



EIGHTEENTH ITEM ON THE AGENDA

**Report of the Working Party on the
Social Dimension of Globalization**

**Oral report by the Chairperson of the
Working Party, Ambassador Eui-yong
Chung of the Republic of Korea**

1. Ambassador Eui-yong Chung opened the meeting by thanking Lord Brett for having chaired the November meeting in his absence. In the tradition of inviting eminent personalities to address the Working Party, the Minister of Finance of the Republic of South Africa, His Excellency Mr. Trevor A. Manuel would address this session of the Working Party.

**Discussions with Mr. Trevor Manuel, Minister
of Finance, the Republic of South Africa**

2. Mr. Juan Somavia, Director-General of the ILO, introduced Mr. Trevor Manuel. Minister Manuel had been a major figure in the policy circles that shaped international financial and development policies. He noted that it was the first time that a Finance Minister had addressed the Working Party. He said that it was an honour to receive a person who has been part of the real life politics of his own country in the struggle against apartheid. He had seldom seen a Finance Minister who, as part of his curriculum, had been put in jail for fighting for freedom, democracy and dignity.
3. Mr. Manuel began his address by outlining three issues concerning the role of the State in the context of globalization: first, how States contributed to economic growth; second, how States provided an appropriate social and economic environment to resolve the discontinuities that arose from economic adjustment; and, third, how States managed the sustainability of economic development across international borders. To his mind, economic growth was a function of both prudent macroeconomic policies (low deficits, low inflation and manageable levels of debt) and microeconomic policies that facilitated adjustment through the provision of social capital and opening up of economic opportunities.
4. Economic adjustment and dislocation, he said, lay at the root of the uncertainties that societies were expressing in the face of globalization. History showed that governments could find ways to facilitate adjustment and spur economic growth in a manner that was

also socially advantageous. States needed to devise new policies, and new ways of resolving the problems caused by globalization.

5. One especially pernicious aspect of globalization, according to Mr. Manuel, had been the degrading of the idea that the State should balance social and economic goals. If there was one lesson from the 1990s that could be used to guide policy in the present decade, it was that markets did not regulate themselves very well, if at all, and could deregulate themselves in socially destructive ways. Mr. Manuel emphasized the role of the State as regulator, balancing social and economic values.
6. An important issue for States was the social and economic marginalization of the poor. A critical part of the balancing act was to provide social insurance in a manner that, from a macroeconomic perspective, facilitated the adjustment of individuals to new forms of economic activity and, from a microeconomic perspective, provided incentives for remunerative activities. Proactive social policy such as a “social wage” that provided better education and inexpensive transport, could serve to both reduce economic insecurity and create economic opportunities for the poor.
7. Of equal importance was how States worked together to regulate international markets and international public goods (or the global commons). Mr. Manuel thought that the debate on global public goods should be re-inserted into the wider discourse on the social dimension of globalization. It was important to talk about what made up the basket of global public goods. For Mr. Manuel, financial stability was an example of a global public good.
8. Mr. Manuel noted that much had been said about the weakness of States in this era of globalization. He believed that States were not weak, but did need to band together to create and, in some instances (such as in agriculture), adjust international market regulation, so that developing countries could also benefit from global economic activity. One area where urgent multilateral dialogue and regulation was needed was migration.
9. In conclusion, he stated that it was critical that multilateralism be revived. On both the international and domestic levels, States and governments needed to be more proactive in putting in place both socially beneficial policy and regulation. This would ensure that the social dimension of globalization became one of integration and community rather than one of division and marginalization.
10. Mr. Funes de Rioja, speaking on behalf of the Employers’ group, thanked the Minister for his statement noting that he had raised a number of issues of importance to their group, irrespective of whether they agreed or disagreed with all the views expressed. He believed that the ILO had a special role to play in debates on employment and on fundamental principles and rights at work. These should also be part of the mandate of other organizations and he believed that the regional development banks could play a role in building a bridge between the ILO’s mandate and the Bretton Woods institutions’ activities in order to achieve greater coherence.
11. Mr. Trotman, speaking on behalf of the Workers’ group, wondered whether the intensity of competition and search for the “cheapest” inputs (including labour) was sustainable in the longer term. Mr. Patel, Worker representative of the Republic of South Africa, welcomed the Minister’s view that States were not powerless in the face of globalization but needed to strengthen their role at national and international levels. He believed that this was an argument for deeper and wider global governance. Concerning the concept which the Minister had raised of a social wage at national level, he wondered what the global dimension of the social wage might be. Speaking of his experience in the trade union movement in South Africa, he noted that much of the policy dialogue was indeed directed at addressing the issues of globalization, dialogue that most often took place in the

tripartite institution NEDLAC. Mr. Daer, Worker representative of Argentina, noted that the Bretton Woods institutions had advised his country to deregulate labour markets and privatize social security systems. This had left them defenceless in the wake of the economic collapse that had caused poverty to spiral out of control. Mr. Blondel, Worker representative of France, wondered whether globalization was bringing decent work or not. He asked the Minister, who did not seem to be a fan of privatization, how the State and basic services could be protected in the WTO. Mr. Rampak, Worker representative of Malaysia, asked the Minister's views on the restructuring of the international monetary system.

12. The representative of the Government of India compared globalization to the weather, it was difficult to change it but States could prepare themselves to withstand the rigours of the same. He wondered what, in economic terms, the texture of the coat and the umbrella should be. The representative of the Government of Kenya, on the issue of economic blocks (such as NEPAD and the EU), wondered whether these were responses to globalization in terms of protecting those regions or whether they were the vehicles of globalization. The representative of the Government of Pakistan asked the Minister whether there was a need for a new development paradigm. The representative of the Government of Germany expressed the hope that the core labour standards be firmly established as part of the understanding of the development process.
13. The Director-General noted that the question of employment had been at the heart of the institutions created at the end of the Second World War. The multilateral system and the Bretton Woods institutions had lost this focus on employment. For the ILO, employment was a key factor – not only in fighting poverty – but also in the political stability of our societies. The issue was how to return to basics and put employment back into the picture of the multilateral system as a whole.
14. In responding to the morning's discussion, Mr. Manuel restated the need for regulation, both within and between States. Multilateralism was at present too weak to provide a necessary counterbalance in regulation. On the costs of production, he noted that technology had driven enormous changes and reduced the costs of production and, along with this, increased the intensity of competition. A question was what effect this was having on employment and how the developing world dealt with this. For him, part of the answer was to develop the requisite skills and infrastructure. On the global dimension of the social wage, this was the corollary of the same point. Part of the seed corn in a developing economy was a stock of human capital, capable of driving change. If that was taken away, the country would not be able to grow or harvest later. Multilateral systems were needed that monitored, recorded and observed immigration or migration patterns so that countries could preserve the necessary skill levels.
15. Mr. Manuel said that States needed to guarantee democracy and core labour standards. This was part of balancing economic and social objectives. On privatization, the question for him was how to provide a good quality service at the best possible rates to people since the poorest were often entirely dependent upon public services. On the issues that had been raised concerning the World Bank and the IMF, he noted that governments had themselves sometimes deferred responsibility for dealing with the issues to international institutions. Sovereign States needed public discourse on these issues, but could not give away their responsibility at the end of the day to take tough decisions. Concerning financial stability, he was concerned that, when the IMF availed large packages to assist countries, these were then used to settle debts with big international banks. Countries were left in a position where the burden was disproportionately borne by the most vulnerable. This was a fault line in the system at present. Concerning employment, Mr. Manuel thought that this was an issue that involved other dimensions, such as market access, and that, without a system of multilateral governance, it would be difficult for individual countries to make progress. He

noted that the principles of NEPAD espoused those of the Monterey Consensus, of partnership between the North and the South. International commitment to the partnership was needed or “the underdevelopment of Africa would remain a blot in the copybook of the G8”. On a new development paradigm, he cautioned against a one-size-fits-all approach.

16. Finally, Mr. Manuel noted that the present situation, where separate debates were held on labour, trade and the global financial system, was not satisfactory. He thought that a new institutional arrangement was necessary, a place where discussions on labour, trade and finance – whether in the ILO, IMF, WTO and/or the Development Committee – could come together; a crossroads. More needed to be done to advance the cause of multilateralism itself.

World Commission on the Social Dimension of Globalization: Latest developments

17. The Director-General noted that, since his last report to the Governing Body in November, the work of the Commission had accelerated and that the level of engagement of Commissioners remained very high.
18. The Director-General reported that an important meeting had been held with President Chirac and the two co-chairs of the Commission on the perspectives of the issue of globalization in the context of the G8 and G25 meetings in Evian in June. The World Commission had also had the opportunity to meet with the President of the World Bank, Jim Wolfenson.
19. The World Commission had met in February and reviewed a draft outline of the report covering the main elements of its perspective on globalization and areas where policy recommendations were possible. These included areas such as trade, finance, international migration and global governance, but also more specific topics, such as the ways in which employment could be put at the centre of the global agenda and what needed to be reinforced at both local and national levels to spread the benefits of globalization and deal with its adverse effects.
20. Seven more national dialogues had been held in China, Argentina, Uruguay, India, Egypt, Brazil and Poland. One more was scheduled to take place in Germany in April. Four regional dialogues had been held in Bangkok, Lima, Brussels and Arusha. Reports of the outcome of these consultations had been posted on the Commission web site. Highlighting some of the concerns that had been raised in the dialogues, the Director-General said that these varied between regions. For example, in Africa, concerns had been expressed regarding external resources, infrastructure, HIV/AIDS, education, governance and migration. In Latin America, the agenda was one of integration and competitiveness, industrial growth and technological capability. In Asia, there were questions of voice and democratic institutions, fair trade and capital market reform. In Europe, there were preoccupations with the quality of employment, local development, solidarity and with benchmarks and coordination of economic policies. And, in all regions, job creation was a priority. Some concerns were common, such as growing insecurity, the impact of globalization on the growth of the informal economy, unemployment, the marginalization of vulnerable groups and countries, and the differential ability to take advantage of the opportunities that globalization presented.
21. A number of policy priorities had emerged from the dialogues: for example, the need to reinforce the capability of Nation States to respond to globalization; the central importance of investing in education, training and skills development to take advantage of

globalization; the need to create job opportunities and address growing unemployment; the need to strengthen social protection systems; the need to address the policies of the international financial institutions, in particular their governance structures; the need for fairer rules in the global trading and financial system; the possibility that regional integration might provide a step towards taking better advantage of globalization; and the idea of a social pact or global pact to lay new foundations, new rules to govern globalization. Dialogues with business and workers had also produced powerful ideas and possibilities.

22. In both Puerto Alegre and Davos, the theme of trust had been strong – a lack of trust in the global system and a lack of confidence. Was it possible to build bridges across this gap?
23. The secretariat had continued with the technical work. There had now been a series of knowledge network meetings. Ideas from these and other sources were being synthesized. The secretariat had also developed an ideas bank, a collection of detailed profiles of main policy proposals that could be accessed electronically and a comprehensive statistical database of globalization. Both were instruments that could easily be developed further when the Commission had completed its work.
24. The next meeting of the Commission would take place in May. Commissioners would be looking at a first draft of their report and examining the follow-up to its work.
25. The Employer spokesperson stressed the importance of issues such as values, local governance and fair rules of play – so that the process of globalization could deliver economic and social development at the global level. He also noted that the Employers' group, in general, held a positive and constructive view of globalization. The final report should put forward clear and practical suggestions in terms of a way forward.
26. The Worker spokesperson, referring to a consultation of the World Commission with the World Confederation of Labour and International Confederation of Free Trade Unions, said that the submissions and level of discussion had been of a high quality. His group was also interested to see not only a blueprint for progress, but a document that set out a practical way forward for all actors.
27. The representative of the Government of Japan thanked the Office for the information that had been posted on the ILO web site and hoped that the Office would continue to make efforts to improve transparency.
28. The representative of the Government of Norway stated that, on the whole, his Government viewed the effects of globalization in a positive light; nevertheless, it also presented major challenges. The Norwegian Government would soon be finalizing a white paper on globalization in which it presented its views on how these challenges might best be addressed.
29. The representative of the Government of India, speaking on behalf of the Asia-Pacific group, thanked the Director-General for the update on the work of the Commission. Their group wished to be kept informed of the World Commission's activities, for example, the dialogue that had been held in Bangkok in December 2002.
30. The representative of the Government of Germany highlighted the subject of employment. He noted that it was difficult to deal with the question of employment without dealing with growth.
31. The representative of the Government of Italy, speaking on behalf of the European Union and the acceding and associated countries, reaffirmed support for the World Commission

and referred to the high-level seminar held in Brussels. She said that the Commission should devote particular attention to the social situation of women, who were often the first to face the negative impacts of globalization. The group noted that it was important to ensure the widest possible dissemination of the report itself, engagement with other international institutions and their participation in the follow-up.

32. The representative of the European Commission reported on the high-level dialogue with the European stakeholders that had been organized by the European Commission. The meeting had drawn attention to the way in which the European model was coping with globalization and the different governance processes involved and, although it could not be replaced as such, it might inspire the World Commission on how to take advantage of globalization.
33. The Chairperson of the Governing Body concluded the discussion of the World Commission by summarizing the timetable for the work of the Commission. The report of the Commission would be completed by the end of 2003. The Working Party would review the report at its meeting in March 2004 and the Director-General's Report to the International Labour Conference would follow in June 2004.

Governance, social partnership and globalization

34. The representative of the Director-General (Mr. Lee) presented the paper "Governance, social partnership and globalization: A preliminary review of issues".¹ He noted that this was the first step in a two-stage discussion, the purpose of which was a preliminary review of the issues to enable the Office to focus its research for the November discussion. In his presentation of the document, he outlined a working definition for the title that could assist the Working Party to make progress on the subject. He sketched some of the context in which the concept of governance had gained importance. Against this background, he noted the particular relevance of the subject for the ILO. The ILO had long been involved in the promotion of governance, particularly a key aspect – social partnership. Finally, he drew the attention of the Working Party to the four options set out in paragraph 20 of the Office paper and requested guidance on where the Office should concentrate its efforts.
35. The Employer spokesperson congratulated the Office on an excellent paper. His group agreed with the parameters set out for a definition of governance. They agreed that good governance was essential for development, and also believed that the social partners should actively cooperate with governments in order to achieve certain socio-economic objectives. It was for this reason that they believed the subject deserved further analysis. The Employers' group agreed with most of the points set out in the paper. While the elements mentioned in paragraph 11 were essential, it was important to note that there could be no respect for rights without the rule of law. Democracy, the rule of law and good governance were the essential preconditions for respect for fundamental rights with which they, of course, agreed. Finally, with respect to the options for further discussion, his group was interested in paragraph 20, subparagraph (iv), as a first priority and subparagraph (iii) could be a second priority.
36. The Worker spokesperson said that the paper was a nice introductory statement which had whetted their appetite for a more in-depth examination of the subject in the November meeting. Many of the Workers' group's concerns with globalization related to governance

¹ GB.286/WP/SDG/3.

issues. The focus of the debate in November should thus be on “the role and the contribution of the ILO in the promotion of good governance of globalization”. The foundation had to be respect for human and trade union rights – which should not however be seen as a matter for conditionality. Equally important was the ILO Declaration on Fundamental Principles and Rights at Work. The Workers’ group wished to point out that the November discussion needed to move beyond the philosophical underpinnings of the subject and to determine socially and economically suitable alternatives which might give hope to the disaffected. The scope of the definition should take the role of the social partners into account, specifically the institutional agencies which represented employers and workers.

37. The representative of the Government of Argentina, speaking on behalf of the Latin American and Caribbean group, noted their preference in paragraph 20 for the first two alternatives. They believed that these points best reflected the international dimension of the problem of governance, which should be the object of special attention of the Working Party.
38. The representative of the Government of Uruguay, speaking on behalf of the Latin American countries (not those in the Caribbean), highlighted the need for international consistency. Some countries advocated the liberalization of trade but did not practice the same in areas such as agriculture, the most important sector for trade and development. Eliminating barriers to trade, he said, would contribute to growth and employment in developing countries.
39. The representative of the Government of India stated that globalization and labour policy should be addressed as part of national policies, based on national concerns and addressing national priorities. No policy for global coherence on these issues could be supported, as this could be used to the detriment of developing countries’ interests. India did not support any move for a multilateral agreement on the social clause and governance that made a direct or indirect link between labour standards, trade and investment.
40. The representative of the Government of the Republic of Korea, on behalf of the Asia-Pacific group, noted that there was an inextricable link between the national and international dimension of governance, particularly as concerned issues of development and poverty eradication. The written statement noted the need to address the issue of governance in a holistic manner. The group was interested in successful experiences of good governance and providing member countries with technical assistance to build capabilities.
41. The representative of the Government of Nigeria agreed that good governance was a prerequisite for economic development and wished to see options (ii) and (iii) developed.
42. The representative of the Government of Venezuela was pleased that the document acknowledged the failure of neo-liberal policies, implemented through the IMF during the 1980s and 1990s. They noted that the political dimension of globalization, as seen from the prospect of governability, should not be separated from the economic aspect.
43. The representative of the World Bank welcomed the paper. The World Bank agreed with the key tenets of the paper. The Poverty Reduction Strategies prepared by developing countries with support from different partners, including the ILO and the World Bank, made good governance a central theme of their poverty-alleviation strategy. The World Bank agreed with the emphasis placed in the paper on the need for, and function of, institutions as a condition for successful market liberalization, including privatization. Last year’s *World Development Report* laid out the need to develop institutions that could make markets more efficient, more integrated and more inclusive. Finally, they also agreed that

social partnerships were an effective institution for minimizing the social cost of globalization and ensuring equitable access to its benefits.

44. The representative of the European Commission referred to the different instruments of governance applied in the European Union, such as legislation, social dialogue and the open method of coordination used in the European Employment Strategy. She said the term “governance” referred to more than public government; it included social dialogue, the involvement of the broader civil society and the role of enterprises in social responsibility.
45. The Chairperson noted that the document entitled “Information note on corporate social responsibility and international labour standards”² would be reintroduced at the next meeting of the Working Party.

Geneva, 26 March 2003.

² GB.286/WP/SDG/4(Rev.).