stabilization underestimated the need for comprehensive industrial and regional policy and active labour market policy to avoid industrial decline and the loss of skilled workers who found better paying jobs abroad.

Even in the most advanced CEE countries growth rates are such that catching up with Western Europe will take more than a generation and there are still many hurdles ahead. The EBRD expresses concern about the growing trade deficits and the overvalued currencies in Poland and Hungary. Monetary stabilization policy cannot be maintained in the long run if governments fail to deal with their structural weakness.

Compared with the failure in the Commonwealth of Independent States (CIS), however, there can be no doubt that the development in the CEE and the Baltic States was more successful. The drop in output has been massive in CIS countries and none has yet achieved any sustainable economic recovery. Unemployment and underemployment are high, wages have fallen dramatically, the pension system has virtually collapsed in several countries and 30 to 50 per cent of the population live below the poverty line. The access to public health care and quality education is becoming more and more income dependent. Public health is in decline. Diseases like tuberculosis are spreading and life expectancy has fallen dramatically. The poverty-induced, massive growth of prostitution led to a dramatic increase in sexual disease and the threat of an HIV catastrophe is mounting. In some countries like Tajikistan even absolute poverty and famine are a bitter reality.

Six states suffered from war or civil war. Most of the CIS countries do not qualify as truly democratic. The majority are governed by authoritarian or even dictatorial presidents. In the most recent period most regimes in the CIS have become more authoritarian and less tolerant towards

free speech, freedom of association and fair and democratic elections. So one of the strongest arguments for rapid transition – to reach a point of no return – seems to be questionable. At least if this question is not limited towards private property but includes the issues of freedom, democracy and respect for individual and collective human rights.[5]

Reasons for success and failure

Throughout the transition period, debate focused not so much on the general goals as on the priorities, sequencing and timing of the transition process. While everybody agrees that the different starting point explains to some extent the different result, this is insufficient to explain the watershed between the CIS countries and the Central and Eastern European states.

Ex post obviously everybody is eager to associate themselves and their advice with the success stories while blaming failures on reasons outside the reach of the adviser. So is the IMF:

> We conclude that the basic strategy advocated by market-orientated proponents of reform a decade ago is correct: namely that both stabilization policies and structural reforms, particularly privatization, contribute to growth; and that the faster is the speed of reforms, the quicker is the recovery from the inevitable initial recession, and the more rapid is the growth ... The answer [for failing to implement this basic growth strategy] must lie elsewhere, in the political realm, in the lack of effective political or societal support, and in problems of governance.

So while the Czech Republic, Hungary, Poland and Slovenia implemented the right advice, the failure in the CIS countries lies in the political realm. Critics of the IMF tend to turn the argument the other way round and blame its advice – forced upon the countries through credit conditionalities – for all the hardship of the transition. Both views ignore that there was no easy way out of the messy economic, social and political heritage of the failed Soviet development strategy.

It seems to be a bit too easy to put all the blame for failed reform on the lack of political skills or lack of leadership in those countries. Also the difference between slow and fast reforming countries is too simple, because some countries started pretty fast and slowed down later, while others started slowly and speeded up reform later, or liberalized but were reluctant to privatize. Hungary has probably one of the longest and slowest transition processes in Central and Eastern Europe, because many changes (in particular concerning small-scale privatization and entrepreneurship) date back to the 1970s. Coming out of the Yugoslavian type of socialism, Slovenia had longer experience with market mechanisms and semi-private property than the other socialist countries. Hungary and Poland have been comparatively slow in privatizing bigger enterprises, while the Czech Republic, Kazakhstan and the Russian Federation did a fast but inefficient job.

While there are very different patterns of transition among the successful countries, they have four things in common:

- They managed to build the necessary institutions for a modern and efficient society.
- They had better starting conditions in relation to infrastructure, education, industrial and cultural traditions, etc.
- They are neighbouring countries to the European Union (EU).
- They were given the perspective of EU accession at a fairly early stage of transition.

It is crucial for successful transition to build a broad range of functioning institutions and there is clear correlation between those countries that managed to do so and those closest to the EU. Therefore it might be worth looking at the impact of the EU and its Member States on these countries. The European impact can be grouped in four areas:

Orientation: for the Eastern European countries the collapse of the system was also the moment of national liberation and the return to Europe as a cultural identity. Many people saw the highly institutionalized and socially orientated western European market economies as a system they wanted to join, not just economically but also politically and culturally.

Guidance and institution building through the accession process: the accession process institutionalized this orientation. It obliged candidate EU members to reform economic and social policies. It also disciplined the political elites. They know that the criteria for EU accession are not purely economic but also require genuine democratic elections, independent judiciary and institutionalized social dialogue and support for the development of a civil society. Even if many CEE countries are increasingly frustrated about the way the EU has been slowing down the accession process, they continue to see EU membership as a crucial element in their national development strategy.

Multi-level know-how transfer: the exchange between these countries was not limited to the young elite but took place at different levels. The broad-based technical assistance concept of the EU fostered dialogue and understanding between many institutions of a civil society. This was complemented by bilateral, regional and local initiatives. It involved politicians, managers, trade unionists, scientists, state bureaucrats, civic rights groups, students and ordinary citizens. People of these transition countries had to adapt to a modern democratic society and market economy. Many local and regional initiatives created mutual communication between Eastern and Western Europe. Private sector know-how transfer was achieved through foreign direct investment on the one hand and employment (at times illegal) of East European workers in EU countries, on the other.

Financial transfers: last but not least, financial assistance and debt forgiveness eased the transition process. This was particularly the case in Poland. Hundreds of thousands of workers from Central and Eastern Europe worked (some worked illegally, but they earned money nevertheless) in the EU countries. This helped many people to survive during the worst period of transition and also allowed some to accumulate money to set up their own business. Substantial investment – not only by big multinationals but also by the famous *Mittelstand* – had, by and large, a positive impact in providing not only capital but also new technologies and work practices.

Attracted by the European model

The very presence of the European model and the political decision to offer accession and integration to the Central and Eastern European countries was of crucial importance in reducing the institutional vacuum that occurred in all countries when the party state disappeared. The "guidance" through the orientation towards the EU compensated to some extent the deficiencies of the shock therapy concept. Those countries closest to the EU have been doing best and those that have a chance to join the EU in the foreseeable future have also done better than others. So the orientation and the adaptation towards the highly institutionalized and regulated European Union might have been better guidance than the more simple IMF model that, at least in its popularized form, basically argued that with a few macro decisions a country can be set on a successful transition path.

Critics rightly point out that the democratic processes and the development of civil society is still insufficient in CEE countries and the transition is socially unfair and excludes too many people. However, compared with the CIS countries, the achievements are nevertheless impressive. For the States of the former Soviet Union EU accession is not an option because of their size, location and level of development. If "guidance" through possible EU

accession is not available to fill the gap in the transition strategy, the need for institution building, industrial and regional policy, social safety nets and social dialogue has to be clearly and explicitly part of a deliberate policy of transition.

The cultural traditions of most CIS countries differ substantially from CEE countries and the institution-building process would have been more difficult in any case. But there can be no doubt that the transition strategy for the CIS countries was insufficient. The major criticism is not what has been done, but what is missing. If rampant corruption has perverted the transition process in all these countries and the level of governance has declined in some cases to the level of "criminal self-regulation", the purely technocratic reform approach has to bear some responsibility for this. The reformers and their international advisers underestimated that the push for LSP in an under-institutionalized society leads to a power equilibrium among corrupt state officials, criminals and new oligarches that transforms society into a state of permanent crisis and decline.

The IMF supported or at least allowed itself to be identified with an authoritarian and technocratic top-down approach to reform. The IMF was fully supportive of a president and a reform team that did not care about "effective political or societal support" for its politics. Instead of an open debate over the reform policy and searching for a broader reform consensus the reformers presented the agreements with the IMF as a *fait accompli* that had to be accepted unconditionally. And, again and again, the IMF gave credibility and credits to those reformers who did not fulfil the conditionalities and presided over widespread fraud, corruption and a disastrous privatization programme, that allowed a group of oligarches to hijack the country.

Admittedly, the IMF was not free in its decision because of strong pressure from its major shareholders for nearly unconditional support for President Yeltsin. But the approach was not limited to Russia. The same secretive and authoritarian approach was applied throughout the region. Credits and conditions were agreed behind closed doors. This approach was certainly not helpful in promoting the development of democratic institutions and civil society.

By widely neglecting the social impact of the transition strategy it was actually impossible to build a consensus for reform. This confirmed the reformers in their opinion that good things for the people have, when necessary, to be done against their will. President Yeltsin and the young technocratic and sometimes elitist modernizers failed to maintain and broaden the initial public support for reforms that is essential for success. Instead of trying hard to build a broad alliance for reform they relied increasingly on presidential and executive power to push through the master plan. Unfortunately, but probably not surprisingly, this approach turned more and more into a corrupt system of insider enrichment.

Improving governance: The Russian case

Today, it is nearly universally accepted that good governance and institution building are crucial for getting out of the mess in the so-called slow transition countries. The IMF recognizes, for example, that ready-made reform packages delivered by international experts do not work properly. Worldwide experience shows that economic programmes are most likely to succeed when they are "owned" by the country implementing them. The question now for Russia is whether it will develop its own economic reform programme and seek support for it from civil society.

If a programme is to win the support of society, it needs to deal with the immediate concerns of the people: decent employment, social security, access to health care and education and fair income distribution. The people have to be involved in the reform debate instead of being objects or even victims of reform. Such an approach could create genuine "ownership",

but it would mean a substantive departure from the IMF-supported reform practice of the last decade.

The mainstream advice in the past strongly underestimated the need for institution building. When this advice was accepted, it remained a very sterile concept. Institutions were just understood as formal institutions. But it needs more than a decree to make a nation's judiciary independent. It needs more than a decree to ensure transparency and accountability. Top-down institutionalization can only work if there is a bottom-up response, if people get involved. Otherwise even brilliantly designed rules will be abused and converted into instruments of insider enrichment.

Russia faces a typical transition dilemma. On the one hand, it needs functioning public institutions to overcome corruption, legal nihilism and bureaucratic arbitrariness. On the other hand, corruption, legal nihilism and discretionary bureaucratic procedures prevent the development of authentic institutions.

Instead of a democratic society and a market economy, a corrupt political capitalism is taking root in Russian society. Democracy is – as Russia is learning the hard way – much more complex than having an election every four years. It needs public debate and a broad variety of institutions, pressure groups, trade unions, political parties and independent media to create accountability and transparency.

While the need for the rule of law, good governance, transparency and public accountability is widely shared, the question is how to achieve it. The liberal approach, allowing the free development of institutions like civic movements, political parties, independent media or trade unions has proven insufficient.

Neither markets nor institutions have risen phoenix-like from the ashes of old Soviet power structure. They have had to be built. This needs time and investment. Former totalitarian regimes have to transfer their power to the free market and civil society.

Foreign aid and advice should help. Aid and debt relief should be agreed only on tight conditions. The aid recipient should: have a reform strategy orientated towards economic growth, high levels of employment and social justice; develop a reform strategy that will invest in the institutions of a civil society; and promote independent media, genuine social dialogue, independent NGOs and efficient law enforcement. Such a reform strategy has a chance of being supported and "owned" by Russian civil society. Without a stronger civil society, it will be impossible to challenge the vested interests of post-Soviet capitalism.

Social dialogue as an element of civil society

A genuine social dialogue would promote the launching of a set of checks and balances and would be an important element in achieving fairer income distribution and better working conditions. How might the State and the international financial institutions speed up the development of efficient social dialogue through affirmative actions? Instead of further deregulating the labour market through a new labour code, efforts should be made to enable representatives of stakeholders, such as trade union leaders, to defend their interests and those of civil society. If the IMF is serious about Russian "ownership" of a reform package, a labour code that abolishes most workers' rights for collective representation is a non-starter.

Putting people in the driving seat of reform can only start in places where people are directly affected and, in some form or another, already organized. A more democratic and transparent industrial relations system at the enterprise and the local levels seems to be one of the more realistic starting points for successful institution building and enhancing efficiency and democracy.

The former state trade unions today have only limited authority with the workers and are often not fully independent from management or local state authorities. However, if anyone has voiced concern and

taken some action about unpaid teachers, doctors and industrial workers it has been the trade unions. Their organizational capacity is weak but who else in Russia could organize a day of action with several million participants throughout the country?

Ex-Soviet trade unions might be among the few weak post-totalitarian society candidates to become a force for strengthening governance and democracy.

To support and speed up this process, governments should promote social dialogue to build a consensus, establish the "ownership" of a sound reform strategy and reaffirm workers' rights, including the all-important right to collective bargaining. Governments should also take other steps, including:

- Being an exemplary employer. It should perform a transparent and genuine social dialogue with the representatives of its employees on restructuring public services and state-owned enterprises.
- Creating effective tripartite bodies. The work of tripartite bodies should focus on visible results. This requires that all sides enter into genuine dialogue and keep the promises made in the negotiation process.
- Providing adequate assistance to trade unions and employers' organizations to strengthen their training capacity to ensure high levels of competence and professionalism in collective bargaining and the work of the various tripartite institutions.
- Promoting effective collective bargaining by excluding those employers from public bids that reject the request of their employees to enter into genuine collective bargaining about working conditions and wages.
- Institutionalizing an efficient system of voluntary but binding conciliation and arbitration. Trade unions or employers should have the possibility to start arbitration procedures, if they think the other side does not fulfil obligations under the collective agreement. The arbitration commission should consist of two representatives of each side and a neutral chairperson.

An important next step could be to create an institutional and policy framework from these ideas. These would be guidelines for encouraging "stakeholders" to become "owners" of Russian civil society as a whole.

Notes

[1] Stiglitz, J.: *Whither reform? Ten years of transition*, Keynote address to the World Bank's Annual Conference on Development Economics, April 1999.

[2] Fisher, S.: *Russian Economic Policy at the Start of the new Administration*, Keynote address, Moscow, 6 April, 2000.

[3] IMF: "Transition economies: An IMF perspective on progress and prospects", in *IMF Issues Briefs*, 00/08, 2000.

[4] *Süddeutsche Zeitung*, 23 April 2001.

[5] Economically there was never the danger of a return to the planned economy because the very breakdown of this economy was the starting point of change. Even if some bureaucrats would have liked it, it was just as impossible as going back to a broken-down car and trying to drive it again.

The international financial institutions in Latin America and the Caribbean

Where trade union action vis-à-vis the IFIs is concerned, Latin America and the Caribbean differ from other world regions in so far as their unions are geographically that much closer to the Washington-based headquarters of the International Monetary Fund and the World Bank.

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In the mid-1980s, ICFTU's Interamerican Regional Organization of Workers (ICFTU-ORIT) came out against the new debt crisis phenomenon and adopted the first real continental trade union strategy on the influence that the international financial institutions (IFIs) exert on national economic policy in Latin America and the Caribbean. Unions in the United States supported this action.[1] In fact, the continental trade union family extends to the US organizations – including the American Federation of Labor–Congress of Industrial Organizations (AFL-CIO) – which are themselves members of the ICFTU-ORIT and of the regional organizations of Global Unions.

In addition, some of the International Trade Secretariats (ITSs) in the American region now have offices in the United States. This is the case for Public Services International (PSI) and Union Network International (UNI) which have their regional headquarters and liaison office respectively in Washington.

The ICFTU-ORIT recently created a joint working group with the Inter-American Development Bank (IDB) tasked with controlling and monitoring its programmes. The PSI and the International Transport Workers' Federation (ITF) joined the labour network on company reform and privatization, PERL-NET, with the backing of the International Monetary Fund (IMF) which provides the framework for studies being done on the Mexican telecommunications sector and the electricity sector in Argentina and Brazil.

The specific, geographical characteristic of Latin American and Caribbean trade unionism can be seen in the agreements which have been concluded with other civil society organizations and led to the setting-up of the Hemispheric Social Alliance (ASC).

Thus, trade union efforts vis-à-vis IFIs is complemented by the work being done with regard to the interamerican bodies, most notably the IDB (which here is considered to be the third IFI), the Organization of American States (OAS) and the Economic Commission for Latin America and the Caribbean (ECLAC). Since 1994 these three bodies have been technical advisers to the Free Trade Area of the Americas (FTAA), with the regional and continental integration dimension dominating these relations.[2]

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Trade union assessment of the IDB

The most systematic study performed by the Latin American and Caribbean unions into IFI action was carried out in the 1990s by the PSI regional office. The conclusion was that the IDB systematically approved loans that directly or indirectly violated North American standards, the ILO's international labour standards and national legislation.

Programmes that receive IDB backing tend to substitute fee-paying services for the basic services that were previously provided free of charge to the poorest segments of the population. In addition, these programmes fail to specify any service quality indicators, assume no responsibility for any impact they might have on the populations concerned and do not address environmental concerns.

Reforms are implemented in a legal void. The constitution usually makes the State responsible for public service provision and, as a result, existing legislation does not cover private enterprise providing such services. The IFIs have special strategies for dealing directly with parliaments, joining forces with other donors and investing in advertising and public relations campaigns to promote their programmes. Project adjudication documents and information are not published.

The policies imposed by the IDB are drafted by loan managers and consultants working out of Washington or hired on the international markets and who have little or no commitment to the country they are dealing with nor any real knowledge of the public institutions that they are restructuring. They are often incompetent and may, sometimes, directly benefit from the recommendations and directives that they issue, even though they are not citizens of the countries whose policies they are drafting.

Promoting the private sector

Projects often seek to promote the private sector by awarding it the contracts for supplying the reformed services, with no legal safeguards.

Decentralization and outsourcing are also being encouraged with the same aim of increasing the presence of the private sector. Project adjudication and execution favour so-called NGOs which in fact have close ties with the ruling political party. Such projects tend to get increased funding as more and more service provision passes to the private sector.

A good example of the way in which the private sector is being encouraged in this regard is the promotion of information technology (IT) and new administrative techniques in services. When project specifications are presented, they often include a non-negotiable IT component forcing service providers to buy and install a large equipment base. It is clear that a centralized ministry cannot responsibly decentralize without having a vast computer network. Without IT, the administrators and accountants will not be able to control the geographically spread private service providers who use different payment systems, different levels of responsibility and different kinds of service contract.

However, there are a number of questionable specifications for the IT systems required by this decentralization. Firstly, the IDB actively promotes the acquisition of hardware, software and services from companies contracted by the Bank itself. Senior civil servants who use the loans to buy this technology may indulge in acts of corruption in so far as purchases of IT equipment are negotiated on an individual basis. Project auditors cannot know exactly whether the equipment was really acquired and installed correctly. The future maintenance and updating costs are impossible to forecast. The technology is not designed for the specific economic and social context of the recipient country.

There is another snag: projects designed by the IDB are not publicly discussed, they are not approved by parliaments and national assemblies, and users and their representative unions are not consulted.

Attempts by PSI-affiliated unions to establish a dialogue with the IDB, the World

Bank and, often, government leaders in their own countries, have been rebuffed or channelled into complicated and fruitless discussions.

The public sector unions, for instance, are told that the information is on the IDB web site, when it clearly is not; that the project has yet to be approved, when in fact it has been; that the country's office is not authorized to give out this kind of information, when it is; or that the country's office does not have the information requested, when it does.

Labour issues

Labour rights, and essentially freedom of association and the right to collective bargaining, are violated when the IDB imposes new conditions of employment for public services and civil servants, sidestepping contracts and trade unions. Labour rights are also infringed when the IDB rules that functionaries should be transferred from one area to another without first consulting their trade union representatives. These rights are also violated when the IDB commissions work audits and promotes reclassification for public employees and union members without informing, consulting or calling on the experience of their organizations.

The IDB shuns labour rights when it pressures governments to lay off public sector workers using so-called "voluntary retirement" schemes, ignoring the terms of the existing labour agreements. It is also in violation when it imposes fiscal constraints on governments, preventing them from meeting their contractual obligations. As a result, the reforms take no account of the experience, knowledge and concerns of organized workers in the system being restructured. A number of organizations have, moreover, condemned the fact that when consultations have actually been held they have only included government-controlled labour groups.

Labour law is infringed when IDB action violates constitutional standards, national laws on public services and existing collective agreements applicable to state-owned companies and the government; when IFI documents explicitly refer to public sector employees as "risks for the successful completion of the project"; when campaigns are run to discredit workers on grounds of an alleged lack of motivation or qualifications; when labour regulations and protection mechanisms are ignored and new, productivity-based wage policies are put in place alongside more precarious short-term employment contracts.

IDB action has also resulted in high public sector unemployment. In fact, specific formulas are used to cut the payroll, as in the water sector where the reduction concerns "the number of employees per connection". In health care, ministry staff are cut or the skills requirements altered without giving the affected employees the necessary training. In every sector, operating costs are being cut in relation to investment costs.

Trade union resistance

A recent report revealed a multitude of national trade union strategies for opposing governmental policies influenced or dictated by the IFIs.[3] Generally, the central instrument has been mass demonstrations in front of parliaments or national assemblies with the aim of presenting a request for a broad-based advisory committee.

These actions have mostly been the result of inter-trade union alliances (when there is more than one national trade union centre), and are sometimes accompanied by the business sector, political parties, peasant and indigenous organizations, the Church, student groups, community associations and NGOs.

On several occasions, the unions have also used legal channels, lodging complaints with the national judiciary about the unconstitutionality of certain proposed reforms and, in one instance, calling for a referendum. The trade union movement has also approached other bodies, from the United States Government to the ILO itself.

Success has been mixed. In some cases the unions have actually succeeded in having the government bill in question scrapped. In other cases, while the union strategy has resulted in the temporary suspension of the planned measures, they were simply taken up again for consideration by a subsequent government. This has happened with planned privatizations, social security reforms, reforms of labour codes and other economic policy measures.

The most frequent causes for union resistance are planned privatizations of national electrical utilities – Panama in 1990, Dominican Republic in 1991 and 1992, Costa Rica in 2000 and Honduras in 1997. Similar action has been staged against plans to privatize water distribution (Panama, 1990 and 1999), the ports (Peru, 2000), the cement industry (Panama, 1990) and the postal services (El Salvador, 1996).

The case of Costa Rica is particularly interesting, with simultaneous demonstrations being staged in all of the main towns and cities culminating in a four-day general strike. In the Dominican Republic, the strategy consisted of challenging the Government's decision in the Supreme Court on the basis of an article in the new Constitution that prevents public sector companies from changing into anything other than cooperatives.

In Uruguay, in 1991, the Government gained parliamentary approval for a law that left it free to implement measures liable to lead to the privatization of state-owned companies. The Uruguayan trade union movement, in association with political parties and other social organizations, then created the Commission for the Defence of the National Heritage and State Reform in order to launch a constitutional mechanism enabling legally binding referendums to be held on specific subjects if a certain percentage of the population signed a petition to that end. To do this, the Plenario Intersindical de Trabajadores-Convención Nacional de Trabajadores (PIT-CNT) staged a series of demonstrations and ran a television campaign.

The initial result of these actions was positive. In Costa Rica and Peru the respective Governments created labour commissions and finally shelved their projects. In Panama the 1990 demonstrations led to the suspension of the privatization of three of the four companies concerned, although some years later the plans resurfaced and were partially implemented. In the most recent campaign against the privatization of the water supply, the trade union movement won the support of the National Assembly. In Uruguay, the referendum opposing the privatization law was backed by 70 per cent of citizens, and the measures in question were thereby repealed, although the same proposals reared up again a few years later. In the Dominican Republic, the Supreme Court refused to accept the unions' demand, claiming that the Constitution does not expressly oppose the kinds of action being proposed by the Government.

Social security reform

One particular case of privatization concerns social security when the proposal is to restructure the traditional pay-as-you-go pension system through the introduction of pension funds. Between 1997 and 2000, the trade unions ran into proposals of this kind in Argentina, Colombia, El Salvador, Guatemala, Honduras and Panama.

In Panama, trade unions adopted a political strategy using existing mechanisms for trade union participation via a programme of seminars attended by civil servants, employers and health care workers as the basis for new negotiations and consultations, together with a policy for the reinvestment of social security reserves.

In Argentina, the trade unions resorted to legal appeals both for the second stage of the provisional reform and for the deregulation of the autonomous health care system, on the basis of worker contributions. The judiciary found in favour of the unions, suspending the provisional health care reforms. In Colombia, as a result of trade union action, the Government suspended its planned measures and pledged to reach a national agreement

with Congress and the presidential candidates. In El Salvador, the measures were simply suspended, while in Panama the unions won trade union representation on the social security council. Union action in Guatemala and Honduras delayed by several years the adoption of the planned measures even though these were in the process of being applied. In the Dominican Republic, meanwhile, the unions struck a deal on employer contributions (70 per cent of the total contribution) and a combined pension system whereby one part remained pay-as-you-go (for public sector workers), while the other became fully funded (for private sector workers).

Labour reform

The recent legislative changes made to the labour codes, prompted by the IFIs, have come in for sharp criticism in Dominican Republic, Ecuador and Panama. In Ecuador, as a result of the pressure brought to bear by the unions in the courts to have the reform declared anti-constitutional, the judiciary cancelled many of the provisions and thereby caused certain of the articles of the reformed Labour Code to be repealed. Other, more positive provisions were instead incorporated, such as the creation of joint management-labour committees that now have to be consulted during collective bargaining. In Panama, no sooner had the unions lodged complaints about the violation of fundamental labour rights with the ILO and the United States' Generalized System of Preferences than most of the IFI recommendations on subjects such as direct dismissal and the scrapping of overtime rates were repealed, with the suspension of collective bargaining agreements only limited to two years.

IFI recommendations in other areas of economic policy were also opposed by the unions in Guatemala (VAT increase), Honduras (tourism promotion by selling land in border regions), the Dominican Republic (scrapping of food, electricity, transport and education subsidies) and Panama (reduction of duty on industrial and agricultural output).

In Honduras, the unions ran a campaign highlighting the measures provided in the Constitution with regard to tax reform, and more specifically the obligation to assess in advance the population's ability to pay, as a key element linking the minimum wage to the cost-of-living index. The constitutional reform pushed through in Honduras in order to promote tourism was condemned by the unions which claimed that it jeopardized national sovereignty.

In Guatemala the central trade union bodies, with the support of the NGOs and a number of businesses, staged demonstrations outside the building where the commission set up by the Government to discuss the VAT issue was meeting, and in front of the UN mission to Guatemala. As a result, plans to increase VAT were cancelled. All similar measures have been blocked by trade union action. In Panama, however, another attempt is now being made.

The ICFTU-ORIT strategy

ORIT union action towards the IFIs has two objectives: concrete participation in consultation activities and participation in IDB programmes specifically set up to for a trade union presence. ORIT has also secured observer status with the Trade Union Technical Advisory Council (COSATE) of the OAS Inter-American Labor System.

The most ambitious initiative, although still at the preparatory stage, is for the creation of the IDB-ORIT Working Group. The programme of the last ORIT Congress (15th Congress, Washington, 2001) summarized the various lines of work approved to date. ORIT also participates in strategy development and dissemination work, including those concerning the IFIs, alongside other civil society organizations, in the framework of the Hemispheric Social Alliance.

The 15th ICFTU-ORIT Congress continued to work on its strategy for dealing with the IFIs. In a document entitled

Decent jobs, strong unions, fair societies the point is made that "the IFIs responded promptly to the threat of the major banks going bankrupt during the Asia and Russian crises in 1997 and 1998 respectively, but they took years to come up with programmes, and modest and highly conditional ones at that, for reducing the debt of the poorest developing countries". The document goes on to stress that "the multilateral system as it stands is not sufficient to guarantee achieving the objectives of social justice. Moreover, each entity takes care of its own agenda, avoiding coordinating its actions with those of other institutional, governmental and non-governmental players. The IFIs have been reluctant to enter into dialogue with the representatives of civil society and have gone as far as to refuse the participation of other multilateral organizations in relevant issues under discussion, as was the case for the ILO at the WTO's Singapore conference."

In this context, ORIT confirmed that the trade union approach to globalization "includes the idea of reforming the IFIs and regulating the money markets with a view to protecting the interests of communities and states. Changes to the global economy must safeguard the human dignity of all, and this implies bolstering the social aspect of the United Nations and the Inter-American System. The unions must systematically be official dialogue partners in pan-American institutions and forums, in the same way as they are now being admitted to UN social summits."

There were eight resolutions on the various aspects of this subject. They included a reference to fundamental principles and rights at work (Resolution on "Core Labour Standards"). This resolution suggests that the IFIs – and the WTO – be pressured to include fundamental principles and rights at work in their policies and programmes, along with a workers' rights' clause in the sections concerning their projects, loans and funding.

This approach calls for an ILO presence in the IFIs (the resolution on "the Social and Democratic Dimension in Integration Processes and the ILO"). This aim can be further achieved by a plan for the systematic condemnation of violations of fundamental labour standards, and spotlighting those violations resulting from the implementation of the structural adjustment programmes imposed by the IFIs. Moreover, a campaign pushing for the systematic and effective involvement of the ILO in IFI – and WTO – action will ensure that human and trade union rights offer an unavoidable framework governing the day-to-day action of these institutions and systems. Finally, there was the recommendation that the ILO should play a full part in the work of the IDB-ORIT working group (see below).

As regards social security (the resolution on "Guaranteed Social Security for All"), ORIT feels that the IFIs – and the World Bank in particular – and the financial capital markets perpetuate the myth that privatization reform serves to increase economic growth. The ORIT proposal is to dismantle the myths and inconsistencies of such arguments.

With regard to housing (the resolution on "Decent Housing for All"), campaigns will be launched asking the supranational bodies to incorporate and develop actions for the promotion of housing as part of their social policies. It is recommended that the UN proposal – whereby public and private resources equivalent to at least 3.6 per cent should be mobilized for integrated social housing projects – be implemented in order to break out of the current housing crisis and initiate development plans.

Finally, concerning international justice (resolution on "Justice, a Refuge from Impunity"), the ICFTU-ORIT calls on governments in the region to take a positive stand on attempts to establish an International Penal Code and a standing International Criminal Court, and to push through the necessary legal and institutional reforms to that end.

The IDB-ORIT working group

The working group, which the IDB claims offers the first-ever institutional link between trade union organizations and a

multilateral development bank, was created at the end of 1999. It meets twice a year. The initial agreements require the IDB to respect the ILO's core labour standards. It was also agreed that the Bank would inform its national representatives that trade union organizations should be included in the action plans for civil society consultations. Finally, joint research programmes are being planned with the ILO investigating globalization and its impact on labour markets and child labour.

The agenda also includes union proposals on opportunities for taking part in the design, implementation and assessment of IDB projects and the reform of social services in the Americas. Consequently, it examines how the unions could participate in the IDB's annual meetings and associated seminars, the incorporation of labour rights in the IDB's government acquisitions policy, and systematic consultation with parliaments and IDB executives directors with regard to these rights.

The resolutions of the 15th Congress provided for a number of OAS-related projects, including joint action within COSATE for promoting fundamental labour rights and action plans at national and regional level. Also, in view of the entry into force of the OAS San Salvador Protocol, there may be a chance of calling on the Interamerican Human Rights Commission and the Interamerican Human Rights Court and, in addition, lodging complaints with the ILO as part of an integrated human and labour rights strategy. Finally, campaigns can be run to encourage governments to sign up to the Interamerican Convention Against Corruption, adopted in Caracas in 1996.

ASC's trade union proposal

The Hemispheric Social Alliance (ASC) was formally created in 1999 by the ICFTU-ORIT and a group of NGOs that had already been working on the North American Free Trade Agreement (NAFTA) since the early 1990s. This joint work began in Belo Horizonte in April 1997 with parallel activities in one of the ministerial meetings of FTAA member States. The emphasis on continental integration was maintained with the organization of two People's Summits (at the Summits of Heads of State and Government in Santiago and Quebec in 1998 and 2001 respectively), and included work done at the WTO summit in Seattle in 1999.

The ASC's strategic proposals, developed in stages, cover a wide range of disciplines. When the ASC was formally created, a document entitled *Alternative for the Americas* was adopted. It essentially criticized the FTAA and NAFTA and suggested alternatives in a wide range of areas such as human rights, the environment, the labour situation, immigration, the role of the state, gender equality, investment, international finances, intellectual property rights, market access and the rules on origin, services, and dispute resolution. Each chapter was entrusted to one or more NGOs according to their specializations, and of particular note is the chapter on the labour situation which was entrusted to the ICFTU-ORIT.

Three major forums were set up: the Democratic Forum devoted to the obstacles, challenges and proposals for democratic participation; the Social Forum devoted to the issue of social exclusion, the social agenda and a proposal for the development of a social charter for the Americas; and the Alternatives Forum devoted to the responses given to the content of negotiations and an alternative development model. Additional forums were created such as the Parliamentary Forum (relating to the Latin American Parliament and the Panamerican Congress of the Americas (COPA)), the Cultural Forum, the Indigenous Forum, the Women and Youth Forum, the Peasants Forum, the Labour Forum, the Ethics Forum, the Education Forum, the Environment Forum and the Human Rights Forum.

At the last meeting of the Alternatives Forum at the Second People's Summit (ASC, 2001), the overall strategy appears to go beyond purely trade union issues, laying the emphasis on the reform of the

institutions of the UN system, including the Security Council and the international financial and commercial institutions, with the aim of greater global and inter-american democratization. These reforms "must take place in consultation with the societies of all countries and be guided by the aim of serving mankind. Sustainable development, democracy and peace based on justice and the respect for human dignity must not continue to be the instruments of the leading multinational corporations and major nuclear powers."

The ASC also indicates that the "primary obligation" of the IFIs – and of the states and multinationals – is to "respect and ensure human rights for all. In this way, human rights must not be a complement to negotiations but the legal framework for international economic relations". In this regard it stated that "the international community and the states, faced with violations, either through action or omission, by multilateral bodies and multilateral companies must individually or via international cooperation adopt effective measures to prevent, negate or punish violations of these rights wherever they occur".

The ASC furthermore considers that the packages of neo-liberal policies termed structural adjustment programmes (SAPs) imposed by the IFIs "increase the pressure for demonizing the state and adopting the idea that the market can do everything better, with the effect that there is a growing tendency towards privatization and trade liberalization policies". It is also felt that the SAPs involve a high level of interference in the responsibilities of the state since they are imposed without civil society being given any opportunity to participate in them or evaluate them.

Two guidelines are proposed with regard to the IFIs and their policies. First there is the recommendation that the orthodox conditions for structural adjustment demanded by the World Bank and the International Monetary Fund should be ignored because they have failed to resolve the debt crisis and have caused massive suffering among the poorest sections of society. Instead, countries should adopt economic development policies as proposed by the United Nations' Economic Committee in its alternative plan for socio-economic recovery and transformation. Moreover, if the IMF and the World Bank fail in their management of the international financial system by not contributing to sustainable and productive development, then they should be radically restructured or replaced by new institutions. In this context, the United Nations should establish a neutral panel or international court of arbitration to rule on the cancellation of the debt in countries where this is considered legitimate, without the participation of the IMF which is a creditor and liable to be manipulated by its most powerful members. Multilateral agreements should be concluded on new forms of regulating speculative capital, such as the Tobin tax.

Notes

[1] As far back as 1984, the ICFTU-ORIT Conference on a "New Approaches to the Crisis" (Cuernavaca, Mexico) resulted in an important document that introduced this material in the context of an analysis of the rights and wrongs of the imports substitution period. Two years later, the "Debt and Development" conference (Buenos Aires, September 1986) came up with the "People First, Debt Later" declaration and subsequently established three other approaches presented at the 12th Congress (Caracas, April, 1989). The prior diagnosis indicated that "the IMF, defending the interests of international financial capital, is the institution that is the most to blame for the design of government policies that have caused impoverishment and misery among the masses of workers and peasants in Latin America and the Caribbean by giving priority to the need to comply with financial obligations over the needs of the people".

[2] This project began in 1994 with the aim of determining to what extent the IFIs implement US policy decided in Congress (the Sanders-Frank 1994 amendment to the Foreign Aid Appropriations bill) with regard to the social dimension of IFI participation. These policies call on American executive directors of IFIs to ensure that their institutions guarantee internationally recognized labour standards and develop mechanisms to identify the negative impact that IFI activities have on these rights. The loans and projects examined refer to the privatization and restructuring of areas of public services such as electricity, water, health care, education and social security funded by the IDB – and by the International

Bank of Reconstruction and Development (IBRD) – in Belize, Brazil, Chile, El Salvador, Guatemala, Nicaragua and Trinidad and Tobago. The project is based on training project assessment teams in a trade union environment for subsequent channelling through training seminars and public forums. The PSI's regional office specifically handles interference actions in the US Congress with regard to the failure to comply with the amendment.

[3] The survey was carried out during the 15th ORIT Congress in Washington DC (April 2001) and targeted the heads of 16 affiliated or associated national trade union centres. The central question asked referred to the existence of concrete trade union action over the past ten years organized to oppose government projects or implementing measures resulting from an explicit recommendation by IFIs by signing letters of intent or other less specific mechanisms.