



## FIRST ITEM ON THE AGENDA

**Developments in other organizations****Overview of developments in other international organizations and bodies relevant to the work of the Working Party****Contents**

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## Introduction

1. At its 277th Session (March 2000), the Working Party asked the Office to prepare an update on developments in other international organizations and bodies relevant to its work. In doing so, the Office chose to widen the scope of the document, taking into account the decision of the Governing Body to extend the mandate of the Working Party to encompass the various aspects of the social dimension of globalization. This document, therefore, does not limit itself to the social dimension of trade liberalization, but also covers other global issues that have a strong impact in social and related fields. Developments on issues such as poverty elimination, debt relief and information and communication technology have featured quite strongly on the international agenda during the current year and are duly reflected here.
2. Globalization and its various aspects, in particular its social dimension, are now a recurrent theme on the international scene. In view of the wealth of information available, the first section of this paper groups together the various reports and studies published. This has the advantage of highlighting the different shades of opinion in the assessment of the effects of globalization. The second section covers various high-level conferences and meetings that have addressed this subject, reflecting the policy positions adopted.
3. This document is not exhaustive, and has been prepared on the basis of internal information and elements to be found in the public domain (mainly through Internet sites).

## I. Reports and studies

### A. United Nations system

#### 1. *UN Millennium Summit: Report of the Secretary-General*

4. The UN Millennium Summit, <sup>1</sup> held in New York from 6 to 8 September 2000, considered the Secretary-General's report entitled "We the Peoples: The role of the United Nations in the 21st century". <sup>2</sup> In his report, the UN Secretary-General attempts to identify the main challenges facing the international community and sketches out an action plan for addressing them. Central to his proposal is the view that globalization is an extraordinarily powerful force offering both opportunities and challenges for nations and people. The benefits are plain to see, but these benefits "remain highly concentrated among a relatively small number of countries and are spread unevenly within them". While there are now "strong and well-enforced rules facilitating the expansion of global markets", efforts to secure "equally valid social objectives – be they labour standards, the environment, human rights or poverty reduction – have lagged behind". As a result, globalization has begun to generate a backlash. "To survive and thrive, a global economy must have a more solid foundation in shared values and institutional practices – it must advance broader and more inclusive, social purposes."

<sup>1</sup> <http://www.un.org/millennium/index.html>

<sup>2</sup> <http://www.un.org/millennium/sg/report>

5. Among the new initiatives announced by the Secretary-General in the report is the proposal to establish a global policy network to explore viable new approaches to the problem of youth employment. This concern has been explicitly mentioned in the Millennium Declaration. This high-level group, to be convened jointly by the UN Secretary-General, the Director-General of the ILO and the President of the World Bank and to include private sector and civil society leaders, will develop collaborative youth employment initiatives, disseminate information on good practices and lessons learned from past or ongoing youth employment policies and programmes, and formulate recommendations for action to be proposed to world leaders during next year's General Assembly. A brainstorming meeting of the Joint Secretariat of the Youth Employment Network was held at UN headquarters on 25 August 2000, with the active participation of the ILO and the World Bank. The first meeting of the Network is foreseen for late November.

## **2. *Special Session of the General Assembly of the United Nations: World Summit for Social Development And Beyond – Achieving Social Development for All in a Globalizing World (Geneva, 26-30 June 2000): Report on the Impact of Globalization on Social Development***

6. As requested by the Preparatory Committee for the Special Session termed “Copenhagen + 5”, the UN Secretary-General submitted a report on the “Impact of Globalization on Social Development” (document A/AC.253/25) to the Second Session of the Committee in April 2000. It traces the main features and the experiences of globalization for different categories of countries and society, highlights salient features of its impact on social development as a result of developments in trade, technology and finance, and concludes with some observations aimed at a closer integration of economic and social objectives in a global market. The report states that “while providing opportunities for many, globalization has also been disruptive to large categories of society. The benefits of globalization have been unevenly spread”. It stresses the urgent need to “manage the process of globalization better so as to minimize its negative effects, make the opportunities provided by globalization available to all and spread its benefits wider”. The report stresses that if the goals of the Summit (poverty eradication, full employment and social integration) are to shape the market, they must be integrated into the full range of core economic and other public policies. Secondly, the impact of policies on the exacerbation or alleviation of poverty should be an area of special concern. Thirdly, it would be desirable to develop and strengthen a pro-poor, market-based growth strategy that builds on the capacity of the poor to exploit the potential of the market to escape poverty.

## **3. *UNDP: Poverty Report 2000***

7. The United Nations Development Programme (UNDP) released a global report entitled “Overcoming Human Poverty: UNDP Poverty Report 2000” on 4 April 2000.<sup>3</sup> The report assesses a broad range of national poverty programmes to find out what is working and what is not and to draw out some general lessons for better policies. “Much remains to be learned about how to make anti-poverty plans effective”, say the authors. One of the lessons is that such programmes need to be multi-sectoral and comprehensive. According to the report, good economic policies and growth are not enough for poverty reduction. There is a need to build a constituency for change. “Without such organized public action,

<sup>3</sup> <http://www.undp.org/povertyreport>

market-driven economies rarely promote social justice.” It also stresses that the “missing link” between poverty and its reduction in scores of developing countries is effective governance institutions.

8. The report finds that five years after the commitments made at the World Summit for Social Development in Copenhagen, nations with genuine action plans to end poverty remain a minority. While over three-quarters of the world’s poorer nations have estimated the dimensions of poverty in their midst, fewer than one-third have set targets for eradicating extreme poverty or substantially reducing overall poverty. It also notes that “many donors still do not make poverty reduction a priority, or know how to focus their resources on the poor, or monitor their impact. The authors conclude that inroads can and are being made against poverty when the links between decentralization and people’s empowerment are fortified ... If the poor lack organization and power, the benefits of poverty programmes are unlikely to reach them – or, if they do, to make a lasting difference”.

#### 4. **UNDP: Human Development Report, 2000**

9. The UNDP released the 2000 issue of its Human Development Report on 29 June 2000.<sup>4</sup> This report, entitled “Human Rights and Development” touches closely on questions of interest to the ILO, and several ILO officials contributed to its production. The report has accepted the notion of decent work, and uses it fairly extensively throughout the study. In addition, it makes the ratification and application of ILO Conventions – particularly the fundamental Conventions – a feature of its presentations on the achievements of human rights. ILO concepts and concerns are reflected throughout the work, even where the ILO is not explicitly mentioned. The report supports the whole idea of rights-based development, stressing that the divide between the human development agenda and the human rights agenda is narrowing. It states that human rights can add value to the agenda of development, and that rights also lend moral legitimacy and the principle of social justice to the objectives of human development. It urges international bodies “including the WTO” to be guided by human rights principles and commitments in decision-making; and tells global corporations that profit-making is not enough: they have responsibilities to respect human rights too.
10. The report contains two boxes of potential interest to the Working Party. The first refers to international trade, human rights and environmental agreements (box 4.11, page 86). The text stresses the need for consistency in international legal regimes and norms and standards and states that “if trade is recognized as a means to enhancing human well-being, commercial interests must not override protection of fundamental rights and freedoms. The legal regime for trade, embodied by such organizations as the WTO, will have to develop in tune with its social and environmental counterparts”. The second box (box 4.10, page 85) refers to the social clause and is entitled “The social clause – no panacea for workers’ rights”. It is stated that “A social clause is far from likely to be a panacea for protecting labour rights in the North or the South. The issues are complex, and the impacts uncertain ... Ultimately, what is needed to improve workers’ rights in developing countries are investments and economic growth that create jobs, stronger national laws and their implementation, and adoption of higher standards by the domestic private sector and foreign corporate investors”. Among the alternatives to trade sanctions mentioned are: “Measures to give teeth to the enforcement of core labour standards of the ILO; programmes involving employers and governments to improve workers’ rights – the ILO programmes against child labour, which build on successful initiatives that provide

<sup>4</sup> <http://www.undp.org/hdr2000/home.html>

education in Bangladesh and Pakistan, are an example; initiatives to tighten the accountability of corporations, including corporate codes of conduct that respect core labour standards, with independent monitoring and implementation; and consumer action such as labelling and boycotts to create market incentives for higher labour standards”.

## **5. *UN Sub-Commission on the Promotion and Protection of Human Rights: Preliminary Report on Globalization and its Impact on the Full Enjoyment of Human Rights***

11. In accordance with Sub-Commission resolution 1999/8, a preliminary report on “Globalization and its Impact on the Full Enjoyment of Human Rights” was submitted by the two Special Rapporteurs to the Fifty-second Session of the UN Sub-Commission on the Promotion and Protection of Human Rights (Geneva, 31 July to 18 August 2000). Its content created some controversy, especially regarding the institutional framework that had been developed to pursue the essential goals of globalization. The Sub-Commission did not come to any conclusions, or adopt any resolution or decision on this report, which remains a preliminary report. The Special Rapporteurs criticize the attempt to forge a link between issues concerning trade, human rights, labour standards and the environment and emphasize the concern it has caused for many developing countries “particularly when they are couched in the terms of conditionality”. They call for a radical review of the WTO’s operation, the role and place of both developing country participation and that of non-state actors such as NGOs. In the case of the Bretton Woods institutions, they stress the need for more transparency and accountability. The authors mention the fact that a number of UN specialized agencies – among them the ILO – have found occasion to address the question of globalization and its effect on their specific mandates. In concluding, they call for the formulation of guidelines that would elaborate the basic human rights obligations of the main actors within the context of globalization. These guidelines would be applied not only to the various regimes of international trade, investment and finance, but also to the institutional arrangements within which these regimes are housed. These include the Bretton Woods institutions, the WTO and regional organizations.

## **6. *UNCTAD: Trade and Development Report, 2000***

12. The Secretariat of the United Nations Conference on Trade and Development (UNCTAD) released the 2000 issue of the Trade and Development Report on 19 September 2000.<sup>5</sup> This year, the report looks at whether the current recovery in the global economy – which last year “surpassed expectations” – is built on solid foundations. The report stresses that two big global economic forces are currently competing for the world’s attention. On the one hand, the promise of a “new economy” underpinned by information and communication technologies is “exciting policy-makers, including those from the world’s poorest countries”. On the other hand, growing instability and uncertainty linked to globalization has left them deeply worried about the impact of financial shocks on growth prospects: “the experience of some of the most successful developing countries has shown just how virulent those forces can be”.

13. It is stressed that, despite the welcome turnaround in the world economy in 1999, current global macroeconomic imbalances bear, however, some disturbing resemblances to those of the 1970s and 1980s, when the absence of cooperation and coordination among the

<sup>5</sup> <http://www.unctad.org/en/pub/ps1tdr00.en.htm>

major economic powers led to systemic breakdown and hard landings. Such a scenario would be most damaging to growth in the developing countries, warns the report. The report finds that concerted efforts by developing countries to become full participants in an increasingly interdependent global economy continue to be stymied by biases and asymmetries in the trading and financial system. The report refers to the WTO Ministerial Conference in Seattle and to the reluctance to move towards a new round of multilateral trade negotiations that takes into consideration the development needs of poorer countries, including the problems they face in implementing commitments in the Uruguay Round. On the “digital divide”, the report stresses that increased international cooperation and dialogue will be needed if the full potential of new technologies to bridge the growing gap between the rich and poor is to be realized. The report then focuses on the situation in East Asia and states that the speed of recovery in the region over the past year has been encouraging. However, employment and wages have generally lagged behind aggregate income in the recovery, and poverty has remained considerably above pre-crisis levels. In East Asia, the deterioration in the conditions of labour, particularly among the unskilled, is a major reason why the reduction in poverty levels has so far lagged behind economic recovery in this region. The persistence of widespread poverty and declines in wage incomes despite the recovery of output provide prima facie evidence that financial cycles result in regressive income distribution.

## **7. UNCTAD: World Investment Report, 2000**

14. The annual UNCTAD World Investment Report for 2000<sup>6</sup> was published on 3 October 2000. It presents comprehensive data on foreign direct investment and transnational corporations (TNCs). The UNCTAD team preparing the report consulted the ILO during its preparation. The report analyses in depth the mergers and acquisitions trend and the possible effects on development. It looks in particular at the issue of whether development goals – including employment – are advanced more by “greenfield” ventures as opposed to acquisitions. One main conclusion is that competition policies – both national and perhaps international – will become an increasingly important policy issue. The report includes a discussion of the employment effects of acquisitions and quotes ILO instruments including the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.
15. A few of the highlights of the 2000 report are the following. The top 100 TNCs are still mainly based in industrialized countries and account for one-eighth of the total \$16 trillion of assets owned by TNCs. The gross product of all TNCs is now equal to about 10 per cent of global output. Sales of foreign affiliates are twice as large as global exports. About 14 per cent of world gross capital formation is in the form of foreign direct investment and about 16 per cent of the stock of world investment; both figures have risen steadily over the last 20 years. The regulatory environment for foreign direct investment has facilitated the expansion of TNCs, with 94 per cent of all regulatory changes during the 1990s pointing towards a more favourable climate. About three-quarters of TNC investment goes to industrialized countries. Of the remaining quarter of foreign direct investment flows, ten developing countries received 80 per cent. About 80 per cent of all foreign direct investment flows in 1999 were the result of mergers and acquisitions. The trend towards TNC investment through mergers and acquisitions has risen sharply since 1993.

<sup>6</sup> <http://www.unctad.org/en/pub/ps1wir00.en.htm>

## **8. UNCTAD: The Least Developed Countries 2000 Report**

**16.** The Least Developed Countries 2000 Report (LDC 2000)<sup>7</sup> was released on 12 October 2000. This report has been prepared for the Third UN Conference on the Least Developed Countries (UNLDC III), which will be held in Brussels in May 2001. It deals with financing development in the 48 LDCs, and particularly with the scope for resource mobilization and the role of Official Development Assistance (ODA), debt relief and private capital flows. It looks at economic growth and social trends in the LDCs in the 1990s and assesses how economic reforms have worked in these countries, the value of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative to them and ways in which new approaches to partnerships and policy coherence can increase effectiveness. The report also examines whether the current rethinking of international development cooperation is likely to rectify the deficiencies of the past. In that regard, the main conclusion is that current diagnosis for change which is shaping the new approach to international cooperation is flawed in several crucial respects. On the development financing patterns of LDCs, two key features emerge: (i) the central accumulation and budgetary processes of the LDCs are dominated by external rather than domestically generated resources; (ii) almost all the external finance for most LDCs comes from official sources.

### **B. Bretton Woods institutions**

#### **1. World Bank: World Development Report, 2000/2001: Attacking Poverty**

**17.** The World Bank's annual World Development Report, published on 12 September 2000, returned to the theme of poverty last dealt with in 1990.<sup>8</sup> The ILO was able to offer comments on drafts at an inter-agency meeting in March 2000 in Stockholm and by direct contact with the drafting team. Chapters of the report were made available in draft on the Internet, and a lively on-line debate was conducted in March and April. The Working Party will wish to note in particular the emphasis on empowerment and participation in the comprehensive three-pronged strategy for poverty reduction proposed in the report.

**18.** The report, entitled "World Development Report, 2000/2001: Attacking Poverty", stresses that economic growth is crucial but often not sufficient to create conditions in which the world's poorest people can improve their lives. More than two years in the making, the report draws on a large volume of research, including a background study "Voices of the Poor", which systematically sought the personal accounts of more than 60,000 men and women living in poverty in 60 countries. The report states that the distribution of the gains of globalization is extraordinarily unequal, and progress in poverty reduction has varied widely across regions. It builds on the view that poverty means not only low incomes and lack of consumption, but also lack of education and poor nutrition and health. It recommends that developing country governments at all levels, donor countries, international agencies, NGOs, civil society and local communities mobilize behind three priority areas: (i) expanding economic opportunity for poor people through equitable growth, better access to markets and expanded assets; (ii) empowering poor people by strengthening their ability to shape decisions that affect their lives and removing discrimination ("The poor are the main actors in the fight against poverty. And they must

<sup>7</sup> <http://www.unctad.org/en/pub/ps1ldc00.en.htm>

<sup>8</sup> <http://www.worldbank.org/poverty/wdrpoverty/report/index.htm>

be brought centre stage in designing, implementing, and monitoring anti-poverty strategies”); and (iii) enhancing security by preventing and managing economy-wide shocks and providing mechanisms to reduce the sources of vulnerability that poor people face. The report concludes by saying that global actions need to complement national and local initiatives to achieve maximum benefit for poor people throughout the world.

## **2. *International Monetary Fund (IMF): World Economic Outlook***

19. As usual, the IMF produced its two main World Economic Outlook (WEO) reports in the spring and autumn. The spring WEO<sup>9</sup> issued in April 2000 states that world GDP growth in 1999 was 3.3 per cent, a full percentage point stronger than forecast at the end of 1998. World GDP growth in 2001 is forecast to be about 4.25 per cent, but this is probably subject to an upward bias in terms of potential revision risk. All areas of the world economy are contributing to the strengthening of growth prospects. Positive growth is expected to continue at least through the year 2000, although important risks are identified for the latter part of 2000 or 2001. There is concern at the pattern of growing global current account imbalances between the major regions of the global economy. One of the issues highlighted in the report is the plight of the poorest countries, with an analysis of the reasons for the growing gap between the poorest and the richest countries. While some developing countries have made impressive progress in raising living standards in recent decades, too many countries, and nearly one-fifth of the world’s population, have regressed in relative and sometimes even absolute terms, in arguably one of the greatest economic failures of the twentieth century. There is a need for substantial reductions in debt burdens, and the need to raise economic growth is the most critical aspect of what is required to address the poverty problem. Two particularly important contributions from the industrialized countries are emphasized, in addition to fostering debt reduction. These are to reverse the downward trend in ODA, and to reform those trade policies that disadvantage the poorest countries. More generally, integrating the poorest countries into the global economy clearly is a critical part of the solution. According to the report, the current backlash against globalization on the argument that it has hurt the poor is inconsistent with the experience of the successful emerging market countries in South-East Asia. The report also focuses on the striking developments in the world economy in the twentieth century and the policy lessons – with particular emphasis on technological change – that have driven the enormous increase in the production of goods and services.
20. The autumn WEO,<sup>10</sup> issued in September 2000, states that growth in the world economy has been the strongest in more than a decade and despite the effect of recent increases in oil prices on inflation rates in industrialized countries, inflation in the world economy is well-contained. Developing countries around the world, with some exceptions, are generally doing quite well. It is forecast that world economic growth will be sustained at better than 4 per cent in 2001; however, that forecast was completed before the recent hike in oil prices. Just over a decade having passed since the start of the transition process in Europe and the birth of the Commonwealth of Independent States (CIS), there is a special focus in the WEO on the transition economies. Overall experience with transition in Europe and the CIS, and also the Asian economies, including China, is reviewed, and questions posed as to what has been achieved, what are the lessons of experience, and what are the policies needed to move the process forward. One striking feature of the transition process has been the generally better performance of the countries applying for

<sup>9</sup> <http://www.imf.org/external/pubs/ft/weo/2000/01/index.htm>

<sup>10</sup> <http://www.imf.org/external/pubs/ft/weo/2000/02/index.htm>

membership of the EU. Among other issues covered is a review of the evidence for the new economy in various parts of the world and some of the implications for policies, as well as a discussion of developments in commodity prices, including oil.

## **C. World Trade Organization (WTO)**

### ***Study on Trade, Income Disparity and Poverty***

21. A WTO Secretariat study, entitled “Trade, Income Disparity and Poverty”,<sup>11</sup> was released in June 2000. The aim of this study, which is based on two experts’ reports commissioned by the WTO Secretariat, was to try to clarify the interface between trade, global income disparity and poverty. One of the findings is that in a world economy marked by increasing income gaps between poor and rich countries, trade can be a factor in bringing about convergence in incomes between countries. A parallel finding is that trade-related income convergence is accompanied by faster growth in the liberalizing countries. The document discusses the various channels by which trade may affect the income opportunities of poor people. It concludes that trade liberalization is generally a positive contributor to poverty alleviation – it allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks. It is recognized, however, that most reforms will create some losers (some even in the long run), and trade reforms could exacerbate poverty temporarily. The authors argue that the appropriate policy response in those cases is to alleviate those hardships and facilitate adjustments rather than abandon the reform process. The study also provides a checklist to help policy-makers assess the poverty impact of trade reforms and stresses that “it is an empirical fact that the income gap between poor and rich countries has increased in recent decades”.

## **D. Organisation for Economic Co-operation and Development (OECD)**

### ***1. OECD Study on International Trade and Core Labour Standards***

22. As reported to the Working Party in March, the OECD’s Trade and Employment and Social Affairs Committees have been working on a Secretariat report to update the 1996 Study on “Trade, Employment and Labour Standards: A study of Core Workers’ Rights and International Trade”. This study, finalized in May 1996, was submitted to the Working Party at the 267th Session of the Governing Body in November 1996.<sup>12</sup> The updated study entitled “International Trade and Core Labour Standards” was agreed for publication in August 2000. The ILO was consulted by the OECD extensively, especially on the sections describing ILO standards and supervisory procedures. In view of the significance of the report for the ILO’s work, the OECD’s overview of its report is attached (see appendix).
23. As mentioned in the document submitted to the Working Party in November 1996, the initial study concluded that it was important to focus the debate on the core labour standards that incorporated fundamental human rights. It also pointed out that the absence

<sup>11</sup> [http://www.wto.org/english/news\\_e/pres00\\_e/pr181\\_e.htm](http://www.wto.org/english/news_e/pres00_e/pr181_e.htm)

<sup>12</sup> GB.267/WP/SDL/2.

or inadequacy of core standards was not a significant factor increasing competitive advantage in international trade, and that there was a positive interaction between the liberalization of international trade and the application of core rights. This updated report presents an analysis of these and other developments since the 1996 study, together with a review of the literature appearing since then. It has emerged from this work that the major findings of the earlier study remain largely valid. At the same time, certain aspects of the complex interplay between trade, employment and core labour standards continue to attract differing views, including among OECD member States. The report points out that since the 1996 study was completed there have been a number of significant developments with respect to core labour standards: two important milestones were the inclusion of a statement on core labour standards at the Singapore WTO Ministerial Conference<sup>13</sup> and the adoption of the ILO Declaration on Fundamental Principles and Rights At Work. The report stresses that systems for promoting, monitoring and enforcing ILO Conventions have become stronger, in part through increased numbers of ratifications and through the follow-up to the Declaration.

## 2. *OECD Guidelines for Multinational Enterprises*

24. A revised set of OECD Guidelines for Multinational Enterprises (MNEs)<sup>14</sup> was agreed on 27 June 2000 at the OECD's annual Council meeting at ministerial level in Paris, France. The Guidelines are non-binding recommendations by governments to MNEs operating in or from OECD countries and four non-member countries: Brazil, Argentina, Chile and the Slovak Republic. The recommendations cover such areas as employment and industrial relations, human rights, environment, competition, information disclosure and taxation, and two new chapters on combating bribery and protecting consumers have been added. The Guidelines remain an integral part of the 2000 OECD Declaration on International Investment and Multinational Enterprises, which is a broad set of instruments containing commitments by governments to provide national treatment for foreign-controlled enterprises, to avoid conflicting requirements and to cooperate on incentives and disincentives for foreign investment. In addition to the governments concerned, business and labour interests, represented through the OECD Business and Industry Advisory Committee (BIAC) and the OECD Trade Union Advisory Committee (TUAC), were consulted closely on the review of the Guidelines along with non-governmental organizations, other non-member governments, and international organizations, including the ILO, which provided inputs into the process.
25. The preface to the Guidelines acknowledges the importance of international investment to the world economy, and recognizes the role of international cooperation in encouraging the positive contribution that MNEs can make to economic, social and environmental progress. The preface also refers to the ILO Declaration on Fundamental Principles and Rights at Work and to the Copenhagen Declaration for Social Development. Chapter IV, on "Employment and Industrial Relations" recommends enterprise commitments in four categories analogous to those in the Declaration (right to be represented and to engage in constructive negotiations; effective abolition of child labour; elimination of all forms of forced or compulsory labour; and non-discrimination in employment or occupation). Other issues of direct relevance to ILO activities in that chapter include information and consultation; cooperation and assistance in the development of collective agreements; occupational health and safety practices; human resource development policies; and relocation procedures. Other revisions have added references to respecting the human

<sup>13</sup> See GB.268/WP/SDL/1/3, Corr. and Add.1.

<sup>14</sup> See also GB.279/MNE/2. The Guidelines are reproduced in the appendix to that document.

rights of those affected by MNE activities and encouraging, where practicable, business partners, including suppliers and subcontractors to act consistently with the Guidelines.

26. Revisions to the procedure for implementation of the Guidelines were a key aspect of the review. National contact points (NCPs) in each adhering country (which may be run by government alone or in combination with business, labour and/or NGOs) are expected to fulfil responsibilities for promoting Guidelines and contributing to the solution of problems which may arise in connection with the Guidelines, either in countries adhering to the Guidelines or involving activities of those countries' MNEs in non-adhering countries. Along with responsibility for clarification of the Guidelines and other duties, the Committee on International Investment and Multinational Enterprises (CIME) is also responsible for holding exchanges of views on the activities of national contact points in order to enhance the effectiveness of the Guidelines. Procedural Guidance is provided to both NCPs and CIME in fulfilling their implementation roles; in this context, CIME may seek and consider advice from experts on any matters covered by the Guidelines, a reference which could be interpreted to include consultation with the ILO.

## **E. European Union (EU)**

### **1. Charter of Fundamental Rights of the EU**

27. Following months of negotiations, a 62-person convention (representatives of national Parliaments, European Parliament, Member States and European Commission) in charge of drafting a Charter of Fundamental Rights of the EU approved the final draft in Brussels on 26 September 2000. This draft puts strong emphasis on social rights, in particular workers' fundamental rights; the prohibition of slavery and forced labour; freedom of association and collective bargaining – including strike action; the prohibition of child labour; and non-discrimination, stressing equality between men and women in all areas, including employment, work and pay. It also highlights workers' right to information and consultation within the undertaking; right to engage in work and to pursue a freely chosen or accepted occupation; freedom to seek employment and to work; freedom to conduct a business; access to placement services; fair and just working conditions; protection in the event of unjustified dismissal; family and professional life; social security and social assistance. This final draft was endorsed by EU leaders at their informal summit in Biarritz, France (13-14 October 2000). The European Council meeting in Nice in December is due to discuss the Charter's legal status.

### **2. European Commission**

#### Communications from the Commission

28. The European Commission submitted to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, a Communication on the Strategic Objectives for 2000-2005. While recognizing that globalization opens up new prospects for trade, investment and technological development, the Commission stresses that it does have certain negative side effects: "The process has turned out to be exclusive rather than inclusive and has widened the inequalities between countries and between social categories and regions within them (...). The Union must work to secure greater coherence in the management of the world economy, gradual integration of the developing countries, sustainable development and the definition of new 'ground rules', which are essential if the fruits of globalization are to be divided fairly and benefit the largest number of people possible. Minimum levels should be established for competition, social and environmental standards and investment". The Commission reiterates its will to work to

ensure, “through the launching of a comprehensive Millennium Round, that the forces of globalization are harnessed to the needs of the world and that sustainable development is secured” and to push for the “development of a new economic and social agenda designed to increase competitiveness and create jobs”.

- 29.** The Commission also submitted a Communication on the Social Policy Agenda of the EU on 28 June 2000. This Communication is intended to provide input to the Nice European Council meeting in December 2000. The preparation of this agenda has been the subject of wide-scale consultation and dialogue with the various interested parties, including social partners, NGOs and advisory committees. According to the Commission, the Lisbon Summit had highlighted the essential linkage between Europe’s economic strength and its social model. To take this forward, a “guiding principle of the new Social Policy Agenda would be to strengthen the role of social policy as a productive factor”. This Communication stresses the particular importance of international cooperation. According to the Commission, the objective of the promotion of international cooperation is “to facilitate the exchange of experience and good practice in particular with international organizations (ILO, OECD, Council of Europe). A key aim will be to strengthen the employment and social dimension of globalization, through the respect of core labour standards and the promotion of an integrated economic and social agenda in a global economy”. The document refers to the actions that have to be taken and mentions the need for the Commission to further develop EU cooperation with international organizations in the field of employment, education and training, social protection and fundamental social rights; to support the debate on respect for core labour standards through a dialogue involving international organizations, including the ILO and the WTO; to encourage member States to ratify the Worst Forms of Child Labour Convention, 1999 (No. 182); and to organize a “conference on the social dimension of the European Union’s external relations”.

## **F. Regional development banks**

### **1. African Development Bank: Annual Report 1999**

- 30.** In the African Development Bank’s Annual Report for 1999, the Chairman of the Board of Directors and President of the Bank Group emphasizes that the principal challenge facing African countries and their development partners in the coming decades has been the reduction of poverty. He stresses that in the coming years, the Bank Group expects to be an active participant in the enhanced HIPC framework and assist its regional member countries in the formulation of effective national Poverty Reduction Strategy Papers (PRSPs). An important step already taken in this regard has been the strategic partnership agreement concluded recently with the World Bank.

### **2. Asian Development Bank: Annual Report 1999**

- 31.** The Asian Development Bank’s Annual Report for 1999 contains a message from the chairperson of the board of directors which indicates that the board of directors has approved a radical shift in the way the ADB operates. With the adoption of its new poverty reduction strategy, ADB has refocused its work to make eliminating poverty from the region its main mission. Starting this year, an annual ADB action plan for poverty reduction will be prepared, and country partnership agreements will be developed. The chairperson stresses that ADB’s commitment is that at least 40 per cent of its lending volume by 2001 will be devoted to poverty interventions and that all projects will have to show that they benefit the poor, directly or indirectly. Insisting on the role of growth in reducing poverty by generating employment and incomes, the chairperson calls for a

proper balance between the economic and social agendas. The ADB's new poverty reduction strategy adopted in November 1999 is based on three pillars: (i) pro-poor, sustainable economic growth based on policies and programmes that facilitate employment and income generation for the poor; (ii) social development, which can enable the poor to make full use of opportunities to improve their standard of living, and programmes that directly address the severity of poverty; and (iii) good governance to ensure that the poor have better access to basic services and greater voice and participation in the decisions affecting them. To implement this pro-poor strategy, the ADB has created a Poverty Reduction Unit in an upgraded Strategy and Policy Department, and a Presidential Commission on Poverty Reduction has been formed, comprising the heads of key departments and offices.

### **3. *Inter-American Development Bank: Annual Report 1999***

32. The Inter-American Development Bank's Annual Report for 1999 refers to poverty reduction and emphasizes that poverty is not just an economic condition measured by income data, but a human condition that relates to the quality of life: no single approach or policy will suffice in combating poverty, and the approaches followed must foster growth and create jobs. According to the report, "the heart of the Bank's lending programme in 1999 continued to reflect its strong commitment to the social sectors".

## **G. Latin American Economic System (SELA)**

### ***Study on Globalization, Insertion and Integration***

33. The Permanent Secretariat of the Latin American Economic System (SELA) published in June 2000 a document entitled "Globalization, Insertion and Integration: Three Significant Challenges for the Region". The paper states that "fear of an uncertain future and of an unpredictable world range among the distorting effects of globalization, which is supposed to provide greater wealth and well-being. Instead, it creates turmoil by unleashing job cutbacks, declining social benefits, and the threat of having no savings to take one through one's senior years due to the breakdown of social security and benefits systems, especially in those countries on the outskirts". As regards the possible regional responses to the challenges of globalization, the document stresses the need "to implement policies to speed up growth and increase investment ... and reinforce the link with generation of jobs and facilitate access to capital, technology and business organization by small and medium-sized enterprises which account for most employment in the countries of the region". It concludes by stating that the world economic outlook is very uncertain and the imbalances, asymmetries and instability revealed by the recent financial crises are severely affecting Latin America and the Caribbean. Although these effects are "not solely attributable to the globalization process, renewed efforts are needed – at the level of the governments, organizations and civil societies – to revise the adopted model with its excluding and unfavourable social implications and to find paths that overcome these effects".

## **H. Joint reports**

### **1. *UN/World Bank/IMF/OECD – Joint Document: A Better World for All***

34. In the framework of the Special Session of the UN General Assembly known as "Copenhagen + 5", the UN Secretary-General, the Secretary-General of the OECD, the Managing Director of the IMF and the President of the World Bank presented a joint

document entitled “A Better World for All: Progress towards the International Development Goals”. This paper – which generated some controversy – states that poverty in all its forms is the greatest challenge to the international community, and setting goals to reduce poverty is therefore an essential part of the way forward. In their foreword, the executive heads of these four organizations stress that “it is essential for all the partners in this development effort to pursue faster, sustainable growth strategies that favour the poor; to spend efficiently – avoiding waste and ensuring that the mechanisms for accountability are always in place; to spend effectively – on activities aimed at human, social and economic development, not on excessive military capacity or on environmentally disastrous projects; and to spend wisely – not committing public resources to activities that can be best undertaken by the private sector”. In their view, the obstacles are “weak governance, bad policies, human rights abuses, conflicts, natural disasters and other external shocks, the spread of HIV/AIDS, the failure to address inequities in income, education and access to health care, and the inequalities between men and women”, but also “limits on developing countries’ access to global markets, the burden of debt, the decline in development aid and, sometimes, inconsistencies in donor policies also hinder faster progress”. They finally call for a “true partnership” to overcome these obstacles.

35. The document sets seven goals: (i) to halve the proportion of people living in extreme poverty by 2015; (ii) to enrol all children in primary school by 2015; (iii) to empower women and eliminate gender disparities in primary and secondary education by 2005; (iv) to reduce infant and child mortality rates by two-thirds by 2015; (v) to reduce maternal mortality ratios by three-quarters by 2015; (vi) to provide access for all who need reproductive health services by 2015; and (vii) to implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015. Each of them addresses one aspect of poverty, but they “should be viewed together because they are mutually reinforcing”. To meet these goals requires, above all, five preconditions: (i) stronger voices for the poor; (ii) economic stability and growth that favours the poor; (iii) basic social services for all; (iv) open markets for “trade, technology and ideas”; and (v) enough resources for development, “used well”.

## 2. ***Regional development banks/World Bank/IMF – Global Poverty Report***

36. Following the request made by the G-8 Summit in Cologne, Germany, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the World Bank and the IMF submitted a joint report during the G-8 Summit in Okinawa, Japan (21-23 July 2000). This report, entitled “Global Poverty”, notes that although the proportion of people living in poverty globally declined from 29 per cent in 1987 to 26 per cent in 1998, the total number of poor remained almost unchanged at around 1.2 billion. The multi-dimensionality of poverty is stressed, as well as the importance of providing social protection to the poor which “requires mechanisms to mitigate the impact of local and national crisis and to reduce vulnerability”. These include “subsidies targeted to the poor, public works and ‘food for work’ programmes, and sustainable, well-designed pension, unemployment, social assistance programmes and severance payments to those laid off during civil service retrenchment or public enterprise reform”. This report emphasizes the role of increased openness to trade which “creates opportunities for new investments and jobs, and promotes more efficient use of resources and higher productivity”. It also notes the growing impact of information and communication technology on economic activities, “especially in developed countries” and emphasizes the importance of the enhanced HIPC Initiative and the need for additional resources to be mobilized to assure the delivery of debt relief to all eligible countries.

## II. Conferences and meetings

### A. United Nations system

#### 1. *UN Millennium Summit*

- 37.** Some 149 Heads of State and of Government gathered at UN headquarters in New York from 6 to 8 September for the United Nations Millennium Summit. The Director-General led the ILO delegation. They unanimously adopted a United Nations Millennium Declaration at the conclusion of the Summit.<sup>15</sup> The main document to emerge from the largest-ever gathering of world leaders, the Declaration contains a statement of values, principles and objectives for the international agenda for the twenty-first century. It also sets deadlines for many collective actions.
- 38.** The document<sup>16</sup> reaffirms member States' faith in the United Nations and its Charter as indispensable for a more peaceful, prosperous and just world. The leaders declare that the central challenge of today is to "ensure that globalization becomes a positive force for all", acknowledging that at present both its benefits and its costs are unequally shared. They call for global policies and measures, corresponding to the needs of developing countries and economies in transition. The Heads of State and Government resolved to halve, by the year 2015, the proportion of the world's people whose income is less than US\$1 a day. They also resolve to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work" and to "develop strong partnerships with the private sector and with civil society organizations in pursuit of development and poverty eradication". Among the steps aimed at development and poverty eradication, the Declaration contains commitments to make the right to development a reality for everyone. It stresses that success in eliminating poverty will depend, inter alia, on good governance not only within each country, but also at the international level. They call for the adoption of a policy of duty-free and quota-free arrangements for essentially all exports from the least developed countries (LDCs) and for the implementation of the enhanced programme of debt relief for the heavily indebted poor countries. Commitments to advance the role of the UN include steps to ensure greater policy coherence and better cooperation with its agencies, the Bretton Woods institutions and the WTO as well as other multilateral bodies. The Declaration calls for the strengthening of cooperation between the UN and national Parliaments "through their world organization, the IPU" and for greater opportunities for the private sector, non-governmental organizations (NGOs) and civil society to contribute to the realization of the Organization's goals and programmes. Finally, the leaders request the General Assembly to review on a regular basis the progress made in implementing the provisions of the Declaration and ask the Secretary-General to issue periodic reports for consideration by the General Assembly and as a basis for further action.
- 39.** Four interactive round tables involving Heads of State and Government were held during the Summit to allow for more informal and open discussion. The first ever meeting of the Heads of State and Government that are members of the Bureau of the Economic and Social Council (ECOSOC) was also held on 8 September, as part of the UN Millennium Summit. The meeting concentrated on globalization issues crucial to the development of all countries, with a focus on the role of information technology. They welcomed the

<sup>15</sup> <http://www.un.org/millennium/index.html>

<sup>16</sup> A/55/L.2.

recent ECOSOC Ministerial Declaration on this subject and recognized that information and communications technology was central to the creation of the emerging global knowledge-based economy and that it could open new vast opportunities for economic growth and social development.

**2. *Special Session of the General Assembly of the United Nations: World Summit for Social Development and Beyond – Achieving Social Development for All in a Globalizing World (Geneva, 26-30 June 2000)***

- 40.** The 24th Special Session of the General Assembly of the United Nations entitled “World Summit for Social Development and Beyond: Achieving Social Development for All in a Globalizing World” was held at the Palais des Nations in Geneva from 26 June to 1 July 2000.<sup>17</sup> The ILO delegation was led by the Director-General, and included a tripartite delegation of the Governing Body. The outcome document adopted by consensus on 1 July includes a political statement on the centrality of more equitable, socially just and people-centred societies, an assessment of what has happened since the World Summit for Social Development of 1995 and a wide array of initiatives.
- 41.** In the brief Political Declaration (Part I of the outcome document), Member States stressed that “globalization and continuing rapid technological advances offer unprecedented opportunities for social and economic development. At the same time, they continue to present serious challenges, including widespread financial crises, insecurity, poverty, exclusion and inequality within and among societies”. The text stated that “unless the benefits of social and economic development are extended to all countries, a growing number of people in all countries and even entire regions will remain marginalized from the global economy”. They considered that “full respect for fundamental principles and rights at work” was one of the “essential elements for the realization of social and people-centred sustainable development”. The ILO’s concerns were also well reflected in the overall review and appraisal of the implementation of the outcome of the World Summit for Social Development (Part II of the document). The Special Session stressed that “since the Summit, globalization has presented new challenges for the fulfilment of the commitments made and the realization of the goals of the Summit” and recognized that there was a “need for collective action to anticipate and offset the negative social and economic consequences of globalization and to maximize its benefits for all members of society, including those with special needs”. Delegates duly acknowledged the work carried out by the ILO since 1995, in particular the adoption of the Declaration on Fundamental Principles and Rights at Work and of the Worst Forms of Child Labour Convention, 1999 (No. 182).
- 42.** A number of further initiatives adopted at the Special Session were based on proposals submitted by the ILO during the preparatory process. Of particular significance was the explicit endorsement of the ILO’s Decent Work Programme and its four strategic objectives by the overall international community. Member States also recognized the “need to elaborate a coherent and coordinated international strategy on employment” and supported “the convening of a world employment forum by the ILO”. They undertook to support “continued efforts towards ratifying and fully implementing the ILO Conventions concerning basic workers’ rights ... to respect, promote and realize the principles contained in the ILO Declaration” and committed themselves to support and participate in

<sup>17</sup> For a detailed account of the Special Session and its outcome, see GB.279/ESP/3.

the global campaign for the immediate elimination of the worst forms of child labour, including by promoting universal ratification and implementation of the Worst Forms of Child Labour Convention, 1999 (No. 182). Member States stressed the “need for close cooperation between the ILO, UNICEF, the World Bank and other relevant actors” in the fight against child labour.

### **3. *Special Session of the General Assembly: Women 2000 – Gender Equality, Development and Peace for the Twenty-first Century (New York, 5-9 June 2000)***

43. The 23rd Special Session of the General Assembly of the United Nations entitled “Women 2000: Gender Equality, Development and Peace for the Twenty-first Century” was held in New York from 5 to 9 June 2000.<sup>18</sup> This event provided an opportunity to assess the progress made and obstacles encountered in the implementation of the Platform for Action agreed at the Fourth World Conference on Women of 1995 and to identify further action and initiatives to achieve its full implementation. The General Assembly adopted by consensus a Political Declaration and an outcome document entitled “Further Actions and Initiatives to Implement the Beijing Platform for Action”.

44. The outcome document emphasizes the gender dimension of the challenges posed by globalization. It stresses the gender effects of changing patterns of production, work, and accelerated technological advances in information and communication, pointing out their uneven impacts on women. The outcome document calls for measures to ensure that women reap the benefits rather than bear the burdens of globalization. They include analysing and designing policy responses to the major reasons why women and men are differently affected by job creation and retrenchment; ensuring equal access to social protection systems to provide safeguards against the uncertainties and changes in conditions of work; facilitating employment for women through, inter alia, adequate social protection and access to risk capital. Finally, the agreed text calls for the respect, promotion and realization of the principles contained in the ILO Declaration on Fundamental Principles and Rights at Work and asks member States to “strongly consider ratification and full implementation of ILO Conventions which are particularly relevant to ensuring women’s rights at work”.

### **4. *ECOSOC 2000: Substantive Session (July 2000)***

45. The High-Level Segment, with the theme of “Development and International Cooperation in the Twenty-first Century: The Role of Information Technology in a Knowledge-based Global Economy” took place at UN headquarters in New York from 5 to 7 July 2000. A distinguishing feature of this year’s High-Level Segment was the participation of over 50 ministers, Heads of State, executive heads of the international financial organizations and other international organizations, and, for the first time, CEOs from leading private information technology companies. Based in part on a report submitted by the UN Secretary-General, ECOSOC adopted a Ministerial Declaration which reflected the broad consensus on the role of information and communication technology (ICT) in development, including on employment and labour matters. They proposed creating an ICT task force, under the Secretary-General’s overall leadership, to bring together multilateral development institutions, private sector industry, foundations and trusts and

<sup>18</sup> For a detailed account of the Special Session and its outcome, see GB.279/ESP/4.

bilateral donors to mobilize resources to assist developing countries in putting in place their own ICT strategies and programmes.

## 5. *Global Compact (July 2000)*

46. The Director-General of the ILO participated in the High-Level Meeting on the UN Global Compact on 26 July 2000 at UN headquarters in New York. The meeting was convened by the UN Secretary-General to signal the commitment of world business to promote the universal values of the Compact, which include the ILO Declaration's fundamental principles and rights at work. Along with heads of the relevant UN agencies, participants in the open discussion format included representatives of more than 40 multinational companies, as well as partners in the Global Compact, including the International Organization of Employers (IOE), the International Confederation of Free Trade Unions (ICFTU), and other business and civil society organizations. The Global Compact was launched at the World Economic Forum, Davos, Switzerland, on 31 January 1999, when UN Secretary-General, Kofi Annan, challenged world business leaders to "embrace and enact" a Compact of nine principles covering topics in human rights, labour and environment, both in their individual corporate practices and by supporting appropriate public policies. Core agencies participating in the Global Compact include the Office of the UN High Commissioner for Human Rights, the ILO, and the UN Environment Programme (UNEP).<sup>19</sup>
47. At the 26 July meeting, the Director-General in his statement singled out four priority areas for cooperation between the ILO and the Global Compact partners and companies: child labour; engagement with stakeholders through social dialogue and sectoral meetings; information exchange on international labour standards and practices including health and safety in the workplace; and training for managers on fundamental principles and rights at work. He emphasized two key issues for dialogue: freedom of association and job creation.

## B. *Global Ministerial Environment Forum (May 2000)*

48. Ministers of Environment met in Malmö, Sweden, from 29 to 31 May 2000, on the occasion of the First Global Ministerial Environment Forum, and adopted the Malmö Ministerial Declaration. This Declaration stresses that the "trends of globalization in the world economy, with the attendant environmental risks and opportunities, require international institutions to adopt new approaches and to engage the major actors involved in globalization in new ways. We should encourage a balanced and integrated approach to trade and environment policies in pursuit of sustainable development". They also welcomed the Global Compact initiative taken by the Secretary-General and called for enhanced collaboration by UNEP with the private sector. A document containing background papers prepared by UNEP was submitted to the Forum with a view to stimulating discussions.<sup>20</sup> The document refers to the globalization process and stresses that it "offers many people an opportunity to improve the quality of their lives. This opportunity, however, can be grasped only if one is educated, has highly developed social skills, and has access to well-functioning labour and/or capital markets. Many people, however, still remain excluded, including the population of many developing countries". It then states that the "cultural, social and economic divide must be bridged" and explores

<sup>19</sup> <http://www.unglobalcompact.org>

<sup>20</sup> Document UNEP/GCSS.VI/8, May 2000.

ways in which environmental values can be made one of the central pillars of this bridge. Referring to the events in Seattle, the document puts particular emphasis on the role to be played by the private sector and civil society in general.

## **C. Bretton Woods institutions**

### ***Annual Meetings (September 2000)***

- 49.** The IMF and the World Bank held their Annual Meetings in Prague from 19 to 28 September 2000. In addition to the meetings of the board of governors, the Development Committee and the International Monetary and Financial Committee (IMFC) were officially convened. “Making globalization work for the benefit of all” was adopted as the theme of the meetings and as a guiding principle for the future work of the Bank and the Fund, and in this context the fight against poverty was reconfirmed as the overriding objective. This was specifically endorsed in the IMFC Communiqué. The Development Committee Communiqué stated that the more integrated global economy and technological gains brought about by globalization should be a great source for economic and social progress, equity and stability, but that these results were not inevitable. It accepted the responsibility to help ensure that globalization works for the benefit of all, and not just the few, and re-emphasized a commitment to strengthening the Bank and the Fund and other multilateral institutions as valuable allies in this effort. In the closing words of World Bank President Wolfensohn, there was consensus that the elimination of poverty was central to the mission of both the Bank and the Fund, and that globalization presented both opportunities and challenges; their task was to maximize the advantages of globalization and to help those who were challenged by it. In the closing words of IMF Managing Director, Horst Köhler, the institutions that provided the anchor to the global economic system had a responsibility to ensure that globalization translated into a better life for all; members must be helped to take advantage of the global economy while finding better ways to contain risks in order to achieve sustained growth and reduce poverty.
- 50.** The Executive Heads of the IMF and the World Bank presented a joint statement which was generally welcomed and endorsed. In this, they announced their shared objective to help improve the quality of life and reduce poverty through sustainable and equitable growth, and elaborated a set of guiding principles. These included: (i) a comprehensive approach to address the multidimensional nature of sustainable growth and poverty reduction; (ii) equitable growth and development in order to be lasting and effective, overcoming barriers related to gender, ethnicity and social status, and with benefits accessible to all; (iii) country ownership, with nations accepting responsibility for their development strategies tailored to country circumstances, and broad-based participation; (iv) support linked to levels of performance; and (v) transparency to ensure clarity and accountability around roles, responsibilities and outcomes.
- 51.** The IMF’s enhanced role and strong engagement in the poor countries and in the Poverty Reduction Strategy Papers (PRSP) approach was specifically endorsed. For the World Bank, the core tasks included helping countries to reduce poverty, with a focus on the institutional, structural and social dimension of development. A key objective remains the application of the comprehensive development framework, and for the poorest countries, the Bank is developing a new Poverty Reduction Support Credit (PRSC) in parallel with the Fund’s Poverty Reduction and Growth Facility (PRGF) which will similarly link Bank-financing support to a country’s PRSP. Bank-Fund cooperation was seen to be most effective in the areas such as the financial sector where responsibilities overlap. The enhanced HIPC Debt Relief Initiative was seen as a most crucial area of Bank-Fund cooperation. The important role of the private sector in these areas was also stressed, with emphasis on market-oriented solutions and voluntary initiatives. There was a commitment

to streamline and improve policies on conditionality, to engage with civil society in a better way, and to enhance partnership between themselves and with bilateral and multilateral partners.

52. A significant theme evident throughout the meetings and strongly endorsed was a call for both the World Bank and the IMF to strengthen their cooperation and partnerships with other institutions. The Development Committee called on the World Bank in particular urgently to clarify its agenda for institutional selectivity to better manage the total demands on Bank staff and resources and to work closely with other international organizations for better coordination of responsibilities. The ILO's position, reflected in written statements by the Director-General which were circulated to the ministers and other observers at the Development Committee and IMFC meetings, expressed ILO support for, and readiness to cooperate in, the main objectives of poverty reduction. A number of areas for cooperation and the development of greater synergies were highlighted. The ILO statement to the World Bank Development Committee is reproduced on the World Bank website.<sup>21</sup>

## **D. Organisation for Economic Co-operation and Development (OECD)**

### **1. Meeting of the Council at ministerial level (June 2000)**

53. The OECD Council at ministerial level met in Paris on 26 to 27 June 2000. A number of points of interest to the ILO are taken up in its Communiqué.<sup>22</sup> The Slovak Republic attended the meeting as an observer prior to its formal accession on 28 September as the OECD's 30th Member. The theme of the ministerial meeting was "Shaping Globalization". While stressing the opportunities, especially those created by advances in technology, ministers recognized serious concerns and the challenges posed for governance at all levels. They indicated that the next OECD ministerial meeting, in 2001, would discuss a policy report on sustainable development together with a major study with the aim of providing "a mutually supportive and consistent policy framework for better integrating economic, social and environmental considerations". The Communiqué emphasizes that "enhanced social cohesion, bolstered by full employment" will facilitate adjustment to a wide range of changes.
54. Reviewing developments on trade with WTO Director-General, Mr. Moore, the Ministers concluded that "the lessons of the WTO Ministerial Meeting in Seattle are clear ... strong political will and greater flexibility on all sides are needed if we are to build consensus for a new Round; more must be done to address the particular and varied concerns of developing countries and there must be a broader engagement with our societies to establish a constructive dialogue on the benefits and challenges of trade liberalization". Stressing the need to strengthen and gain broad public support for the multilateral trading system, the Communiqué states that "enhanced cooperation among relevant international bodies – such as the WTO, IMF, World Bank, UNCTAD, ILO, WHO, UNEP – and OECD is essential. OECD's analytical work in support of the multilateral trading system, including its work on investment, trade and environment, trade and core labour standards,

<sup>21</sup> For a more detailed account of ILO relations with the Bretton Woods institutions, see GB.279/ESP/1.

<sup>22</sup> <http://www.oecd.org/subject/mcm/2000>

and trade and competition, together with its contributions to international understanding of governance issues, remains relevant”.

55. The Communiqué also refers to the adoption of updated Guidelines for Multinational Enterprises by OECD governments, together with those of Argentina, Brazil, Chile and the Slovak Republic (see above, paragraph 24). The Development Cooperation section broadly endorses the new World Bank-IMF poverty reduction strategies. It also cites the Development Assistance Committee (DAC) Policy Statement “Partnership for Poverty Reduction” which “signals the key importance of comprehensive country-level development frameworks integrating anti-poverty strategies”. Ministers backed internationally agreed targets, stressing that “commitment to respect for human rights, including gender equality and the empowerment of women, is an integral part of development cooperation, and vital for sustainable poverty reduction”. The OECD is developing guidelines on poverty reduction and a checklist on policy coherence. The ministers pledged further efforts to increase official development assistance and to reach an agreement on untying aid. The Communiqué concludes with a section on cooperation with non-members: “The Organization must deepen and extend its relations with non-OECD economies, in the fields where it has a comparative advantage, toward the development of a rules- and values-based world economy.”

## 2. ***OECD Forum 2000 – Partnerships in the new economy (June 2000)***

56. The aim of the OECD Forum 2000, held in conjunction with its 2000 Ministerial Council Meeting, was to bring together OECD ministers, heads of international organizations, and participants from business, non-governmental organizations and civil society at large to foster discussion and debate on key challenges confronting the increasingly global, knowledge-based economy in the twenty-first century, and explore how this new knowledge economy can best function for the betterment of all. Reviewing globalization and the “new-age economy”, a number of speakers supported the view that economies that are more open do better, that globalization was an important explanation of superior growth performance and low growth rates were associated with slow reduction of poverty. The increasing gap between the richest and poorest of the world population was highlighted. The essential conditions for fair and equitable development revolved around employment growth and the adequate provision of education and health facilities.
57. On the role for the developing countries in the “new-age economy”, there was a strong feeling that the poorest countries would need help and assistance in developing their capacity in the ICT sector and participating in the new global economy. The issue of bridging the “digital divide” across and within countries was the focus of attention in most of the sessions, and many speakers pointed out to the real threat of social unrest this divide had the potential of unleashing. Speakers stressed the need for the globalization of human rights and that business should view the protection of human rights as a “moral” rather than a “legal” responsibility. In the long term, this served the business interest, since the rule of law helps protect investments and a satisfied workforce contributes to gains in productivity. Labour rights and human rights needed to be taken seriously at the multilateral level, including through the ILO Declaration on Fundamental Principles and Rights at Work.

## E. European Union (EU)

### *European Council meetings (March and June 2000)*

58. The Heads of State and Government of the EU and the President of the European Commission met in Lisbon, Portugal, on 23 to 24 March 2000 for a special meeting of the European Council. The Lisbon meeting set the Union a strategic goal for the next decade: to become the most competitive and dynamic knowledge-driven economy in the world, combining economic growth with more and better jobs and social cohesion.<sup>23</sup> In its conclusions, the presidency referred to the need for an “active employment policy” asking member States to consider setting national targets for an increased employment rate; to the necessary adaptation of systems of social protection; and to the shift to a digital, knowledge-based economy and the need to invest in people. Regarding the promotion of social inclusion, the Council stated that “the best safeguard against social exclusion is a job” and concluded by saying that it would pursue its reflection on the future direction of social policy on the basis of a Commission communication, with a view to reaching agreement on a European Social Agenda at the Nice European Council meeting in December 2000.
59. A further meeting was held in Santa Maria da Feira, Portugal, on 19 and 20 June 2000 to discuss, among others, the implementation of the Lisbon strategy. In its conclusions, the presidency indicated that “this strategy, which is now fully under way, underpins all Community action for jobs, innovation, economic reform and social cohesion”. The Council underlined “the importance of small firms and entrepreneurs for growth, competitiveness and employment in the Union” and referred to the recently adopted European Charter for Small Enterprises. It reiterated the importance of lifelong learning as “an essential policy for the development of citizenship, social cohesion and employment” and called for a more prominent role of the social partners in the implementation of the European Employment Strategy, in particular regarding the modernization of work organization, lifelong learning and the increase in the employment rate, particularly for women.

## F. Africa-Europe Summit (April 2000)

60. The Heads of State and Government of African States and of the EU, with the President of the European Commission, met in the First Africa-Europe Summit under the aegis of the Organization of African Unity (OAU) and the EU, in Cairo, Egypt, on 3 to 4 April 2000. In their Declaration, they confirmed that the current trend towards liberalization and globalization posed serious challenges for African countries in an era of continuous decline in Africa’s share of world trade. They also welcomed the decision to allocate 1 billion euros out of the European Development Fund for Debt Relief in the framework of the Enhanced HIPC Initiative and noted that African countries would be the main beneficiaries of this decision. They acknowledged that the success of any debt relief initiatives depends on the implementation of the necessary economic reform measures, and in this regard they encouraged African countries to continue to implement such reforms, to institute good governance and to commit themselves to safeguard savings from debt relief for poverty alleviation, including the improvement of the social sectors and the rehabilitation of infrastructure. In their Plan of Action, they agreed to deepen the link between trade and

<sup>23</sup> <http://register.consilium.eu.int/pdf/en/00/st08/08643en0.pdf>

development in the multilateral trading system in order to ensure that the benefits of further trade liberalization and the strengthening of multilateral rules contribute to poverty reduction and sustainable development. In that regard, they agreed to pay particular attention to this concern at future WTO ministerial conferences. They welcomed the HIPC Initiative and shared the hope, expressed by the OAU, for the creation of a World Solidarity Fund to address Africa's development with special focus on poverty eradication.

### **G. EU-United States Summit (May 2000)**

- 61.** The Heads of State and Government of the EU and the United States gathered in Queluz, Portugal, on 31 May 2000. They issued a statement on a new round of negotiations in the World Trade Organization. In their statement, they reaffirmed their conviction that the early launch of an inclusive new round “would offer a major boost to global economic growth, employment and sustainable development”. They pledged to “build on the constructive work of the last six months to try to launch such a new round during the course of the year” and reiterated their “common view that the WTO agenda should include the social issues of labour and environment, not as a matter of protectionism, but as a matter of social justice and sustainability”.

### **H. G-8 Summit (July 2000)**

- 62.** The Heads of State and Government of the G-8 and the President of the European Commission met from 21 to 23 July 2000 in Okinawa and released a Final Communiqué, in which they first recognized the progress of all kinds made during the last quarter of the twentieth century, but, “while continuing to be innovative in order to maximize the benefits of globalization for all”, they also acknowledged the concerns associated with this process. They referred to the role and potential of ICT and endorsed the Okinawa Charter on a Global Information Society. They welcomed the report on poverty reduction submitted by multilateral development banks and the IMF, and looked forward to receiving an annual poverty report as they review progress each year in reducing poverty across the globe. In their Communiqué, they also welcomed the “increasing cooperation between the ILO and the international financial institutions (IFIs) in promoting adequate social protection and core labour standards” and urged the IFIs to incorporate these standards into their policy dialogue with member countries. In addition, they stressed “the importance of effective cooperation between the WTO and the ILO on the social dimension of globalization and trade liberalization”.
- 63.** The Heads of State and of Government of the G-8 welcomed the endorsement of the Enhanced HIPC Initiative by the international community and progress in its implementation was noted, even if “further efforts are required”. They also referred to the recovery in Asia and stressed that “reform efforts must now focus on maintaining the momentum behind financial and corporate sector reforms, improving public and private sector governance and transparency, and strengthening social safety nets to ensure strong sustainable growth and avoid future instability”. They stressed that small and medium-sized enterprises could be a powerful tool for development. Regarding trade issues, they called for the strengthening of the multilateral trading system and renewed their firm commitment to a new round of WTO trade negotiations “with an ambitious, balanced and inclusive agenda, reflecting the interests of all WTO Members”. They agreed that the objective of such negotiations should be to “enhance market access, develop and strengthen WTO rules and disciplines, support developing countries in achieving economic growth and integration into the global trading system, and ensure that trade and social policies, and trade and environmental policies are compatible and mutually supportive”.

64. President Mbeki of South Africa, on behalf of the Non-Aligned Movement, delivered a letter to the President of the G-8 during the Summit, stressing that the “human degradation faced by 1.2 billion of humanity, and the challenges to provide decent standards of living, adequate nutrition, health care, education, and decent work for all are common goals for both the South and the North”. NAM members believe that “much remains to be done” regarding the question of external debt and on trade issues. The letter emphasizes the “tremendous efforts” made by developing countries in recent times “at great costs, to enable them to integrate more fully into the global economy. However, these efforts have not been reciprocated with the concomitant expectations of important gains from such integration, especially in terms of faster growth, increase in employment opportunities and the reduction in poverty levels”. In their view, this situation comes primarily as a result of “fundamental imbalances in the international trading and financial systems”. They expressed their disappointment with the outcome of the last WTO Ministerial Conference and stressed the urgent need to restart that process taking into account the development needs of developing countries.
65. The Heads of State and Government of the G-7 met during the Summit and released a “Statement on Global Economic Issues”. In their statement, they stressed that debt relief for the heavily indebted poor countries was a crucial part of the strategy aimed at halving the number of people living in extreme poverty by 2015. Progress made in the implementation of this initiative was underlined, even if they agreed that further efforts were still necessary. They also emphasized the need for the multilateral development banks to increase their resources devoted to core social investments.

#### **I. Group of 77 (G-77): South Summit (April 2000)**

66. The Heads of State and Government of the member countries of the Group of 77 (G-77) and China met in Havana, Cuba, from 10 to 14 April 2000 for the First South Summit. They adopted a Declaration and a Programme of Action. In their Declaration, they expressed their concern regarding the widening North-South gap and the deterioration of the social and economic conditions of the LDCs. They called for urgent measures to be taken to address the needs of the large majorities of the population, stressing that “if this is not done, globalization will provide no lasting solutions to the essential problems of developing countries”.
67. On trade issues, while recognizing the “value of environmental protection, labour standards, intellectual property protection, indigenous innovation and local community, sound macroeconomic management and the promotion and protection of all universally recognized human rights and fundamental freedoms, including the right to development, and the treatment of each issue in its competent international organization”, they rejected “all attempts to use these issues as conditionalities for restricting market access or aid and technology flows to developing countries”. They welcomed the initiative launched for the creation of the World Solidarity Fund and expressed their concern on the matter of debt and on the subject of transnational corporations (TNCs), stressing that their global strategies were not necessarily consistent with job creation and the realization of development objectives in many developing countries. In this context, they requested UNCTAD and the ILO, within their respective mandates, to study the merger trend among TNCs and its impact on unemployment, as well as its impact on the competitiveness of small and medium-sized enterprises (SMEs) in developing countries. They called on TNCs to integrate the development objectives of the host developing countries into their business strategies.
68. The Heads of State and Government of the G-77 and China noted that the prevailing gap between the North and South in the scientific and technological fields was still growing,

and that the process of rapid accumulation of knowledge and technologies had not reached the hundreds of millions of people who continued to live in absolute poverty: technological innovations should be systematically evaluated in terms of their economic, social and environmental impact, with the participation of all the social sectors involved, including the business community, governments, the scientific community, and other groups that had not traditionally been part of this process. In their Programme of Action, they recalled that globalization presented opportunities as well as risks and challenges, and committed themselves to promote the effective participation of developing countries in international economic policy decision-making in the context of the globalizing world economy. They emphasized the role of South-South cooperation and committed themselves to strengthen cooperation in promoting social development, including enhancing capacity building and human resources.

## **J. Group of Fifteen (G-15): Tenth Summit (June 2000)**

- 69.** The Heads of State and Government of the Group of Fifteen met in Cairo, Egypt, from 19 to 20 June 2000 for their Tenth Summit. Meetings of foreign ministers and trade ministers had been held in preparation to this Summit. In their Joint Communiqué, on the subject of trade, they attached “high priority to full and effective implementation of the WTO Agreements in a manner consistent with the goal of trade liberalization” stressing that “non-trade issues such as labour standards, proposed by some developed countries, shall not be introduced in, or linked to the WTO agenda”. They rejected “all attempts to use such issues as disguised forms of protectionism and as conditions for restricting market access, aid and/or technology flows to developing countries” and expressed their concern on the “deterioration of preferential schemes, especially the imposition of new conditionalities, such as labour and environmental standards, on developing countries in the Generalized System of Preferences (GSP)”. On the matter of debt, while welcoming the HIPC Initiative, they stressed that this initiative and its enhancement, with their various conditions, were not sufficient to contribute effectively to national efforts at eradicating poverty or to improving the international environment for development financing, and did not “inject fresh funds for economic and social development in the countries concerned”. Taking into account the South Summit Declaration, they emphasized the role of SMEs and reiterated the request addressed in Havana to the relevant international institutions.
- 70.** Concerns about the increasing problem of unemployment in most developing countries, worsened by the recent financial crisis, were also expressed. The Joint Communiqué stated that “unemployment affects the socio-economic fabric of societies. This is most acute in countries of the South where more than 1 billion people are unemployed and the associated problem of underemployment is prevalent”. Recalling the G-15 initiative of a “Comprehensive Employment Strategy” which seeks to “ensure the development of policies geared towards stable economic growth and social development”, they reiterated the “urgency for the ILO to design such a strategy so as to stimulate employment creation in all developing countries as a follow-up to the Declaration and Programme of Action of the Copenhagen Summit on Social Development. In doing so, the ILO should also analyse the social and economic impact of the financial crisis on the informal sector of the economies of the countries concerned, particularly on vulnerable sectors, and should undertake further studies on the impact of the crisis of financial markets on the various programmes for poverty alleviation in developing countries”.

## **K. Non-Aligned Movement: Thirteenth Ministerial Conference (April 2000)**

71. The Ministers of Foreign Affairs of the Movement of Non-Aligned Countries (NAM) met in Cartagena, Colombia, from 8 to 9 April 2000, to review in particular the developments and implementation of decisions of their previous Summit. Many of the elements and concerns – especially those concerning TNCs, SMEs, debt and trade – contained in their final document were reproduced in the Declaration of the South Summit and in the G-15 Summit Joint Communiqué. They emphasized the uneven impact of globalization and liberalization as well as the widening gap between the developed and developing countries, especially the LDCs.
72. Ministers were concerned that trading opportunities for developing countries were “neutralized by the use of protectionist measures by the developed countries, such as misuse of anti-dumping and other provisions, including those taken unilaterally and in the guise of technical standards, social and environmental or human rights-related concerns” and unequivocally reaffirmed that “non-trade issues, such as social and environmental issues, should not be introduced in the agenda of the WTO”. They called for more transparency in trade negotiations and for the effective participation of developing countries. They stressed that low wages and environmental standards in developing countries were not responsible for the loss of jobs in developed countries, “which should address their unemployment through the implementation of appropriate macroeconomic and structural policies”. They reaffirmed that the ILO was the only international body competent to set and deal with labour standards; reiterated that there was no linkage between trade and labour standards and while expressing their commitment to promoting all relevant labour standards, rejected all attempts to establish such a linkage as well as the use of labour standards as a pretext for unilateral action in the field of trade. On information and communication, they expressed their concern regarding the widening gap in information and technology between the developed and developing countries, particularly LDCs. On poverty eradication, they encouraged exchange of experiences between NAM members and other developing countries on poverty eradication, strategies and programmes.

## **L. Meeting of the Presidents of South America (August-September 2000)**

73. From 31 August to 1 September 2000, the Heads of State of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela participated in the First Meeting of the Presidents of South America, held in Brasilia, Brazil. In their Communiqué, they agreed that the globalization process, if conducted from the perspective of balanced and equitable development and results, could generate benefits for the countries of the region. In their view, this process also entailed challenges that should be equally faced through political commitments and concerted action by the countries of South America, in such a way that globalization becomes an effective means for expanding growth and development opportunities in the region and for improving the standards of social welfare in a sustainable and equitable manner. They reaffirmed their commitment to strengthening the WTO and to improving the multilateral trade system, taking into consideration the link between trade and development as well as specific concerns of developing countries. The Presidents referred to the situation of some of the highly indebted South American countries, and urged the international financial community to work together to find a rapid solution to this problem. They stressed that poverty and marginalization threatened institutional stability in the region and their eradication should continue to merit high priority. They finally welcomed the signing, on

30 June 2000, of the Buenos Aires Charter on Social Commitments in MERCOSUR, Bolivia and Chile (see next section).

## **M. Southern Common Market (MERCOSUR)**

### ***XVIIIth Meeting of the Council of MERCOSUR (June 2000): Buenos Aires Charter on Social Commitments***

74. The XVIIIth Meeting of the Council of the Southern Common Market was held in Buenos Aires on 30 June 2000. In their Joint Communiqué, the Presidents of its member States, Bolivia and Chile emphasized their firm conviction that “economic development must necessarily be accompanied by the resolution of social problems”. In their view, “the aims set out in the Buenos Aires Charter on Social Commitments in MERCOSUR, Bolivia and Chile, signed at this Summit, are urgent, particularly as regards the ultimate aim of eradicating poverty and all forms of discrimination”. For this purpose they assigned responsibility to the MERCOSUR Forum for Consultation and Policy Cooperation for follow-up on the orientations and lines of action contained in the Buenos Aires Charter, by promoting the institutionalization of meetings of the authorities responsible for social development issues. In the Charter, the Presidents also reaffirm the principles and rights contained in the MERCOSUR Social and Labour Declaration<sup>24</sup> and agree to promote suitable measures to meet the special needs of children and young people in situations involving sexual abuse and child labour; to strengthen cooperation between countries in the region on issues concerning migration and to guarantee to migrants the full exercise of their human rights; to promote growth in their societies that is based on equality between men and women in social, political, economic and cultural life; and to develop policies that promote societies that are non-exclusive.

## **N. Andean Community**

### ***Twelfth Andean Presidential Council (June 2000)***

75. The Presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela met in Lima, Peru, on 9 to 10 June 2000 at the Twelfth Andean Presidential Council. In the Act of Lima adopted at the meeting, they referred to the implementation of the Andean Social Agenda and asked the institutions belonging to the Andean Integration System to submit to the Council, for approval at the next meeting of the Andean Presidential Council, a programme of specific activities that can be carried out for the purpose of consolidating Andean integration and helping to develop the Andean Social Agenda. They also decided to establish an Advisory Council of Labour Ministers.

<sup>24</sup> GB.277/WP/SDG/2, paras. 41-42.

## **O. Southern African Development Community (SADC)**

### ***SADC Summit (August 2000)***

76. The Summit of Heads of State and Government of the Southern African Development Community (SADC) was held in Windhoek, Namibia, on 6 to 7 August 2000. They expressed their “concern that external debt remains a major problem for SADC countries”. While they appreciated the cancellation of bilateral debt by some developed economies, they noted that “an examination of the debt profile of the countries shows that much of their debt is due to multilateral institutions, and accordingly the cancellation of bilateral debt has not been very effective in reducing the burden”.

## **P. Association of South-East Asian Nations (ASEAN)**

### **1. *Fourteenth ASEAN Labour Ministers Meeting (May 2000)***

77. The Fourteenth ASEAN Labour Ministers Meeting was convened on 11 to 12 May 2000 in Manila. In their Joint Communiqué, they pledged a “renewed commitment and determination to strengthen the social pillars of ASEAN by promoting the full potential and dignity of workers”. They adopted a Vision Statement and a Mission Statement describing the nature of these tasks and outlining the future course of action to be charted in the area of labour and employment, directed at strengthening internal capacities to address social protection, employment generation and enhanced tripartite consultation. They reaffirmed their commitment to promote working conditions in an environment of freedom and equality, and to eliminate child labour “as soon as possible” with the view that the solution to it should be through “education, technical assistance and other promotional activities”. They reiterated their opposition to any linkage between trade and labour standards or use of such standards for protectionist or other purposes, and urged the ILO to “assure that the promotion of labour standards should be carried out within the purview of the ILO and for the benefit of the workers, employers and governments of the member States”.

### **2. *Ministerial Meeting (July 2000)***

78. ASEAN foreign ministers gathered at the 33rd ASEAN Ministerial Meeting in Bangkok, Thailand, on 24 to 25 July 2000. The ministers signed the Joint Declaration for a Socially Cohesive and Caring ASEAN, which “embodies ASEAN’s resolve to cooperate in ensuring that the people of ASEAN of all ages and groups, including the disadvantaged and the specially vulnerable, have access to opportunities to create for themselves a decent and productive life”. This Declaration reiterates “the need to strengthen regional capacity to meet the challenges of globalization”. It calls for the implementation, as appropriate, of the ASEAN Action Plan on Social Safety Nets to enhance the institutional capacity of member countries in delivering effective social programmes and strengthen social infrastructure.

**Q. Asia-Pacific Economic Cooperation Forum (APEC)****1. Meeting of trade ministers (June 2000)**

79. APEC trade ministers met on 6 to 7 June 2000 in Darwin, Australia, and reaffirmed the importance of trade expansion for sustainable economic growth and development. They stressed that open trade and investment offer “expanding employment and the ability to address the pressing social concerns of those who may be disadvantaged by economic change” and renewed their commitment to the pursuit of multilateral trade liberalization and to the “early launch of a new round of multilateral trade negotiations”. They recognized, however, the need to increase “efforts to broaden community support” for these objectives.

**2. Meeting of finance ministers (September 2000)**

80. APEC finance ministers met in Bandar Seri Bagawan, Brunei Darussalam, from 9 to 10 September 2000. In their Joint Ministerial Statement they reaffirmed the importance of free and open trade and investment for sustainable growth, but stressed that globalization could also increase their economies’ susceptibility to external shocks and social dislocation. They emphasized the need to have robust institutions and well-trained people to ensure that the opportunities are fully exploited; and also the need for well-designed social policies and programmes if all citizens, especially the least fortunate, are to share the benefits of increased economic prosperity. Referring to the Asian financial crisis, they stated that the social consequences of the crisis and other economic and natural events had highlighted the importance of social safety nets as cornerstones of effective public policy. They endorsed the work of the multilateral development banks to increase their focus on programmes and policies directed at reducing poverty. They stated that they were seeking to establish a set of guidelines on the use and implementation of safety net policies and programmes, taking into account recent economic experience. These guidelines will be presented to APEC economic leaders at their meeting in November 2000.

**R. Inter-Parliamentary Union****Conference of Presiding Officers of National Parliaments (August-September 2000)**

81. The first Conference of Presiding Officers of National Parliaments, organized by the Inter-Parliamentary Union (IPU) in cooperation with the United Nations, was held in New York from 30 August to 1 September 2000. Some 148 Presiding Officers of 140 national Parliaments gathered on the eve of the UN Millennium Assembly and adopted by consensus a Final Declaration,<sup>25</sup> in which they called on “all parliaments to introduce a parliamentary dimension to international cooperation”. On globalization and trade, they stressed that increased trade, new technology, growing foreign investment and expanding information-sharing were fuelling economic growth and human progress. However, these developments had benefited the developed nations more than developing countries, and the latter were experiencing serious problems in implementing international trade agreements. They emphasized the need to “ensure that opportunities and benefits of globalization are

<sup>25</sup> <http://www.ipu.org/splz-e/sp-dclr.htm>

shared more widely and that the right to development is respected”. They asked the WTO to “seek to ensure both free and fair trade producing long-term sustainable benefits”. They also urged the international community to “seize the momentum generated by the transition to a new millennium to reduce substantially the debt of these countries and to cancel the public debt of the heavily indebted poor countries”. The Director-General was among the guest speakers, together with the President of the UN General Assembly, the Director-General of the WTO and the UNDP Administrator as Chair of the UN Development Group. In his address to the Conference, the Director-General reaffirmed the ILO’s commitment to cooperate with the IPU, and made a vibrant call for the ratification by national Parliaments of the Worst Forms of Child Labour Convention, 1999 (No. 182).

Geneva, 23 October 2000.

## Appendix

### OECD Study on International Trade and Core Labour Standards: Overview <sup>1</sup>

#### Factual developments since completion of the 1996 study

1. Since the 1996 OECD study was completed, there have been wide-ranging developments, at the national and international levels, bearing on the question of trade, employment and core labour standards. These are summarised below.

There is now a high degree of international political consensus on the contents of a set of core labour standards

The international community has made significant progress in developing a consensus with respect to the definition and recognition of a small set of core labour standards.

That consensus has been given international recognition by strengthened ILO provisions

A key milestone came in June 1998 with the adoption of the ILO Declaration on Fundamental Principles and Rights at Work, which succinctly stated four principles, committed the ILO's member states to respect them and stressed that labour standards are not to be used for protectionist trade purposes.

In recalling the importance of the ILO's fundamental conventions, the ILO Declaration extended the range of reporting on the application of the fundamental principles and rights to include countries that have not ratified fundamental conventions.

In June 1999, the ILO members adopted a new fundamental convention (No. 182) banning the worst forms of child labour. With its entry into force in November 2000, it is set to become the eighth fundamental convention.

And commitment to those provisions has increased

Since October 1995, the number of countries that have ratified all seven fundamental conventions has more than doubled. The new fundamental convention on the worst forms of child labour has experienced a rapid pace of ratification.

<sup>1</sup> Text supplied by OECD.

Though more needs to be done, especially on the enforcement front

Although the country coverage of ratifications is extensive, follow-up is still required to improve monitoring and to target non-ratifying countries. And – although there has been some improvement – there remain substantial gaps between the ratification of the fundamental conventions and the application of principles in practice.

Based on published observations of the ILO Committee of Experts on the Application of Conventions and Recommendations, there is no clear indication of substantial progress overall in reducing non-compliance with respect to freedom of association and the right to collective bargaining among a broad sample of countries that have ratified the corresponding ILO Conventions.

In the meantime, the ILO has introduced a new promotional mechanism and strengthened its technical cooperation

The 1998 ILO Declaration established a follow-up mechanism to promote the fundamental principles and rights at work, including a special annual report designed to provide a dynamic global picture of the situation and facilitate the assessment and prioritisation of ILO technical cooperation activities. Through this mechanism and other initiatives, the ILO is giving renewed impetus to its already substantial technical cooperation efforts. While it will take time before the full effects of these changes are known, it appears that some countries are responsive to the increased international scrutiny and assistance.

A future challenge will be to find a way for the system to focus international attention on the most serious shortcomings in a way that leads to early improvements, while maintaining efforts to promote increased respect for labour standards in the law and practice of Member countries in general.

The trade and labour issue continues to be debated in the WTO

At Singapore in December 1996, WTO members renewed their commitment to the observance of internationally recognised core labour standards, supported collaboration between the WTO and ILO Secretariats, rejected the use of labour standards for protectionist purposes and recognised that the ILO is the competent body to set and deal with core labour standards.

At the Third WTO Ministerial meeting at Seattle, in December 1999, the US proposed a WTO Working Group on Trade and Labour, the EU a joint ILO/WTO Standing Working Forum on the issue, and Canada a WTO Working Group on the relationships between appropriate trade, developmental, social and environmental policy choices in the context of adjusting to globalisation. These proposals were opposed by a number of WTO Members.

Regional and unilateral government actions have continued to provide incentives for the promotion and implementation of core standards

Efforts have continued within the North American Agreement on Labor Cooperation to resolve labour law issues by promoting enforcement of existing labour laws in the three Member countries.

Two regional economic integration agreements – MERCOSUR and SADC (Southern African Development Community) – have both recently advanced towards adoption of social charters endorsing a series of labour principles and providing for monitoring of implementation.

Under the US GSP scheme, benefits were suspended in a case involving bonded child labour and failure to allow for freedom of association. And country practice reviews are used to obtain improvements in worker rights in certain countries.

Under the EC GSP scheme, the main focus is the provision of additional trade preferences to countries that can demonstrate their compliance with certain core labour standards. The EC GSP scheme also allows for temporary suspension of preferences, to be decided under certain circumstances.

The US has passed legislation prohibiting the manufacture or import of goods produced by forced or indentured child labour.

The US has negotiated a statement of cooperation with a major exporter of labour-intensive goods allowing US embassy officials to visit prisons suspected of operating factories with goods for export.

Commitments to core labour standards were also included in a partnership agreement between the European Community and the ACP countries and a trade, development and cooperation agreement between the European Community and South Africa.

There has been a strengthened commitment through development cooperation to eradicate exploitative forms of child labour

The contribution of development cooperation programmes in eradicating exploitative forms of child labour has become more focused and result-oriented.

The DAC Strategy (1996) “Shaping the 21st Century: The Contribution of Development Cooperation” commits donors to assist partners in achieving universal access to primary education in all countries by 2015.

Core labour standards and their operational implications have taken on heightened importance for the World Bank, within its mandate on poverty reduction and economic and social development, and for many other international financial institutions.

Guidelines, codes of conduct and private-party mechanisms have also gained wider scope and coverage

Efforts are also continuing to harness international investment and multinational enterprises to promote core labour standards worldwide. For example, a comprehensive review of the OECD Guidelines for Multinational Enterprises was completed in June 2000.

The Review aimed to ensure the continued relevance and effectiveness of the Guidelines. It added recommendations in relation to those core labour standards that were missing from the earlier text (child labour and forced labour, in particular). The revised recommendations make it clear that they apply to enterprises operating in or from adhering countries and that they are relevant for their operations in all countries. The Guidelines are part of a broad and balanced package of instruments, under the OECD Declaration on International Investment and Multinational Enterprise, designed to further international cooperation in the field of international investment and multinational enterprise.

Voluntary codes of conduct – written expressions of commitment to a given standard of business conduct – have continued to grow in number. For example, in the US, most Fortune 500 companies have adopted codes of conduct or internal guidelines, dealing with a variety of matters, including core labour standards. In the UK, over 60% of the top 500 companies have similar codes; a decade ago the figure was only 18%. The social partners from the textiles and clothing, footwear and commerce sectors in the EU have negotiated codes of conduct based on core labour standards.

The incidence of moral suasion and labelling appears to have increased since the 1996 study was completed.

Export-processing zones – sometimes outside national labour laws – have grown in number

EPZs, outside China, have grown from some 500 at the time of the 1996 study to about 850, employing 27 million people. In addition, there are several hundred EPZs operating in China.

In some countries national labour legislation does not apply to EPZs. And the ILO concludes that problematic factors such as high labour turnover, absenteeism, stress and fatigue, low rates of productivity, excessive wastage of materials and labour unrest are still too common in zones. At the same time, wages in EPZs tend to be higher than average wages in the rest of the economy.

But investors, including in EPZs, increasingly seek investment locations with highly skilled workers

Increasing international competition is changing the priorities for foreign investors who tend to favour investment locations with highly skilled workers and modern infrastructure. “Smart” EPZs have adopted strategies to ensure that labour productivity is continuously upgraded.

More broadly, recent FDI data confirm that MNEs invest principally in the largest, richest and most dynamic markets. With the notable exception of China, countries where core labour standards are not respected continue to receive a very small share of global investment flows. There is no robust evidence that low-standard countries provide a haven for foreign firms.

## Conclusions from the literature review

2. A search of relevant literature in the public domain, since the 1996 study was completed, enables a number of tentative conclusions to be drawn. While some important principles remain valid,

the literature review highlights that caution is needed in seeking to interpret the complex interplay between trade, employment and labour standards.

Strengthened core labour standards can increase economic growth and efficiency

Countries which strengthen their core labour standards can increase economic efficiency by raising skill levels in the work force and by creating an environment which encourages innovation and higher productivity.

And high standards may ease the adjustment arising from trade liberalisation

Some recent studies consider the links between trade, democracy and wages. The results suggest that countries that develop democratic institutions – here taken to include core labour rights – before the transition to trade liberalisation will weather the transition with smaller adverse consequences than countries without such institutions.

Countries with low core labour standards do not enjoy better export performance than high-standard countries

Recent studies suggesting a negative relationship between observance of labour standards and trade performance do not challenge the finding of the 1996 study that countries with low core labour standards do not enjoy better export performance than high-standard countries because these recent studies focus on labour standards generally and not on core labour standards. This distinction is crucial for analytical purposes because core and non-core labour standards are expected to have different, and often opposite, effects on economic outcomes.

Opinions continue to differ about the impact of trade on employment patterns and/or wage inequality

There continues to be disagreement among researchers on the size of the trade impact on sectoral employment patterns and/or wage inequality relative to the impact of other forces, e.g. technological progress, international migration and institutional change.

Many studies confirm a role for trade, but the contribution is limited. Moreover, the fact that relative wage inequality has risen in some developing countries (as well as in some OECD countries) poses a problem for standard trade theory. Had trade been the driver, the Stolper-Samuelson theorem would have led one to expect that developing countries, exporting unskilled labour-intensive goods, would have experienced a convergence in the relative wage of skilled and unskilled workers rather than growing inequality.

Fears about a “race to the bottom” in labour standards are probably exaggerated

A number of recent studies point out that there are major constraints on a “race to the bottom” in labour standards. Any firm that attempts to gain a competitive advantage by cutting benefits without paying increased money wages is essentially trying to cut wages below the workers’ marginal value product. In competitive markets, pressure from other employers will ultimately force the firm to return the total compensation package to the original level if the firm expects to be able to hire workers. But where such competitive pressures are weak the outcome may be different. Often there are costs to search, to finding out what wages other firms are offering, and even greater costs associated with moving from one employer to another. However, again it should be recalled that insofar as discussion of a “race to the bottom” focuses on wage levels it is not relevant to the question of core labour standards.

In some circumstances a ban on child labour may be effective

Some recent literature suggests that governments of countries in which children are employed may choose to change their laws rather than bear the cost of trade sanctions. It is also suggested that, in certain circumstances, a ban on child labour may be effective in shifting the economy into an equilibrium where adult wages are high and children do not work. This could apply to countries with relatively high labour productivity that are able to support all their children without sending any to work.

Though there are practical limits to such a policy

However, the literature also suggests that, in very poor countries, a ban may worsen the condition of households. Moreover, a ban on the import of goods which have used child labour as an input might drive child labour out of export industries but is likely to do little to prevent child labour in the informal sector which is the major employer of child workers in such countries.

And better policies than trade interventions are available

Recent analysis, drawing on experience in Brazil and Mexico, suggests that a subsidy to families to keep their children in school is likely to be a superior policy to, for example, trade interventions, in terms of curbing child labour. Trade interventions are not an optimal instrument to abolish exploitative child labour and expand human capital formation.