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1. Introduction

Haunted by the ghosts of Versailles, the booming 1920s, the 1930s depression 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 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.

This paper attempts to sketch the historical development of these international institutions devoted to finance, development and trade against the backdrop of major economic developments in the second half of the twentieth century. It also briefly reviews the evolution of international trade union policies and strategies vis-à-vis these institutions over the same period. This is a very rapid journey through economic time; it is far from definitive and cannot do justice to all events and developments over this period of over 50 years. Nevertheless this paper provides basic background material necessary for the international trade union movement to consider the impact of its past policies and strategies on the global economy. The paper also contains a more detailed review of the most recent developments over the last four years in the Bretton Woods institutions and the WTO.

This paper has been prepared by the ILO’s Bureau for Workers’ Activities (ACTRAV) for a trade union symposium to be held at the ILO in September 2001. The

Symposium will provide representatives of the trade union movement with an opportunity to follow-up on discussions that international trade union organizations like the World Confederation of Labour (WCL), the International Confederation of Free Trade Unions (ICFTU) and various international trade secretariats (ITSs) have had with the Bretton Woods institutions and the WTO in recent years. Representatives of these organizations are expected to participate in panel discussions during the Symposium, which will also provide an opportunity for internal trade union discussions on how union policies and strategies related to the global economy should evolve in the immediate future and over the longer term.

This paper should be regarded as a draft that will be reviewed and revised in the light of discussion at the Symposium. ACTRAV would also welcome comments and additional contributions to the paper from representatives of the international trade union movement, the institutions mentioned in the text and academics working on issues mentioned in the paper.

A number of other papers will be available and discussed at the Symposium, including separate documents reviewing recent trends in the relationship between the international financial institutions and the trade union movement in Asia, Africa, Latin America and Eastern Europe.

2. Basic facts about the World Bank and 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 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

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.

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 35-40 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 just some of the questions that participants in the Symposium will be invited to consider.

³ Up to the end of June 2000.

3. Fifty plus years of trade union lobbying on finance and development

3.1. The 1950s and 1960s: Halcyon years

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.

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 we have 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 1950 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.

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 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

¹ R. Pennant-Rea: “Hard pounding, this gentlemen”, in *The Economist*, 24 Sep. 1983.

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

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 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

³ *ibid.*, p. 60.

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.

3.2. 15 August 1971: The end of economic certainty

On 15 August 1971, the 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.

⁴ J. Gold: *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.

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 politically support 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 adequately to emphasize the importance of labour standards in promoting a balanced approach to employment.

International trade union movement participation in 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 "basic needs and employment strategy". Involvement of the international trade union movement with the annual G7 (later G8) summits also dates from this period.

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

⁷ *ibid.*, p. 69.

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 Britain and Italy were asked by the IMF to put their fiscal or monetary houses in order.

3.3. 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

⁸ R. Pennant-Rea: “Preacher and policeman”, in *The Economist*, 26 Sep. 1981.

⁹ *IMF Survey Supplement*, Sep. 2000.

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

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, 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

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

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

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 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 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 this 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

¹³ *ibid.*, p. 57.

¹⁴ *Ahead of the curve?*, *op. cit.*

There was, however, one important exception, and that was the work coming out of 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 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 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

3.4. 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

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.

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 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 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 IMF (See box on WCL – Bretton Woods contacts in the 1990s). 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 World Bank in contacts with the trade union movement.

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

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.

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

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*).¹⁹ 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 at 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 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 WCL and the Bretton Woods institutions

The 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 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 have become more frequent and more qualitative.

- In 1989–90, an economist from the ACV–CSC worked for several months in the office of the Belgian 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 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 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.

¹⁹ For example, the Public Services International played a particularly strong role in drafting the World Bank *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*.

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.²⁰ (See boxes describing the activities of Education International, the PSI, ITF and IFBWW.)

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 UNESCO, UNICEF, UNDP and the World Bank.

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 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 OECD's 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 have 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 sub-clauses 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.

²⁰ These initiatives are described in greater detail in the ICFTU "Millennium mapping" document, copies of which will be available at the Symposium.

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 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, Mr. 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 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.

3.6. 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 Highly Indebted Poor Countries (HIPC) initiative for debt relief was announced following a major internal review by the Bank and 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 the Bank and Fund before lending or debt relief were effected.²¹ PRSPs will also provide context to the Bank's Country Assistance Strategies (CAS) (see box for details of the PRGF, CAS and CDF).

²¹ 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.

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 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);
- 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 Mr. 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.

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 catalyze more poverty reduction".²²

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

²² World Bank Group: *Poverty Reduction Strategy Paper*, Internal Guidance Note, 21 Jan. 2000, p. 1.

by country authorities, in accordance with the principles embedded in the Comprehensive Development Framework (CDF), for submission to the Bank and Fund.²³

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 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 World Bank;²⁴ 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.²⁵ 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 (copies of this will be available at the Symposium). 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 has proposed that civil society consultation should be a condition of PRSP approval and has requested the IMF and World Bank not to endorse any future PRSPs developed without consultation with trade unions. No commitments have been given by the World Bank or 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 assisted 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;²⁶ 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

²³ IMF: Communiqués of the Development Committee, 27 Sep. 1999.

²⁴ Bolivia (Mar. 2001), Burkina Faso (May 2000), Mauritania (Dec. 2000), United Republic of Tanzania (Oct. 2000) and Uganda (Mar. 2000).

²⁵ *Combating 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 World Bank (Washington, 29-30 April, 2001).

²⁶ "Country Assistance Strategies (CASs): Ten features of a good CAS", at the World Bank website: <http://www.worldbank.org/html/pic/cas/tenfeat.htm>

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 obtaining 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 have completed PRSPs and another 36 have interim PRSPs.²⁷ More than 80 countries are eligible for concessional lending and HIPC debt relief. This means that more than 75 countries are still required 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 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 World Bank. The need for efficient and effective debt relief is clear.

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 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

²⁷ 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.

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 \$1 received in aid grant. Even so Nigeria is only paying little over half 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 website <http://www.jubilee2000uk.org>

The crippling burden of debt undermines financial assistance not just in the form of loans from the Bank and 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 IMF declared to be “deeper, broader and faster”. The Bank and 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,²⁸ 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.²⁹

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 2000.³⁰ This does not compare favourably with the Jubilee 2000 proposal (endorsed by the ICFTU), which covered 52 very poor and highly 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,³¹ 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.

²⁸ The IMF considers a debt to exports ratio above 250 per cent to be unsustainable.

²⁹ See World Bank website: <http://www.worldbank.org/hipc>

³⁰ The countries in question were: Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Cote 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 Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, United Republic of Tanzania, Togo, Uganda, Viet Nam, Yemen and Zambia.

³¹ Nigeria was originally classed as an HIPC country but was removed from the list in 1998.

Not only is the number of countries limited, but the progress of granting debt relief under the HIPC initiative has been slow.³² 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 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 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 billion – half of what they owe – from the shoulders of these countries.³³ However, when all 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.³⁴ The World Bank and 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.³⁵

The international trade union movement considers that much more needs to be done to increase the number 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 worker’s rights, should be a precondition for HIPC debt relief. The World Bank and 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 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

³² See: *Combating growing world inequality and renewed threats of international financial instability*, op. cit.

³³ See IMF factsheet *Debt relief for poor countries (HIPC). What has been achieved?*, Apr. 2001.

³⁴ Information obtained from the World Bank website: <http://www.worldbank.org>

³⁵ 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).

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.

3.7. 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 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; and
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 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.³⁶ 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.

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”.

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.

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.

³⁶ See, for example, the World Bank Country Assistance Strategy (CAS) released for Slovakia in January 2001 and the November 2000 CAS for Jamaica.

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 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 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”.³⁷ The response of the Bretton Woods institutions to these recommendations and trade union concerns has not been encouraging.

3.8. Labour issues at the IMF and the World Bank

Another major issue to dominate dialogue between the Bretton Woods institutions and the international trade union movement during the latter part of the 1990s was that of worker’s 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

³⁷ ILO: *Provisional Record* No. 16, International Labour Conference, 89th Session, Geneva, 2001.

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.³⁸ 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 Mr. Wolfensohn 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 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. World Bank President James 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, Mr. 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.

³⁸ 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).

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 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 annual 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"³⁹ 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.

³⁹ Referred to in Dr. Holzmann's statement.

In addition, the CAS is not the only possible vehicle for the integration of core labour standards in the IMF and 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 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 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 Vicente 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.

3.9. 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 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.

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.

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.

In addition to improving transparency, the IMF is helping to increase country 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.⁴⁰ 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.⁴¹

⁴⁰ See IMF factsheet on *Progress in strengthening the architecture of the international financial system*, July 2000.

⁴¹ Joint statement by the ICFTU, TUAC and ITS to the spring 2001 meetings of the IMF and World Bank, Washington (29-30 April 2001), op. cit.

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

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.

4. The evolution of the global trading system and impact of the World Trade Organization (WTO)

While the United States and 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 obligation¹ 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. 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 were 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.

¹ E.B. Kapstein: *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).

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. As mentioned earlier, 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/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.

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.

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- | |
|---|
| <ul style="list-style-type: none">■ Greater trade union role in implementing the Convention.■ Funds to allow unions to contribute to development policies. |
|---|

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-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

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

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, specifically 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 (WTO) 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.

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.

⁶ S. Ostry: "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.

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 consensus”, 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 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);
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 contributes also 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;
- all the other Members every six years.

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-

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

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.

4.1. Ministerial meetings in Singapore, Geneva and Seattle

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 aggressively lobby their governments. 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 website and

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

¹⁰ *ibid.*

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 “Millennial 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 with 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 marketplace, 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.¹¹ 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.”¹²

¹¹ R. Chadha: *Developing countries and the next round of WTO negotiations* (Blackwell Publishers Ltd., 2000), p. 432.

¹² George Becker, President of the United Steelworkers of America, quoted in *Time*, 13 Dec. 1999.

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 the promotion of 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.¹³

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.

4.2. 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. The PSI and EI are particularly concerned about the potential drain

¹³ 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.

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.

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

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 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.

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.¹⁴

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.

¹⁴ OECD: *International trade and core labour standards*, OECD 2000, p. 14.

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- 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.

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.

5. Conclusion

Trade unions have only been modestly successful in advancing their globalizing social justice agenda with the Bretton Woods institutions and the WTO. This Symposium provides an opportunity to receive an update on the most recent developments at the WTO and within the Bretton Woods institutions from representatives of these organizations who will be invited to participate in panel discussions with trade union representatives. Following these discussions, the Symposium will also provide 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 will have at their disposal reports on developments in the relationship between the trade union movement and the international financial institutions at regional level. This will enable participants to discuss technical capacity constraints that may exist among union structures at regional and national level and which impinge on the ability of the union movement to influence the policies and programmes of the international financial institutions.

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 effectively advance the trade union agenda on the global economy.

These considerations give rise to a number of questions that might be considered in the context of the Symposium. 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?