



## Moving Towards a Fair Globalisation

A CONFERENCE REPORT BY NICOLA LIEBERT

*This report sums up the results of the conference "Moving Towards a Fair Globalization: Taking forward the work of the ILO Commission on the Social Dimension of Globalization" held in Berlin on May 25<sup>th</sup> 2004. The report of the ILO Commission is available on [www.ilo.org](http://www.ilo.org)*

When the ILO World Commission on the Social Dimension of Globalisation ended its work in February 2004 it left no doubt that its final report was not to be seen as the last word on the subject but rather as a catalyst "to stimulate a wider process of public dialogue and common endeavour which will promote a fair and inclusive globalisation" (p. VIII). The Friedrich Ebert Foundation and the Federal Ministry of Economics and Labour have taken up this call by organising a conference in Berlin to take forward the work of the World Commission.

The World Commission recognises the huge productive capacity of globalisation and its potential for development. To fully realise its promise, however, there must be a more equitable distribution of its benefits. The Commission's recommendations how this might be achieved fall under four broad areas of action:

- Solving the problems of globalisation begins at home. Contrary to the dominant ideology of the 1990s, the Commission envisages a stronger role for a democratic and effective state.
- Globalisation and market liberalisation, in and of itself, do not automatically lead to higher growth rates or to full employment. The creation of decent jobs must therefore become a policy objective in itself. Again, the Commission contradicts the present mainstream by suggesting a stronger consideration of demand-side economics.
- Globalisation needs to be governed by fairer rules, including rules for trade, investment, labour and migration. This must be accompanied by high standards of accountability on the one hand and adequate aid flows on the other.
- The quality of global governance must be improved. Better policy coherence is an important prerequisite to this, especially putting social policies on a par with financial and economic objectives.

While many of the recommendations may sound vague and at times commonplace, it was generally acknowledged that this is a result of the consensual nature of the World Commission. Commission member Ernst Ulrich von Weizsäcker left little doubt that incorporating more radical demands would have only prompted the corporate side to walk out. This would have made the report perhaps more poignant, but at the same time useless.

### **The need for global macroeconomic policies for full employment**

After a decade of unfettered globalisation private capital is almost fully mobile and greatly strengthened. Meanwhile the gap between rich and poor, both at the individual level and between nations, has grown wider. At the same time the balance between the free market and regulation of the market by the state for the benefit of weaker parts of society has been unhinged since the end of the Cold War. Hence any efforts to introduce a social dimension into the globalisation process will be extraordinarily difficult.

One hopeful sign, however, is a renewed interest in the world to fight poverty – not least because of the threat that unchecked poverty poses to global stability. However, international organisations and their member states must not only recognise the importance of reducing poverty reduction, they must also formulate coherent policies to achieve this goal.

It used to be common wisdom that an average annual growth rate of about 7% in developing countries would be enough to gradually make a dent in the poverty rate. But even if some countries, notably China and India, achieve this it is unlikely that this model can be applied to the entire world. The gap between worldwide savings and necessary investments is simply too wide. Consequently, an economic policy that bets solely on high growth rates as a way to reach full employment cannot be a working model for all developing nations. Even in a country like Malaysia with high growth rates and ample foreign direct investment the trickle-down effect does not seem to work, as Malaysian economist Saaidah Abdul-Rahman showed.

While economic growth is essential for poverty reduction it is not enough, as the experience of the past decade illustrates. Also needed are a redistributive framework and an active employment policy. Good governance of social and labour questions is, after all, an important location factor when it comes to making investment decisions. The importance of employment creation and adherence to core labour standards is a message that needs to be aggressively disseminated as a first step to poverty reduction.

If the recommendations of the World Commission are to be taken seriously a global macroeconomic strategy is needed that makes the creation of decent employment a central goal. Although conclusive answers about how to translate growth into employment are still lacking, it has become evident that such a strategy must encompass the creation of economic growth and employment as well as the tax revenues needed to finance the former.

The ILO Employment Strategy Department is in fact actively considering a roundtable on macroeconomic policy to take place next year. Rudolf Anzinger, State Secretary in the German Ministry of Economics and Labour, suggested creating a “global alliance for employment,” comprised of governments, transnational corporations and trade unions.

With regards to core labour standards, the conference largely agreed that forcing countries to adhere to those standards is the wrong approach. This is true especially since many developing countries perceive tough labour standards as an impediment to their economic development. Instead a participatory approach was recommended, one that would include governments, trade unions, employers’ organisations as well as NGOs. Such a positive approach should highlight social development as a “win-win situation.” Some trade union representatives, however, expressed doubts about a strategy based on gentle persuasion and suggested a harder line might be unavoidable: just as international financial institutions relentlessly enforce the repayment of debts, they should also insist on compliance with core labour standards.

### **The need for policy coherence**

The Berlin conference gave special emphasis to the need for greater coherence at the national and international level about how to redress the

imbalance between social goals and economic policies. Presently, the same labour standards that have been formulated by one part of the UN system, the ILO, are often blithely ignored by other parts of the system.

The problem of lack of coherence within the UN system is gradually being tackled. The issue was first taken up at the 1995 World Summit for Social Development in Copenhagen. High-level meetings of organisations such as the IMF, World Bank, WTO, UNCTAD and ILO are already beginning to take place.

Coherence is an important precondition for change. But in order to refashion globalisation in an equitable way, concrete policies need to be devised. With the Millennium Development Goals having set concrete targets to halve poverty rates by 2015, the next step has to be outlining a road map to achieve those targets. Unfortunately, such a road map is far from sight. While there is a modicum of common understanding about the importance of integrating the social dimension into economic policy, how to best achieve this remains the subject of controversy. Meanwhile, the democratic deficit and lack of accountability in the international system has not been remedied, either.

Moreover, it is necessary to specify what kind of coherence is desired. There are, after all, as many different kinds of coherence as there are views of globalisation. Thus a high level of coherence has already been achieved where corporate interests are concerned, whereas labour or environmental interests are typically not integrated. A central question therefore is, on whose turf does the coordination of policies take place? A socially and environmentally sensitive strategy might not be fully implemented if the same powerful international organisations that so far have been more concerned with protecting property rights than labour rights remain at the helm.

It was suggested, therefore, that it might be better to initially formulate policies at the civil society level, using the Millennium Development Goals as a political framework (and rally a large number of people around them) before moving on to the financial and trade organisations. The UN might at first be primarily used as a facilitator for the necessary dialogue. As a coherent policy should not be confused with a 'one size fits all' policy, this bottom-up approach might also help

tailor policies to the individual needs of diverse countries and the people within them.

### **The need for a coordinating body**

In this context, the WTO came in for particular criticism. While the Doha trade round was much touted as supporting development by opening up markets, the promises have neither been translated into practical commitments, nor has there been much consideration of Doha's social implications. With regards to core labour standards a dialogue between ILO and WTO does as yet not exist.

This seems all the more regrettable because at first sight the WTO might appear as an attractive rule maker, not only in the economic sphere but in the social arena as well. It alone possesses a dispute settlement mechanism and the ability to impose sanctions. But a closer look reveals two major problems. The WTO operates with minimal staff and lacks the administrative capacity to administer complex social and environmental regulations and apply them to the diverse conditions of member countries. More importantly, the WTO refuses to incorporate social standards into its agenda – which is understandable given that attempts by the EU and the US to introduce social issues at the Seattle talks led to their collapse, as many developing countries feared that industrialised countries would use such standards to erect additional trade barriers.

This leads to the questions of alternative bodies to coordinate and reconcile social and economic desiderata. UNCTAD was mentioned several times, but UNCTAD is neither a recognised forum for global negotiations nor does it have the capacity to set binding rules. The World Commission itself named ECOSOC, which should regain exercise of its full mandate under the UN Charter, namely to promote global policy coordination in the economic and social fields. In reality, though, the Council has been sidestepped by the Bretton Woods organisations and the WTO. The best approach then, at least in the interim, might well be an intensified dialogue between ILO and WTO.

The failure so far to include social issues in the WTO highlights the difficulty of balancing the diverse interests of global actors. Conference participants cautioned therefore that one has to expect the process to be long and slow, as a coherent blueprint is not yet available.

## The need for political action

Three months after its publication the ILO report still has not yielded any political consequences. If, however, the report is not followed up by action and tangible improvements it runs the risk of being seen as mere window dressing. As a result, opposition to globalisation, and the international community's handling of it, might grow. To avoid this, intermediate steps should be taken, even before any major changes can be implemented.

The question remains, who are the agents of change? One answer given by the World Commission is: national governments. If governments determine the political framework of globalisation and created the relevant economic and financial international institutions, then governments can also change that framework.

In spite of this, governments often act more like they are the victims of globalisation, pointing to the pressures of the market, rather than its agents. Equally problematic: while the corporate sector enjoys good access to political decision making bodies the representatives of social interests do not. As a consequence governments often favour market liberalisation rather than more regulation in the interest of social and environmental concerns.

German MP Sigrid Skarpelis-Sperk therefore demanded that parliaments throughout the world begin acting on the ILO report, by, for example, creating greater coherence in national politics and by pushing for greater growth and employment both domestically and through their development aid policy. Mr. Anzinger additionally proposed the establishment of a best practices policy at the international level so that governments could learn from each other's experience. As an example he cited the much-criticised efforts of the German government to introduce a levy on employers for vocational training, which in a similar form already exists in South Africa and Singapore.

Efforts at an improved dialogue between international organisations were generally welcomed, but it was pointed out that dialogue is useful only if it leads to concrete actions. As the UN system is highly complex – and the complexity only increases through participative processes – a representative system is probably the only way to avoid endless discussions or stalemate. This

process is not without risks: developing countries must obtain a stronger voice within such a system, without the system benefiting only emerging markets while continuing to marginalise poor countries.

## The need for a strong civil society

Trying to offer a perspective on how to deal with the political power dilemma, conference participants pointed to the important role of civil society, even though there are also problems of legitimisation, accountability and transparency. Nevertheless credible NGOs, who cannot be easily put under pressure, might serve as the best advocates of the public interest. In cooperation with national parliaments, the only body to have legislative powers, they could help to reverse the dangerous trend of the weakening of the nation state.

While international organisations are beginning to work on improved policy coherence, some representatives of the UN system also emphasised the need for continued pressure from outside – from civil society as well as from national parliaments.

After all, NGOs do in fact sometimes succeed in making their voice heard. Their debt relief campaign, for instance, did prompt the World Commission to propose a cap on debt repayment. The Extractive Industries Review that was commissioned by the World Bank was also cited as an example of how social and environmental concerns can be brought into the powerful international financial institutions. (Unfortunately one cannot ignore that there is also strong resistance to such actions by countries such as the US that want the financial institutions to concentrate solely on their economic mandate).

UN representatives also expressed their hope that in Europe, where there still seems to be stronger support for the welfare state, governments would promote reforms at the international level. "Generally the UN does what member states want it to do", stated Sergei Zelenev of United Nations DESA, underlining the importance of action at the national level. However, the enforcement of social policies in international organisations often fails under present conditions, falling victim to national policy incoherences. Exerting public pressure on national governments could make a difference. One ILO representative addressed the NGOs directly: "Protest

at home. For that is where the political power is,  
and not in Geneva or New York.”

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