The Pakistan Development Review
41:4 Part I (Winter 2002) pp. 357–387

The Iqbal Memorial Lecture

Making Globalisation Inclusive of People: A Trade Union Perspective

NORIYUKI SUZUKI and SABUR GHAYUR

I. INTRODUCTION

"The greatest tragedy is to treat the unequal as equal", says Aristotle. In a different perspective, similar concerns have found an echo centuries later—" the free play of market forces between unequal trading partners would only punish poorer commodity exporters at the same time as it brings advantages to the rich industrial countries".[1] New modalities of participation for developing countries in the trading system were suggested decades ago to attack the persistent trade imbalance and to create essential external conditions for accelerating the rate of economic growth. These included: (1) guaranteeing price stabilisation and improving market access for primary exports; (2) allowing greater policy space to develop local industries and reducing barriers to their exports; (3) establishing more appropriate terms of accession to the multilateral system, and (4) reducing the burden of debt-servicing. The developments as unfolded over the years, and more so since 1990s, are found as largely drifting away from these assertions of yester years. Market access to the agricultural products still has to materialise. Greater policy space to developing countries almost stands abandoned. Debt burden of the developing poor countries, the HIPC initiative notwithstanding, remains at volatile level.

Noriyuki Suzuki and Sabur Ghayur respectively are General Secretary and Director, Institutional and External Relations, International Confederation of Free Trade Unions-Asian and Pacific Regional Organisation (ICFTU-APRO), Singapore.

Authors' Note: The views expressed by the authors may not represent those of the ICFTU-APRO. The ICFTU represents unions in 148 countries with a total of 158 million members (http://www.icftu.org) and has the consultative status category "A" with the United Nations and its specialised agencies. The ICFTU works closely with the Global Union Federations (GUFs), representing workers in different sectors, and with the Trade Union Advisory Committee (TUAC) to the OECD. All these organisations are on the Global Unions website (http://www.global-unions.org).

[1]Raúl Prebisch, the then Secretary-General of UNCATD, called in March 1964 on the industrial countries not to underestimate the basic challenge facing developing countries in the existing system: "We believe that developing countries must not be forced to develop inwardly—which will happen if they are not helped to develop outwardly through an appropriate international policy". [See UNCTAD (2002)].

Strangely, in our quest for greater mobility of goods and services across borders, and the ensuing market liberalisation—all on the assurance of better regulations, greater efficiency, productivity, market access, and employment, a level playing field to the market participants is conspicuous with its almost absence. Gross disparities in terms of human and physical infrastructure, income, production structures, markets, market access, distribution networks, technology, etc., have never occurred as "treating unequal as equal".[2] The Asian financial crisis of 1997-98 has clearly demonstrated the futility of such a treatment. The then crisis-hit countries, namely: Korea, Thailand, the Philippines, Indonesia and Malaysia witnessed nose-diving currencies, plummeting stock markets, bankruptcies, massive lay offs, tens of millions being added to poor, etc. This boom to bust phenomenon has been largely attributed to a premature market liberalisation, and more so of capital market together with inadequate regulations and weaker enforcements.[3]

The lessons, however, remain largely unlearned. The equal treatment of unequal continues despite the spate of crises—from East and South East Asia to Russia to Turkey to Latin America.

The corporate financial crisis—better financial scams—of the multinational corporations (MNCs), not a new phenomenon though, nonetheless is becoming too serious and deep. The unique feature of the recent crisis, however, is the huge MNCs based in the world's strongest economy; the USA. The managements' corrupt practices comprising massive accounting frauds and large financial institutions acting in connivance with corrupt corporate practices have led many giants going bust.[4] While company executives extracting huge personal gains from falling corporations and investors being "bailed out", each successive crisis has been bringing a heavy toll on the general public, working population and their working and living conditions.

As if these all are not enough, the current General Agreement on Trade in Services (GATS) negotiations are moving much deeper and farther. New heights — in liberalisation—are intended to be achieved through present negotiations under GATS.

Trade in services has global importance in terms of its huge share in world output and employment of hundreds of millions of workers. The key objective of an increase in trade in services should be to provide benefits for the users of services. All indications are that the public services in the area of: education, health, and essential public utilities as well as socially beneficial service sector activities will be

[2]The mismatch between countries and regions in terms of the size of economies, financial markets, and financial institutions, as well as the height and might of MNCs, has been pointed out as elements carrying an absence of level playing field. [See Ghayur (2001)].

[3]An account of responsible factors and the impact appears in ICFTU-APRO (2000, 2000a).

[4]Financial scams of Enron and World Com have been widely quoted in terms of malpractices and the impact.

the subject for negotiation.[5] Implying that the parties would call on other governments to open up these sectors to the private sector.[6] There are growing fears that this could jeopardise access to vital public services for a large part of the world's population.

Globalisation as is being pursued these days is simply not benefiting people equitably across countries and regions. There are more losers than winners. Many developing countries are being marginalised. They are vulnerable to the dictates of MNCs as well as international financial institutions (IFIs). Disparities within and between countries are surging. And those having able to draw benefits earlier find the achievements unsustainable. The whole economic growth seems to be vulnerable. This is largely attributed to the fact that market liberalisation is being pursued vigorously but the process is unmatched with necessary levelers. The set of regulations and governance needed for an efficient interplay of market forces is absence—more so in the developing countries.

This paper is an attempt to further elaborate some of these concerns. It also aims at documenting the steps and initiatives where global policy-makers, civil society and labour movement are involved in ensuring a level playing field to the market participants. An analytic look on the very process of "globalisation" is done in Section II. It picks a country from each of the sub regions in Asia—Korea from East Asia, the Philippines from South East Asia and Bangladesh from South Asia and analyses their experience. Additionally, this section takes up capital flows for analysis. This overview and analysis is followed by looking at the initiatives and efforts to address the social dimensions and provide a level playing field in Section III. Rectifying the situation from the perspective of labour movement appears in Section IV. The concluding remarks appear in Section V.

II. IS GLOBALISATION WORKING AND INCLUSIVE?

The establishment of international institutions—the IMF, the World Bank, and the predecessor to the OECD, the Organisation for European Economic Co-operation (charged with administering the Marshall Plan)—following the 2nd World War reflected a broad political consensus. That post-war consensus linked economic development with social progress and sought to plant roots for human rights and democracy and create full employment. A major emphasis was placed on generating

[5]The focus of the World Development Report-2003-4 "Making Services Work for Poor People" is also on the participation of private sector in the service delivery that has evoked serious criticism form the civil society and the labour movement. Realising this, the World Bank is organising consultations in different regions and countries, such as: Dhaka, Bangladesh on 22-23 January 2003 and in Kampala, Uganda on 29 January 2003.

[6]Ideally, the WTO agreements should not undermine the ability of governments to enact domestic regulations, legislation and other measures to safeguard the public interest. However, under present WTO rules, such measures could be subject to challenge at the WTO if they are perceived as constituting a form of trade discrimination.

good jobs and building welfare states with strong and effective public services. At the same time most countries entered into an ongoing process of trade liberalisation through the GATT.

This process of liberalisation was pursued, rather enforced, during 1980s and 1990s by the IMF and the World Bank in developing countries under the guise of stabilisation and structural adjustment programmes (SASPs). Too soon employment and poverty issues took a back seat in liberalisation pursuit, the claims of IFIs—the IMF, the World Bank and regional multilateral development banks—and their poverty reduction programmes notwithstanding. And economies largely suffered and become more vulnerable.[7] Seldom realising that countries where productive capacities, institutions, regulatory frameworks, markets and an entrepreneurial class are all underdeveloped, these programmes may not deliver accelerated and sustained economic growth at rates sufficient to make a significant dent in poverty.[8] Let us look into some of the indicators from few countries.

1. The Case of IFIs' Participation—the Philippines in South East Asia

The Philippines, a country on the liberalisation track for decades and also on "medication" of IFIs. Looking into changes in areas of focus of IFIs—inflation, interest rate, structural reforms and GNP and our concern—employment and development, only one variable "inflation" seems to have been contained and brought down from about 12 percent to over 4 percent during different standby arrangements (SBAs) and enhanced fund facility (EFFs) of the Fund spreading over 1986–2000 and of the WB's participation covering a period of 1980–2001, Tables 1 and 2. Here also the 1994-98

Table 1

IMF Programmes and Selected Indicators in the Philippines

(Million Peso and %)

	Inflation Rate	Interest Rate	Nat'l Govt. Deficit	Real GNP	Unemploy-ment	(Revenues/ GNP)
19th SBA (1986–1988)	12.2	15.5	–23,206	5.3	10.9	14.4
20th EFF (1989–1992)	8.6	21.7	–15,966	3.2	8.7	17.7
21st SBA (1991-1992)	8.6	21.4	–15,966	1.0	8.8	17.7
22nd EFF (1994–1998)	9.8	15.8	–49,981	4.6	8.4	16.5
23rd SBA (1998–2000)	4.4	11.8	–134,212	2.7	10.4	14.7

Note: Official statistics, based on Templo (2002).

[7]For a critique of IFIs' policies, see ICFTU-APRO (2000a) and Ghayur (2001).

[8]Using a new set of poverty estimates, UNCTAD shows that on average the incidence of extreme poverty did not fall in the LDCs undertaking structural adjustment programmes. [See UNCTAD (2002)].

Table 2

World Bank Structural Adjustment Loans to the Philippines

(Million Dollars)

Title	Amount Principal	Amount Disburse	Approval Date	Closing Date
SAL I	200.0	200.0	10 Sep. 1980	30 June 1985
SAL II	302.3	302.3	26 Apr. 1983	31 Dec. 1984
Economic Recovery Project	300.0	300.0	17 Mar. 1987	31 Dec. 1989
Public Corporate Sector Rationalisation	200.0	200.0	15 June 1988	29 Feb. 1992
Financial Sector Loan	300.0	300.0	04 May 1989	20 Dec. 1993
Environmental and Natural Resources	139.4	139.4	25 June 1991	31 Dec. 1990
Economic Integration Loan	200.0	200.0	10 Dec. 1992	8 Feb. 1995
Banking System Reform Loan Project	300.0	100.0	03 Dec. 1998	30 June 2001

Note: Official statistics, based on Templo (2002).

Table 3

Profile of World Bank Assistance to the Philippines

(Million Dollars)

	Adjustment Loans		Other Loans		Total	
	No	Amount	No	Amount	No	Amount
1980–1989	5	1,302.3	51	2,643.5	56	3,945.8
1990–1999	3	639.4	57	3,900.2	60	4,539.6
2000-2001	0	0	5	344.8	5	344.8
Total	8	1,941.7	113	6,888.5	122	8,830.2
% to Total	7%	22%	93%	78%		

Source: Official statistics, based on Templo (2002).

Table 4

Employment Growth, Unemployment, and Under-employment in the Philippines

(%)

	Growth Rates			Share in Employment		
	1985–1990	1991–1999	1985–1999	1980	1990	1999
Employment Rate	3.3	3.0	3.1			
Agriculture	2.1	1.3	1.6	53.7	46.7	40.1
Industry	4.5	3.5	3.9	12.5	15.1	15.6
Services	5.1	4.9	5.0	33.8	38.2	44.2
Unemployment Rate	10.5	9.5	9.9			
Under-employment Rate	23.7	21.5	22.4			

Note: Official statistics, based on Templo (2002).

period saw a surge to 9.8 percent. The interest rate during 1986-2000 remained a double-digit phenomenon. Though it declined from 15.5 percent in 1986–88 to 11.8 percent in 1998–2000. The intervening period, however, saw it surging to over 21 percent and then receding to 15.8 percent. During this period, it is interesting to point out that the Philippines was also a recipient of a number of structural and sectoral adjustment loans, Tables 2 and 3 above.

The country has been unable to contain the deficit financing. In fact, in the Peso terms it increased from about 23 Billion to over 134 Billion. The revenue to GNP ratio of 14.7 percent in 1998–2000 was marginally better than in 1986–1988, although it recorded improvement in the intervening period but then subsided. The growth rate of the economy was highest, 5.3 percent, to begin with in 1986–88 and was 2.7 percent during 1998–2000.

The unemployment situation always remained precarious, over 8 percent. It was 10.9 percent to begin with and showed a percentage of 10.4 for the latest period. The level of unemployment and under-employment has always remained high, affecting more than a-fifth of the workforce in the Philippines. The policies prescribed by IFIs in the Philippines covered a wide range. Besides market liberalisation including capital, structural reforms, etc., the implementation of policies have also been in the direction of: (1) downsizing, (2) privatisation and sale of state-owned enterprises, and (3) labour market flexibility. The outcome, however, has not been encouraging.

2. The Case of Fiscal and Poverty Trap—Bangladesh in South Asia

Bangladesh pursued market liberalisation and also underwent IFIs' prescriptions and introduced many reforms. In fact, the country started privatisation and sale of state owned enterprises (SOEs) way back in 1972— some units even privatised in Pakistan days, Table 5. The macro-economic and labour market indicators, however, continue to raise serious concerns. The country continues to be in the fiscal and poverty trap—budget deficit has never been less than 5 percent, low total and tax revenues, converging over the years and hovering around 11 percent of GDP, and the deteriorating external account, Tables 5 and 8. The major redeeming factor has been the surging remittances by the overseas Bangladeshis that are now close to 5 percent of the GDP. It is also important to point out that poverty levels though still very high—more than two-fifths of the population, have been declining over the years. One-fifth of the population nevertheless is living in absolute poverty conditions.

Table 5

Number of SOEs Privatised in Bangladesh—Different Period

Period of Divestiture	Number of Enterprise
During Pakistan Days	13
1st Jan.1972-30 June 1975	114
1st July 1975- 30 June 1981	247
1st July1981- 30 June 1991	125
1st July 1991- 30 June 1995	12
1st July 1995- 30 June 2001	28
Total	539

Source: Official statistics as quoted by Repon, Chowdhury, and Chowdhury (2002).

Table 6

Fiscal Account Proportions to GDP in Bangladesh

(%)

Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total Revenue	8.75	8.62	8.83	9.19	9.37	10.50	11.67	11.92	12.14	11.92	12.22	12.13	11.34
Tax Revenue	7.16	7.31	7.42	7.84	7.65	8.54	9.52	9.59	9.49	9.40	10.03	12.13	11.34
Total Expenditure	15.57	14.87	16.36	16.89	15.08	15.36	15.88	17.60	17.61	16.77	16.80	16.49	16.85
Current Expenditure	7.34	7.92	9.35	9.14	8.76	8.71	8.98	8.88	8.80	9.08	8.93	9.36	9.65
Annual Development Plan	8.23	6.95	7.01	7.75	6.31	6.65	6.91	8.72	8.80	7.70	7.87	7.13	7.20
Budget Deficit	6.82	6.25	7.53	7.70	5.70	4.87	4.22	5.68	5.46	4.85	4.58	4.37	5.51

Source: BSO (2000) as quoted by Repon as quoted by Repon, Chowdhury, and Chowdhury (2002).

Table 7

Imports and Exports Proportions to GDP in Bangladesh

(%)

Balance of Payment	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99
Merchandise Imports	14.89	15.62	16.45	16.78	14.85	14.80	16.81	16.27	20.04	21.80	21.80	22.09	22.18
Merchandise Exports	6.10	6.44	6.30	6.80	7.35	8.39	9.84	9.84	11.93	12.18	13.47	15.19	14.73
Workers' Remittance	3.96	3.86	3.76	3.38	3.27	3.58	3.90	4.23	4.11	3.82	4.49	4.41	4.73

Source: BBS, as quoted by Repon, Chowdhury , and Chowdhury (2002).

Table 8

Poverty and Absolute Poverty Level in Bangladesh

(%)

Types of Poverty		1988-89	1985-86	1988-89	1991-92	1995-96	2000
Poverty	National	62.6	55.7	47.8	47.5	47.5	44.3
	Rural	61.9	54.7	47.8	47.6	47.1	42.3
	Urban	67.7	62.6	47.6	46.7	49.7	52.5
Absolute	National	36.8	26.9	28.4	28.0	25.1	20.0
Poverty	Rural	36.7	26.3	28.6	28.3	24.6	18.7
	Urban	37.4	30.7	26.4	26.3	27.3	25.0

Source: Preliminary Report of Household Income and Expenditure Survey (2000) as quoted by Repon, Chowdhury, and Chowdhury (2002).
Note: Poverty = 2122 kilo calorie; Absolute Poverty =1805 kilo calorie.

3. The Case of Growing Atypical Work—Korea in East Asia

The economy displaying strong macroeconomic fundamentals in Asia—savings and investments of over 35 percent of GDP, exports growth of 10 percent annually during 1990s and reaching $138.6 Billion in 1997, demonstrating spectacular growth for decades, has been that of Korea. It joined the ranks of industrialised countries, the OECD, in 1996. The Asian Tiger was also humbled by the Asian financial crisis of 1997-98. It succumbed to the IMF conditionalities by agreeing to wide-ranging reforms and stabilisation measures to receive a US$ 57 Billion "rescue" package.[9]

Equally spectacular has been the quick recovery of the Korean economy from the crisis, as the first former crisis-hit country to repay all the loans and get out of the IMF programme.[10] Such acknowledgements notwithstanding, an area that raises serious concerns is the developments taking place in the labour market.

The case of worsening labour market conditions is clearly demonstrated. Labour market flexibility, a buzzword, has already affected work patterns. Regular work is available to less than half of the workforce, while atypical work—temporary and daily—accounts for over 51 percent of the total work.

The redeeming feature, however, appears to be the extension, albeit slowly with lesser duration and benefits, of social security, Figure 1. It is nonetheless pointed out here that many developing countries are also pursing LMF policy but is unaccompanied by building social safety nets of any significance. The poor quality of work and vulnerability of the workforce can be easily gauged.

[9]For details, see ICFTU-APRO (2000a).
[10]An analysis appears in Jung (2002).

Table 9

Trends by Employment Status (1990–2001) in Korea

(Thousand, %)

	1990	1995	1996	1997	1998	1999	2000	2001
Total	18,084	20,432	20,817	21,105	19,996	20,282	21,060	21,362
Regular	5,948	7,429	7,401	7,151	6,457	6,050	6,252	6,500
	(54.2)	(58.1)	(56.6)	(54.1)	(53.0)	(48.3)	(47.6)	(48.73)
Temporary	3,171	3,545	3,860	4,182	3,999	4,183	4,511	4,601
	(29.0)	(27.7)	(29.5)	(31.6)	(32.8)	(33.4)	(34.3)	(34.49)
Daily	1,840	1,809	1,804	1,892	1,736	2,290	2,378	2,238
	(16.8)	(14.2)	(13.8)	(14.3)	(14.2)	(18.3)	(18.1)	(16.78)
Employer	1,168	1,530	1,610	1,633	1,426	1,384	1,484	1,571
	[6.5]	[7.5]	[7.7]	[7.7]	[7.1]	[6.8]	[7.0]	[7.35]
Self-employed*	5,967	6,119	6,142	6,247	6,378	6,375	6,435	6,402
	[33.0]	[29.9]	[29.5]	[29.6]	[31.9]	[31.4]	[30.6]	[29.97]

Source: National Statistical Office (NSO), 2000. 6. Original Data, as produced in Jung (2002).

Note: *Self-employed and unpaid family workers, ( ) Ratio to total wage workers, [ ] Ratio to total employed.

Table 10

Employment Status by Industry in Korea

(%)

	1996			2000		
	Regular	Temporary	Daily	Regular	Temporary	Daily
Total	56.6	29.4	14.0	47.1	34.4	18.5
Agriculture and Forestry	14.1	23.9	62.0	8.3	14.6	77.1
Mining	61.4	26.3	12.3	74.0	16.9	9.1
Manufacturing	66.2	24.9	8.9	57.7	29.8	12.6
Electricity, Gas and Water	92.5	5.3	2.2	74.6	14.9	10.5
Construction	28.8	15.8	55.4	25.2	17.7	57.1
Wholesale and Retail Trades	35.6	54.4	9.9	23.7	56.3	20.0
Transportation and Communication	80.9	16.0	3.2	71.8	21.6	6.6
Banking, Insurance and Real Estate	68.6	28.6	2.8	54.9	39.1	6.0
Social and Personal Services	68.3	25.6	6.1	57.0	29.4	13.5

Source: NSO, Monthly Report on the Economically Active Population Survey, as produced in Jung (2002).

Fig. 1. Expansion of Social Insurance Programmes.

Year	National Pension	Health Insurance	Industrial Accident Compensation Insurance[1]	Employment Insurance[2]
1963–70	– Government employees (1960) – Military (1960)		Firms with – 500 or more (1964) – 200 or more (1965) – 150 or more (1966) – 100 or more (1967)	
1971–75	– Private school teachers (1975)			
1976–80		Firms with – 500 or more (1977) – 300 or more; Government employees and teachers (1979)		
1980–85		Firms with – 100 or more (1981) – 16 or more (1989)	– Firms with 10 or more (1982)	
1986–90	– Firms with 10 or more (1988) – Firms with 5 or more (1992)	– Firms with 5 or more (1988) – Farmers and fishermen (1988) – Firms with 4 or less, Urban self-employed (1989)[3]	Firms with 5 or more (1988)	
1991–95	– Farmers and fishermen(1995.7)			– Firms with 30 or more (1995.7)
1996–	– Urban self-employed (1999.4)	– Integration of regional societies and government employees and teachers' programmes (1998.10) – Complete integration including workplace programmes (2000)	– Education service workers and social workers (1996) – Financing and insurance workers (1998.7) – Firms with 1 or more (2000.7)	– Firms with 10 or more (1998.1) – 5 or more (1998.3) – 1 or more and part-timers (1998.10)

Source: Jung (2002).

Notes: (1) applies differently depending upon sectors.
(2) only for unemployment benefits. For employment stability and occupational training, 70 or more (1995), 50 or more (1998.1), and 5 or more (1998.7).
(3) Both groups are integrated into regional health insurance scheme.

4. The Case of Deriving Benefits of Capital Flows and Foreign Investment

In this neo-liberal pursuit, developing countries have been quite often indicated as attracting greater capital flows thus addressing their financial vows and development constraints. IFIs have been the motivators and even enforcers. Under the guise of creating necessary enabling environments, they prescribed rigorous stabilisation and structural adjustment programmes—some of the essential elements briefly indicated in the earlier parts of Section 2.

The foreign direct investment (FDIs) has largely been to the developed world, accounting for about three-quarters of total (see Table 11). The developing countries do not seem to be the major beneficiary of the capital flows and are content with a quarter, Asia claiming about half of the FDI to developing countries. Looking into capital flows across the financial system of the industrialised countries, the US market has been the major recipient (see Tables 11 to 13). Further, the FDI flows to developing countries have been to a few destinations despite numerous concessions and tax incentives offered by them. See Figure 2 for a comparison of some of the incentives offered by a few selected countries in Asia.

China, it is important to point out, is the only country that is the major recipient of FDI to developing countries—it is absorbing about a quarter of the total flows to developing countries and half of the flows to Asia. The FDIs pouring into the Asian developing countries have been US$58 Billion in 1994, 66 Billion in 1995, 77 Billion in 1996, 83 Billion in 1997, 92Billion in 1998 and 94 Billion in 1999. China alone has been receiving respectively US$ 34 Billion, 36 Billion, 41 Billion, 44 Billion, 44 Billion and 39 Billion.[11]

The only other country from developing Asia receiving over US$ 10,000 has been Hong Kong, claiming 15 Billion in 1998 and 23 Billion in 1999. Among other factors, the capital moving out of the then crisis-hit countries to this destination and the proximity to China, however, cannot be ruled out.

A substantial jump of FDI to Korea, from a low range of 758 Million-2.8 billion during 1989–1997, occurred in the years of 1998 and 1999 attracting 5.4 Billion and 9.3 Billion respectively. The critics, however, attribute this surge to succumbing of the Korean government through IFIs' conditionalities of opening up its markets to foreign investors.[12]

Where are the other developing countries featuring in these flows? Market opening, the tables earlier would demonstrate only lead to a rise in imports, even at the cost of the demise of domestic manufacturing. At best, it is the acquiring of domestic facilities by foreigners. It is important to point out that mergers and

[11]*Note:* The figures quoted here are from the ADB's website (www.adb.org). Key Indicators of Developing Asian and Pacific Countries/Table33 on Foreign Direct Investment.

[12]See for example, ICFTU-APRO (2000a) and Jung (2002).

Table 11

FDI Inflows, 1991–2001

(Million Dollars)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total World	160,199	171,199	227,532	259,696	330,516	386,140	478,082	694,457	1,088,263	1,491,934	735,146
Developing Countries	44,396	59,238	83,294	108,699	112,537	152,685	191,022	187,611	225,140	237,894	204,801
Asia	24,272	32,965	58,716	68,509	75,217	93,331	105,828	96,109	102,779	133,707	102,066

Source: [UNCTAD (2002) – *UNCTAD Handbook of Statistics*; Online: http://stats.unctad.org (Rearranged by the authors)].

Table 12

Mergers and Acquisitions, Purchases by Country

(Million Dollars)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total World	80,713	79,280	83,064	127,110	186,593	227,023	304,848	531,648	766,044	1,143,816	593,960
Developing Countries	3,258	6,264	10,784	14,360	13,372	29,646	35,210	21,717	63,406	48,496	55,719
Asia	2,441	2,624	7,843	6,486	8,755	19,136	21,690	6,399	12,873	22,895	25,298

Source: [UNCTAD (2002) – *UNCTAD Handbook of Statistics*; Online: http://stats.unctad.org (Rearranged by the authors)].

Table 13

Global Capital Flows

(Billion Dollars)

	Inflows				Outflows			
	1998	1999	2000	2001	1998	1999	2000	2001
USA								
D.I.	178.2	301.0	287.7	158.0	–142.5	–155.4	–152.4	–156.0
P.I	269.4	354.8	474.6	540.3	–136.1	–131.2	–124.9	–97.7
O.I	56.9	158.0	262.0	197.2	–74.2	–159.2	–303.3	–181.0
R.A.	n.a.	n.a.	n.a.	n.a.	–6.7	8.7	–0.3	–4.9
T.C.F.	504.4	813.8	1,024.2	895.5	–359.6	–437.1	–580.9	–439.6
UK								
D.I.	74.7	87.8	119.9	53.9	–122.1	–207.5	–266.2	–39.6
P.I	35.5	181.0	259.2	55.2	–53.0	–39.9	–96.4	–128.7
O.I	97.2	100.6	426.1	319.9	–26.8	–92.6	–412.7	–248.8
R.A.	n.a.	n.a.	n.a.	n.a.	0.3	1.0	–5.3	4.5
T.C.F.	207.2	369.4	805.2	428.9	–201.6	–338.9	–780.6	–412.7
Euro Area								
D.I.	–	208.1	378.6	110.1	–	–333.1	–351.3	–203.6
P.I.	–	279.2	270.7	270.1	–	–331.2	–385.3	–239.2
O.I.	–	208.2	328.6	221.6	–	–35.5	–166.7	–217.7
R.A.	n.a.	n.a.	n.a.	n.a.	n.a.	11.6	16.1	16.9
T.C.F.	–	695.5	977.1	601.8	–	–688.2	–887.2	–643.7
Emerging Markets								
D.I.	175.5	199.6	187.6	213.9	–23.0	–30.6	–31.6	–24.6
P.I.	31.2	48.2	30.4	9.6	–11.8	–26.1	–37.4	–42.3
O.I.	22.7	–74.3	–68.9	2.3	–87.4	–78.1	–90.7	–50.2
R.A.	n.a.	n.a,	n.a.	n.a.	–38.2	–95.8	–124.3	–139.0
T.C.F.	229.4	173.5	149.0	225.8	–160.4	–230.6	–248.0	–256.1

Source: IMF (2002)—*Global Financial Stability Report—Market Developments and Issues*. International Monetary Fund, Washington, D.C.

Note: Total net capital flows (T.C.F.) are the sum of direct investment (D.I.), portfolio investment (P.I.), other investment flows (O.I.) and net reserve assets (R.A.)

acquisitions (M&As) are overwhelmingly taking place in the developed world. In the developed world, the M&As surged from 81 Billion in 1991 to 1.14 Trillion in 2000. In fact, the average for the period 1998–2001 comes out to be over US$ 760 Billion. Thus furthering the might and height of the MNCs, a factor not conducive to a level playing field.

Fig. 2. Investment Policy Comparisons of Selected Asian Countries

Country	100 percent Foreign Equity Allowed	Govt. Sanction for FDIs	Import Duty on PME Rates	Remittance of Royalty/Technical Fee and Applicable Tax
Bangladesh	Allowed	Required	–2.5 percent-7.5 percent –0.0 percent for Exp Ind Only	–Yes –0.0 percent
India	Yes but Govt. Permission	Required	–0.0 percent exp based and fert –20-48 percent other	–Govt. Permission –30.0 percent
Pakistan	Allowed	Not Required	0.0-5.0 and 10.0 percent	–Yes –0.0 percent Agreement Countries, Others 15.0 percent
Sri Lanka	Allowed	Not Required	0.0 percent	–Govt. Permission –15.0 Percent
Indonesia	Ist 15 Years	Required	0.0 percent	–Govt. Permission –20.0 percent
Malaysia	Exp Projects only	Required	0.0 percent	–Govt. Permission –10.0 percent
Thailand	Exp Industries Only	Required	10.0 percent or more	–Govt. Permission –10.0 percent

Source: Haqqie (2002). *Note:* PME=plant, machinery and equipment.

The financial system of the industrialised countries and more so of the USA has been acting as overall magnet for all kinds of financial flows. A look at the total net capital flows (TCF) over four years 1998–2001—sum of direct investment (DI), portfolio investment (PI), other investment flows (OI) and net reserve assets (RA)—clearly points out the net beneficiaries. Even the emerging markets of the world have been observed as witnessing an overall capital outflow, Table 13.

III. LEVEL PLAYING FIELD TO MARKET PARTICIPANTS[13]

1. Global Instruments[14]

1.1. *OECD Guidelines*

The OECD guidelines on multinationals adopted in 1976, their voluntary nature notwithstanding, are probably the most significant multilateral instrument

[13]An updated and improved version of Ghayur (2001).

[14]It is to be noted that we have intentionally not included a discussion on "The World Commission on the Social Dimension of Globalisation" that the ILO launched in February 2002 and expected to release its report in the second half of 2003. Co-chaired by President Tarja Halonen of Finland and President Benjamin Mkapa of Tanzania, the Commission is an important initiative in making globalisation inclusive of people. With such broad objectives as: (1) to identify policies for globalisation which reduce poverty, foster growth, employment and development in open economies, and widen opportunities for Decent Work; (2) to identify policies which can make globalisation more inclusive, in ways which are acceptable and seen to be fair to all, both between and within countries; and (3) to assist the international community forge greater policy coherence in order to advance both economic and social goals in the global economy, the commission aims to move the debate from confrontation to dialogue, and thereby set a stage for action. It is seeking consensus on ways of ensuring that the benefits of globalisation reach more people. For details, visit http://www.ilo.org/wcsdg.

evolved by the member governments in consultation with the representatives of employers and workers as well as the concerned NGOs. These guidelines, part of the OECD Declaration on International Investment and Multinational Enterprises (MNEs), are backed by an implementation mechanism with responsibility resting with the government.[15] The guidelines cover nine areas, namely: (1) concepts and principles, (2) general policies on human rights, sustainable development, supply chain responsibility, local capacity building and disclosure, (3) employment and industrial relations encompassing child and forced labour, non-discrimination, right to bona fide employee representation and constructive negotiations, (4) environment, (5) combating bribery and covering both public and private sector as well as passive and active corruption, (6) consumer interests, (7) science and technology, (8) competition emphasising importance of open and competitive business, and (9) taxation emphasising cooperation of enterprises with the tax authorities.

Periodically these guidelines are reviewed to incorporate the necessary changes due over a period of time. The most recent review took place in 2000. This review, besides updating chapters on disclosure and transparency to reflect OECD principles on corporate governance, added recommendations relating to human rights, and child labour and forced labour. By adding the latter two, it has now brought in its ambit all the internationally recognised core labour standards. The review also added chapters on combating corruption, and consumers' interests.[16]

The most significant change, however, relates to the coverage and the implementation of the Guidelines. It is made clear that adhering countries must apply them to companies regardless of the host country. The National Contact Points (NCPs) that undertake promotional activities, handle enquiries and conduct discussions with the concerned have also been mandated by the "2000 review" to report on the conclusion of cases at national level as well as reporting annually to the OECD.

1.2. *The Global Compact*

The UN Global Compact is emerging as a global forum designed to give a human face to globalisation by addressing critical issues related to it. Announced by the UN Secretary General while addressing the World Economic Forum, Devos in January 1999, it was formally launched together with leading representatives of business and trade unions and the civil society in July 2000. While, open to civil society, corporate leaders

[15]The OECD Declaration on International Investment and Multinational Enterprises essentially comprises of a package dealing with investment-related provisions, such as national treatment of foreign owned corporations, measures to avoid or minimise the imposition of conflicting requirements on them, and transparency regarding the provisions of official incentives and disincentives.

[16]For details, visit OECD website: http://www.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-about-93-nodirectorate-no-no-no-7.FF.html. Also see OECD (2001) and TUAC (2001).

and workers' representatives, this initiatives has as its partners the related UN agencies, such as: ILO, the Office of the High Commissioner for Human Rights, UN Environment Programme and the UN Development Programme.

The UN Global Compact, which is neither a code of conduct nor an instrument like the Guidelines, nonetheless is being used to generate global social and policy dialogue. Among other things, the Compact has helped to make sure that the distinct voice of trade unions is heard in the sustainable development debate and has also helped open up dialogue on the relationship between regulation and voluntary measures. However, the most valuable aspect of the Compact is the combination of principles with dialogue. Companies that support the Global Compact have endorsed the nine principles of the Compact, which include all of the core labour standards, and, at the same time, they have agreed to enter into global dialogue based on those principles, including with the trade union movement. It is very difficult for such companies to refuse to talk with Global Union Federations and maintain the traditional practice of referring even serious trade union rights problems to the local level once they have entered into and accepted the Compact. The door opening function of the Compact is central, although the policy dialogue function may become more important over time.

The Compact is based on nine key principles drawn from the Universal Declaration of Human Rights, the International Labour Organisation's fundamental principles on rights at work, and the Rio Principles on environment and development. These nine principles are as under:[17]

Human Rights:

- Business should support and respect the protection of internationally proclaimed human rights.
- Make sure they are not complicit in human rights abuses.

Labour Standards:

- Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Elimination of all forms of child labour.
- Elimination of all forms of forced and compulsory labour.
- Eliminate discrimination in respect of employment and occupation.

Environment:

- Business should support a precautionary approach to environment challenges.

[17]*Source:* http://www.unglobalcompact.org and the related, e.g., http://www.unglobal compact.org/un/gc/unweb.nsf/content/whatitis.htm.

- Undertake initiative to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.

Several hundred companies have pledged its support to the Compact. While, the Global Compact Network comprises of: (1) international inter-sectoral business associations including international chamber of commerce (ICC) and international organisation of employers (IOE), (2) international sectoral business associations, including international fertiliser industry association and international petroleum industry environmental conversation agency (IPIECA), (3) labour, including International Confederation of Free Trade Unions (ICFTU) and Trade Union Advisory Committee to OECD (TUAC), and (4) civil society organisations, including amnesty international and the world conversation union (IUCN).[18]

The Global Compact office established by the UN organises policy dialogues on issues emanating from globalisation, thus providing a useful forum for exchange of views. It is also extending its out reach in different countries and regions. It should, however, be mentioned that it is neither a regulatory instrument nor a forum for policing. It seeks to provide a global framework to promote sustainable growth.

1.3. *ILO Declaration on Principles*[19]

The ILO Declaration on Fundamental Principles and Rights at Work and its Follow up, adopted at the 86th Session of the International Labour Conference is a milestone in the efforts to make a political and social response to the challenges emanating from the era of globalisation. The Declaration states that all member states have an obligation to respect in good faith and in accordance with the Constitution (of ILO), the principles concerning fundamental rights that are the subject of the Conventions covered under it. It also envisages the preparation and submission of progress reports by those members who have not ratified the relevant Conventions.[20]

[18]*Ibid.*

[19]There also exists the ILO Declaration of Principles Concerning Multinational Enterprises and Social Policy, adopted in 1977 and amended in 2000. This Declaration covers areas such as employment promotion, equality of opportunity and treatment, security of employment, avoiding arbitrary dismissals, training, minimum age, safety and health, freedom of association, collective bargaining, consultation, elimination of grievances, and settlement of industrial disputes.

[20]The (Core Labour) Conventions covered in the Declaration are: (1) C-87 on freedom of association and protection of the right to organise, 1948, (2) C-98 on right to organise and collective bargaining, 1949, (3) C-3 on forced labour, 1930, (4) C-105 on abolition of force labour, 1957, (5) C-100 on equal remuneration, 1951, (6) C-111 on discrimination (employment and occupation), 1958, and (7) C-138 on minimum age, 1973. The C-182 on worst form of child labour, adopted in 1999 will also form part of the Declaration. [See ILO (2000)].

The promotional role of the Declaration, notwithstanding, the mechanism of annual follow up on the efforts made by the state not ratifying the relevant Conventions and the preparation of the global report by the ILO Director General by taking each year one out of the four fundamental principles are the instruments considered important in terms of ensuring and enhancing the respect to the Declaration. The procedure followed for the reports comprises: (1) questionnaires are sent by the office (ILO) to member countries; (2) reports submitted by the members together with the comments submitted by the employers and workers are complied by the office (ILO); (3) examination of comments by a group of experts appointed by the governing body; and (4) discussion by the governing body of the reports and drawing of necessary conclusions.

The global reports are based on the: annual follow up of countries that have not ratified the concerned Conventions, various monitoring procedures for countries that have already ratified the Conventions, the reports of the committee on freedom of association and any other available information. The cycle of these reports revolves around: (1) freedom of association and the effective recognition of the right to collective bargaining—done in 2000; (2) elimination of all forms of forced or compulsory labour—done in 2001; (3) effective abolition of child labour—done in 2002; and (4) elimination of discrimination in respect of employment and occupation—planned for 2003.

2. Framework Agreements

Effective engagements with a company at global level, at the level that it is making priorities and making decisions, is becoming an indispensable element of the trade union strategies. As company planning, strategy, and operations become more and more international, one has to be able to deal effectively at that level. The framework agreements worked out by the multinational enterprises (MNEs) with the global unions federations (GUFs) are thus the steps in the direction of ensuring a social dimension in the participation of the MNEs. The volume and quality of social dialogue between GUFs and multinational enterprises has increased considerably in recent years. A visible sign of the growth is the increasing number of framework agreements over the years.

This growing social dialogue is resulting in the resolution of many problems faced by workers at national level and supporting their organising and bargaining strategies. The main purpose of a framework agreement is to establish an ongoing relationship that can solve problems and work in the better interest of both the parties. Starting from food processing the range of activities now cover are: hotels, furniture making, petro-chemical, mining, automobiles, construction, telecommunication, agriculture and retail industry, see Table 14.

Table 14

Codes of Conduct/Framework Agreements Concluded between Transnational Companies and Global Union Federations

	Company	Employees	Country	Area/Branch	GUF	Year
1	Danone	100,000	France	Food Processing	IUF	1988
2	Accor	147,000	France	Hotels	IUF	1995
3	IKEA	70,000	Sweden	Furniture	IFBWW	1998
4	Statoil	16,000	Norway	Oil Industry	ICEM	1998
5	Faber-Castell	6,000	Germany	Office Material	IFBWW	1999
6	Freudenberg	27,500	Germany	Chemical Industry	ICEM	2000
7	Hochtief	37,000	Germany	Construction	IFBWW	2000
8	Carrefour	383,000	France	Retail Industry	UNI	2001
9	Chiquita	26,000	USA	Agriculture	IUF	2001
10	OTE Telecom	18,500	Greece	Telecommunication	UNI	2001
11	Skanska	79,000	Sweden	Construction	IFBWW	2001
12	Telefonica	161,500	Spain	Telecommunication	UNI	2001
13	Merloni	20,000	Italy	Metal Industry	IMF	2002
14	Endesa	13,600	Spain	Power Industry	ICEM	2002
15	Ballast Nedam	7,800	Netherlands	Construction	FBWW	2002
16	Fonterra	20,000	New Zealand	Dairy Industry	IUF	2002
17	Volkswagen	325,000	Germany	Auto Industry	IMF	2002
18	Norske Skog	11,000	Norway	Paper	ICEM	2002
19	AngloGold	64,900	South Africa	Mining	ICEM	2002
20	Daimler Chrysler	372,500	Germany	Auto Industry	IMF	2002

Note: (1) Some GUFs call the agreements “Framework Agreements” not “Code of Conduct” because there had been only a few principles fixed in the first agreement, which often have been extended by additional agreements. For instance, in the case of Danone the first agreement of 1988 has meanwhile been developed by 6 other agreements. (2) The employee figures are mainly taken from the official company’s websites. The overview shows the number of employees who are directly employed by the company. Some agreements have also effects on franchising, sub-contracting companies and suppliers in the supply chain. In these cases the number of people affected by the agreement would be higher. (3) The GUFs indicated stands for: (i) ICEM=International Federation of Chemical, Energy, Mine and General Workers Unions; (ii) IFBWW=International Federation of Building and Woodworkers; (iii) IUF=International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Association; (iv) IMF=International Metalworkers’ Federation; (v) UNI=Union Network International; and (vi) for details visit the websites of the GUFs, links also available at ICFTU website: http://www.icftu.org/ displaydocument.asp? Index=991216332 and Language=EN.

What are these agreements all about? Looking at few of them, we find that the first of its kind, signed by the international union of food, agricultural, hotel, restaurant, catering, tobacco and allied workers’ association (IUF) and the France-based DANONE in 1988, led to a pledge by the employer to implement trade union rights as defined by the ILO Conventions 87, 98 and 135. Specifically, the company made a commitment in respect of training, consultation, placement assistance and trade union rights. The IUF signed a similar agreement with the ACCOR hotel and catering chain in 1995 for the respect to trade union rights in its global operations.

The international federation of building and wood workers (IFBWW) reached an agreement with IKEA, which also covers suppliers. This agreement incorporates ILO Core Conventions and provides for an annual review by a joint committee. It, together with the IG Metall of Germany, also signed an agreement on workers' rights with Faber-Castel in March 2000. As a consequence, the Faber-Castel undertook to take up the social and ethical responsibilities. Yet another example relates to that of the chemical industry. The international chemical, energy, mining and general workers' union (ICEM) and the Norwegian oil company—STATOIL—made an agreement that the company will respect ILO Core Conventions and shall not oppose the organisation of its employees.

The union network international (UNI) signed a code of conduct in March 2001 with Telefonica that was a follow up to the protocol signed in 2000. The parties had the common recognition of fundamental human rights in the community and workplace. In fact, this agreement goes beyond the commitment of respect to the ILO Core Conventions. Additionally, it includes commitment on training, employment stability and respect to environment.

3. Global Reporting Initiative (GRI) and Corporate Social Responsibility (CSR)

The organisations making up Global Unions agreed to become involved in the Global Reporting Initiative (GRI), an effort to standardise reporting for companies in the areas of the environment, labour standards and human rights. Headquartered in Amsterdam, the GRI is considered a major and influential initiative. The social indicators, developed for reporting purposes particularly in the area of industrial relations, are based on the OECD Guidelines. There are trade union representatives on the GRI Board and on the Stakeholders Council.

The GRI is likely to have a growing relevance with respect to socially responsible investment. Many pension and other funds already require submission of information by companies related to their policies and practices. The GRI, by standardising reporting, is expected to contribute to this trend. The whole area of socially responsible investment, including related issues like reporting, screened investment funds, and the Global Unions Committee on International Co-operation on Workers' Capital is examining social rating. The committee has discussed a wide variety of approaches to the use of workers' capital to provide space for organising through respect for trade union and other rights.

The trade union movement continues to participate in the larger debate around corporate social responsibility (CSR). A large CSR industry has emerged consisting of enterprises offering social reporting, social rating, and social auditing services to companies and to investors.

In addition to GRI there are other initiatives involving business in co-operation with other interests including NGOs and trade unions. Among these other "multi-stakeholder" initiatives are Social Accountability International, with its SAI 8000 standard, and the UK-based Ethical Trading Initiative, which involves several international trade union organisations including the ICFTU. There has also been a growth in private standard setting based on the ISO model.[21]

IV. RECTIFYING THE SITUATION[22]

1. Addressing Financial Instability

The recurring bouts of global instability, financial crisis, and the adverse fallout, especially in the developing and transition countries, demand reform of the international financial system. The essential elements can comprise:

- a fair and transparent international debt arbitration and bankruptcy process,
- tougher reserve requirements for banks to stabilise finance, and
- capital controls.

A global institution for orderly and equitable workouts of international debts is needed. This to address repayment difficulties and larger aggregate loss to creditors as well as a haphazard distribution of the losses. The mechanism, to be (and being) developed, will in addition to replacing the existing partial ad hoc arrangements also ensure temporary debt "standstills" for developing countries in payment difficulties, and comprehensive rescheduling of debts to private lenders on the lines of the Paris Club programmes for intergovernmental debt. The support of the IMF for a sovereign debt restructuring mechanism (SDRM), providing for orderly negotiation to reduce or reschedule foreign debts while applying a standstill, is an important development. The areas that need attention are: the opportunity for "stakeholders" to intervene in the process, timely dispensation, a transparency in the process, and equitable treatment.

The Bank for International Settlement, it may be pointed out, does require banks to maintain a ratio of capital to total loans—capital adequacy ratio—of at least 8 percent. But maintaining this ratio does not always prevent bank failures. Instability also arises when lenders and investors acquire assets without proper regard to risk. One possible solution could be an asset-based revenue requirement, which would force financial firms to hold their reserves against each class of asset, with the regulatory authority setting reserve requirements on the basis of its concerns with specific classes of assets. An asset-based reserve requirements (ABRR) to provide a possible tool to financial markets instability. By varying the level of reserve requirements on asset categories, monetary authorities could adjust the relative attractiveness of various holdings, thereby discouraging unduly risky

[21]The ISO is now considering developing a CSR standard for management.

[22]The suggestions contained here are also based on the statements and reports of the ICFTU and ICFTU-APRO—many already cited. The statements that the global unions have been submitting to IFIs' annual meetings, the summit meetings of G-7, ASEM, and APEC, the WTO Ministerials, global meetings, etc. All of the statements are on the website: http://www.icftu.org.

portfolio choices. Central banks could apply this framework to all financial intermediaries on the basis of the assets they hold, rather than having different requirements for different corporate forms e.g. banks, securities firms, finance companies.

The system of ABRR applied to the entire financial sector could prevent asset allocation problems before they gather steam. It requires financial firms to hold reserves against each class of asset, with the regulatory authority setting reserve requirements on the basis of its concerns with each asset class.[23] By forcing financial firms to hold reserves, the system requires that they retain some of their funds in the form of non-interest-bearing deposits with the central bank. As a result, financial firms reduce their holdings of the relatively less-profitable asset type and shift funds into other asset categories that have become relatively more profitable.

Discouraging short-term speculative investment having destabilising effect on the national economy can be in the form of: (1) a requirement that capital in-flows stay for a specific period; (2) placement of a temporary, non-interest bearing, reserve requirement on all capital inflows, that is refunded after a specified period; and (3) payment of a penalty in the event that a capital inflow reverses within a given period.

These measures, meriting attention, have been tried by Chile and Malaysia. Chile for a period in the early 1990s applied the regulations requiring the capital inflows to remain in the country for 12 months. While, Malaysia in 1998 imposed capital controls, aimed at preventing outflows of capital. The purpose of these kinds of measures is to discourage short-term speculative investment that can have a destabilising effect on the national economy. At the same time, these measures do not hinder longer-term investment in productive capacity.

2. Addressing Diversification of Economic Activities— Based on Domestic and Regional Demand

The export-led industrialisation, a model promoted for decades by the IMF and the World Bank and major industrialised country governments, needs to be reviewed in terms of its sustainability. It has created a dependence on markets in the developed world. Falling prices compel developing countries to export even more, thereby compounding the problem of falling prices. Earlier visible for producers of primary products, this phenomenon is also affecting manufacturing particularly in countries that lack the capacity to buy their own output. This has bearings on the developing countries' debt service and repayment problems. These countries borrow in hard currency, and deteriorating terms of trade make it even harder for them to earn the currency needed to service their debts.

Countries should seek a greater diversification of national economic activity based on domestic demand. Regional integration and cooperation agreements

[23] One concern may be that the asset class is too risky; another may be that the asset class is expanding too fast and producing inflated asset prices.

between countries can certainly be consistent with such a strategy. Such a pattern of demand-led growth entails allowing workers to win the wages necessary to fuel such demand. Labour standards and social safety nets have a vital role in promoting faster, more stable growth. Part of the remedy lies in respect of the core labour standards, which, by allowing for the formation of genuine trade unions that bargain collectively with employers, can contribute to a more equitable system of income distribution in the country.

Provision of necessary resources—financial and technical—for infrastructure development and capacity building including institutions need to be addressed by the industrialised countries by at least honoring their commitments at global forums concerning official development assistance (ODA).

3. Addressing Social Protection and Core Labour Standards

The World Bank's World Development Report 2000–2001 contends that real sustained achievements in poverty reduction require the empowerment of the poor, including the creation of strong civil society organisations, the building of alliances between the poor and the non-poor, and genuine participatory democracy. This recognition has led to the requirement that Bank (and the IMF) sponsored poverty reduction strategy papers (PRSPs) must be based on civil society consultation. And the Asian Development Bank followed soon in this regard.[24]

In this context, key elements for successful poverty reduction strategies endorsed by the Bretton Woods' twins as well as the ADB are: freedom of association and the right to collective bargaining.

Despite these positive pronouncements in favour of the core labour standards, conditions on loans or country-level policy advice given by IFIs frequently include elements that, in effect, demand that countries violate the core labour standards. The IMF and the World Bank often advise governments to introduce measures to enhance "labour market flexibility" by restricting the scope of collective bargaining. IFIs have recognised that respect of the core labour standards is an essential part of the poverty reduction process. The IFIs must promote these rights regularly and consistently in all of their operations.

Another important element in achieving stable growth and long-term poverty reduction is the establishment of social safety nets that provide a basic income and maintain access to essential services when workers lose their jobs. IMF-imposed austerity programmes often require that, in order to achieve specified fiscal targets, countries in economic difficulty slash spending on social protection precisely when it is needed most. The IMF and the World Bank should ensure that adequate social protection measures are put in place before crises occur, and that funding for the

[24]For a discussion and critique on IFIs' poverty reduction programmes and the participation of civil society, see ICFTU-APRO (2002 and 2002a) and Ghayur (2001).

programmes is maintained even if, because of economic difficulties, countries are obliged to incur temporary budget overruns.[25]

4. Addressing Vulnerability of Developing Countries

Some of the major constraints to development in many developing countries are characterised as: under developed productive capacities, markets and even the entrepreneurial class. The structural adjustment programmes under such conditions have not been able to deliver an accelerated and sustained economic growth at rates sufficient to make a significant dent in poverty. IFIs need to look and learn from the country experiences. In fact, countries should have a legitimate choice of whether to nurture domestic economic sectors— investment rules must accommodate this. The WTO and IFIs must allow for infant industry clauses and for the imposition of performance requirements on certain grounds, such as social and environmental.

Countries must not be obliged to privatise public services against their will. Countries that make a commitment to open up their services sectors under the GATS must be able to take a future decision to increase the public sector role in these sectors. And it should be without any risk of a potential challenge through WTO disputes machinery or a need to offer some other services sector in compensation. The GATS agreement should include an explicit clause to exempt GATS commitments from the WTO disputes machinery in all cases where the public sector is concerned. In this way, the (foreign) service suppliers would be unable to seek to use WTO disciplines as a tool to maintain market access.

In addition, GATS negotiations should include the possibility of applying temporary safeguard measures to prevent a domestic industry from collapse (as already exists in GATT). More generally, the WTO 'lock-in' principle that has the effect of making commitments to open service markets 'irreversible' should not apply when the service market liberalisation has led to adverse socio-economic effects on the country and its population.[26]

5. Addressing Employment and Poverty Issues— Making Them Central to All Policies

The yardstick of determining any policy—national, global including those of IFIs—should be the nature and extent of impact on poverty and unemployment. The macro-economic policy needs to be fine-tuned with employment generation, poverty eradication and human resource development policies duly articulating the role of social institutions and fundamental rights at work. The governments also need to integrate different elements of an active labour market policy (ALMP)—information,

[25] *Ibid.*

[26] Services of general interest include socio-economic services such as transport, energy, and communications; social services such as health, education and social security; environmental services such as water, sanitation, and housing; and socio-cultural services such as media, entertainment, and arts.

counselling, training, retraining, placement, income support, and direct employment creation programmes, old age benefits, etc.—in the overall policy framework.

Looking at these dimensions, one finds IFIs' newfound focus on poverty eradication programmes as failing short of the promises. As they continue prioritising short-term stabilisation over long-term development with tight credit ceilings and largely restrictive fiscal policies.[27] The UNCTAD, no wonder laments in pointing out "they (IFIs) continue to broaden and deepen past structural reforms in the belief that an economy where four out of five people are living on $1 a day will behave like a perfectly competitive market, and economic activities will automatically spring up if the government gets out of the way and the national "market" opens up to the rest of the world …. the overall approach is still not the best way to combat poverty in the LDCs".[28] In fact this focus is also at variance with promoting (decent) employment and human resource development.

6. Addressing Issues of Governance

The issues of governance range from politics to social and corporate. Equitable access to opportunities and a level playing field to market participants visualises a functioning political, industrial and social democracy. The requirements are: (quality) regulations and standards, enforcing institutions but those having capacity and capability, an independent judiciary, etc. Globally efforts underway are in the direction of prudential regulations, accounting and auditing standards, disclosures, independent directors, the minority shareholders, etc.

Looking at differently, one finds that "economists" are increasingly at the helm of affairs at the national policy-making, board of MNCs, the multilateral institutions, etc. Well versed with economic discipline and even equipped with sophisticated analytical tools, interestingly many are found grossly missing an important element "governance". No wonder, their (economic) prescriptions lack a focus on social dimensions and good governance. The issues of governance being so crucial, one finds a need for introduction of "governance economics". Sufficiently trained, such Economists can contribute towards standards, regulations and enforcements.[29]

V. CONCLUSIONS

The situation developing is not at all satisfactory. Troubling times seem to be waiting ahead. The areas causing concerns are many. First, it is the situations at work places. Labour market flexibility (LMF) is quite often the first demand of an investor promptly responded by the policy makers. The LMF is a "buzzword" these days and

[27]A discussion appears in Ghayur (2001) and ICFTU-APRO (2002 and 2002a).
[28]See UNCTAD (2002).
[29]See Ghayur (2002b).

found duly integrated in economic policies and more so in the trade and investment policies. The least attended to have been the building and strengthening of a participatory work environment as well as social safety nets (SSNs). The permanent and regular work is being fast replaced by a-typical work—contract, part time and temporary employment. In the developing countries casualistion and informalisation is a fast emerging labour market reality.

Secondly, it is the "race-to-bottom" being witnessed in terms of attracting investment particularly by the left behind in the process. The set of incentives luring a foreign investor too often comprises of concessions going beyond the fiscal domain. Putting in abeyance of country's labour laws and social protection is one such dimension. And those earlier managing to attract are finding hard to retain—greener pastures are too tempting for many to even abandon the established production structures. Alternately, lowering of standards, wages, etc., is *fate accompli.*

Thirdly, it is the asymmetric relationships observed between many developing and industrialised countries, and between the developing countries and Bretton Woods twins, the WTO; its ministerial and the new trade round—many (developing) countries consider themselves in no stronger position at these policy foras. The WB and the IMF are found to be in the forefront in prescribing and enforcing a market liberalisation regime. The speed and sequencing of the reforms enforced has evoked considerable criticism.[30]

Fourthly, we observe a negative impact of the opening up and market liberalisation in terms of: (1) creation of work opportunities, (2) redistribution of income, (3) protection and promotion of workers' rights, (4) protection of the environment, and (5) allowing developing countries to choose their own development path.

Lastly, the WTO produces binding rules and has binding disputes resolution procedures. The same is true for thousands of regional and bilateral trade and investment agreements. An argument that it is right to protect commercial interests, but wrong to protect people is not politically viable. If international institutions can create an enabling environment for investment and trade, one should not automatically reject the idea that they could also create an enabling environment for political and industrial democracy. This pessimism has to be rectified. This demands a level playing field to the market participants, thus making globalisation inclusive of people.

REFERENCES

Haqqie, Waseem (2002) Pakistan Investment Climate and Business Opportunities. Paper Presented at the Conference on Business Opportunities in Pakistan, Organised by Pakistan High Commission, Singapore International Trade Institute and Singapore Confederation of Industries. Singapore, 16 December.

[30]For details of IFIs' participation and impact, see ICFTU-APRO (2000a).

Ghayur, Sabur (2001) IFIs' Conditionalities, Poverty Reduction and Employment. *The Pakistan Development Review* 40:4, 435–452.

Ghayur, Sabur (2002a). Building a Social Pillar in ASEM: Why, How and Priorities? A Note on an Asian Trade Union Perspective. Paper presented at the International Workshop on "Social Policies and the ASEM Process. Organised by German Asia Foundation, the Asia-Europe Dialogue Project of Heinrich-Boell-Foundation (Berlin) and Transnational Institute (Amsterdam), Berlin. Germany. 4-5 March.

Ghayur, Sabur (2002b). *Limiting the Unlimited*. Islamabad: Subagh Publications.

Ghayur, Sabur (2001) FDI Targeting, Industrialisation and Export Competitiveness: A Note on Social Dimension. Paper presented at the UNCTAD/Chinese National Centre for Studies on Multinationals Asian Regional Seminar "Export Competitiveness and Role of Foreign Direct Investment through Linkages with Translation Corporations (TNCs)", 11–13 December, Tianjin – China.

ICFTU-APRO (2000). Report of the ICFTU-APRO Survey on the Provisions of Social Safety Nets in the Selected Countries Before and After the Start of the Asian Financial and Economic Crisis. ICFTU-APRO. Singapore.

ICFTU-APRO (2000a). IFIs' Policies and Initiatives in Social Development in Asia and the Pacific. ICFTU-APRO. Singapore.

ICFTU-APRO (2002). Trade Unions and IFIs' Poverty Reduction Programmes. Proceedings, Recommendations, Action Plan and Conclusions. ICFTU-APRO Regional Workshop Trade Union Action Plan for Participation in IFIs' Poverty Reduction Programmes Petaling Jaya, Kuala Lampur–Malaysia. 27–30 August 2002.

ICFTU-APRO (20002a). Trade Unions' and IFIs' Dialogue in Asia and the Pacific. Proceedings, Conclusions and Recommendations. 2nd ICFTU-APRO Regional Dialogue with International Financial Institutions, 10-11 October. Manila–the Philippines

ILO (2000) ILO Declaration on Principles. A New Instrument to Promote.

IMF (2002) *Global Financial Stability Report—Market Developments and Issues*. Washington, D. C.: International Monetary Fund.

Jung, Youngtae (2002) The Impact of IFIs' SASPs on the Economy and Social Welfare: The Case of Korea. Country Paper Prepared for the ICFTU-APRO. Singapore.

OECD (2001) The OECD Guidelines for Multinational Enterprises. Policy Brief. *OECD Observer*. June. Paris.

Repon, A. R., A. R. Chowdhury, and Murshed Chowdhury (2002) IFIs' Policies over Structural Adjustment and Stabilisation Programme in Bangladesh: An Evaluation. Country Paper Prepared for the ICFTU-APRO. Singapore.

Templo, Ofelia M. (2002) IFIs' Structural Adjustment and Poverty Eradication Policies: Nature, Extent, Compatibility and Civil Society Participation. Country Paper Prepared for the ICFTU-APRO. Singapore

TUAC (2001) The OECD Guidelines on Multinationals. A User's Guide. Trade Union Advisory Committee to the OECD. Paris

UNCTAD (2002) *Trade and Development Report, 2002 Overview*. Geneva: UNCTAD, Switzerland.

UNCTAD (2002a). *UNCTAD's Least Developed Countries Report 2002: Escaping the Poverty Trap*. Geneva: Switzerland.

Comments

I commend Mr Suzuki and Mr Ghayur on presenting the Iqbal Memorial Lecture on a very thought-provoking theme linking the phenomenon of globalisation to the changes in the world of work. They have discussed and documented in detail the concerns that arise from the seemingly inequitable distribution of gains from globalisation and the coping mechanisms that need to be adopted, especially in the context of labour market parameters, in order to make globalisation a more acceptable experience for the developing countries.

The discussion in the paper mainly focuses on the macro features of globalisation related to market liberalisation in countries undergoing structural adjustment and stabilisation programmes, which in their assessment have led to undesirable and inequitable consequences in the labour market, signalling the need for intervention through global instruments like the OECD guidelines, the UN Global Compact, and the ILO Declaration on Fundamental Principles and Rights at Work. The role of social dialogue has also been mentioned to with reference to framework agreements, global reporting initiative (GRI), and corporate social responsibility (CSR).

The authors stress that concerns regarding financial stability and international financial system reform, diversification of economic activities, social protection and core labour standards, the centrality of employment and poverty in development policy, and governance issues will have to be addressed if globalisation has to be made more inclusive.

Even though the authors strongly argue the case for all of the above, I would like to add to the debate by presenting some evidence relating to globalisation and human development which may further strengthen the authors' case.

Last year's Human Development Report for South Asia by the Mahbub ul Haq Human Development Centre concludes that even if globalisation is not an option for developing countries, they have to learn to manage it more skillfully. This is based on the analysis that the opening up of economies through movement of goods and services, and global integration through developments in information and communication technology and integration of financial markets, has exposed developing countries to numerous risks and vulnerabilities, which requires a concerted effort on the part of national governments, international organisations, private sector, and civil society to reap the potential benefits of globalisation.

This policy advice follows from comprehensive evidence that so far, the globalisation experience in South Asia has not impacted positively on human development indicators and, therefore, has not been accompanied by poverty reduction in any meaningful sense. Among the various reasons cited for the fact that South Asian countries have not been able to harness the process of globalisation to their advantage is that there has been an imbalance between social and economic development policies.

This, in my opinion, is actually where the thrust of today's lecture on the trade union perspective of globalisation really is. The question boils down to incorporating the social dimensions of globalisation and promoting the role of social dialogue with a view to transforming the process of globalisation to make it more inclusive and more equitable. Social Dialogue means consultations between the social partners (Workers, Employers and the Government) on issues related to economic and social policy and it basically facilitates the government to take appropriate decisions after consultation with stakeholders. The mechanism of social dialogue also provides an effective forum to resolve crucial issues of national and global importance.

The existing pattern of globalisation is not an inevitable trend rather it is in part the product of policy choices which are not irreversible and can be changed. However, the influence of social dialogue on shaping economic policy in conjunction with social policy is dependent crucially on the capacity to engage effectively in a dialogue on complex economic and social policy matters and participation of social partners in the decision-making structures. It is usually feared that government policy has been decided prior to any consultations.

Usually, the ministries that play a significant role in the formulation of adjustment policies are not represented in tripartite consultations; nor do these agencies have tripartite mechanisms. Consultation with those most acutely affected by structural adjustment policies is not only realistic but also necessary. Timely, meaningful consultation with representatives of the major social groups can make the difference between a policy that is resisted and sabotaged and one that has been shaped in part by the people affected by it.

It should also be ensured that tripartite consultation takes place with the policy-makers who are taking the pertinent decisions. This applies at the international as well as the national level. Within national governments, it is not only the workers and employers who feel marginalised; it is often the Ministry for Labour as well that is not consulted even when most of the time it is fiscal policy that sets off adjustments in the labour market. Changes in approach are called for, therefore, at the highest policy-making level.

Social dialogue is also relevant to PRSP preparation, both as an input into the consultative process, showing that employers' and workers' organisations can contribute usefully to programme design, and as a continuing source of proposals to improve labour market functioning. I would like to inform you that the Ministry of Labour has started the process of coordination with the Ministry of Finance and the Planning Division by suggesting social dialogue with workers and employers in the context of strengthening the employment dimensions of the Interim Poverty Reduction Strategy Paper of Pakistan.

The process of making globalisation inclusive requires a set of measures and a policy orientation which take into account the social impact of globalisation. Keeping in view the theme of this year's conference, it is very much an issue of regulating the process of globalisation. A more equitable national and international policy framework has to be evolved with the active involvement of social partners, one which regulates the linkage between globalisation and the world of work in developing countries in a better manner than it has up till now.

Aliya H. Khan

Ministry of Labour, Manpower, and Overseas Pakistanis,
Government of Pakistan,
Islamabad.