

Opinion of the European Economic and Social Committee on The Social Dimension of Globalisation — the EU's policy contribution on extending the benefits to all

(COM(2004) 383 final)

(2005/C 234/10)

On 26 May 2004 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on The Social Dimension of Globalisation — the EU's policy contribution on extending the benefits to all.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 15 February 2005. The rapporteurs were Mr Tom Etty and Ms Renate Hornung-Draus.

At its 415th plenary session of 9 and 10 March 2005 (meeting of 9 March), the European Economic and Social Committee adopted the following opinion by 59 votes to 15, with 2 abstentions.

1. General comments

The European Economic and Social Committee

1.1 welcomes the Commission's Communication on Social Dimension of Globalisation COM (2004) 383 final — the EU's policy contribution on extending the benefits to all — elaborating on the specific role that the European Union can play in making globalisation a fair process for all;

1.2 believes that the European Union can make a significant contribution to shape the social dimension of globalisation due to its own history and experience of substantial and successful regional integration, while not suggesting that the latter provides for a model which can be followed worldwide in all details;

1.3 takes into account the outcomes of a special hearing organised on 17 December 2004. Experts from the ILO, the World Bank and the IMF were present, to give their perspectives on the role of their respective organisations with regard to the social dimension of globalisation⁽¹⁾. A report from this special sitting as well as the presentations from the speakers will be published by the EESC;

1.4 underlines the importance of a values-based approach to globalisation in terms of those concepts that constitute the essence of a social market economy. Such aspects are individual responsibility, respect for the rule of law, respect for the individual and property, transparency, integrity, human dignity, equality and freedom, fundamental trade union and workers rights, sound industrial relations, general access to education and training, irrespective of gender and a high level of social protection. These underpin the key elements of the EU approach to globalisation:

⁽¹⁾ The following experts participated in the hearing :

- Mr Gerry Rodgers, Director Integration, ILO
- Mr Dominique Peccoud, Special Adviser , External relations and Partnerships, ILO
- Ms Haleh Bridi, Special representative to the European Institutions, World Bank Office
- Mr Pierre Dhonte, Special representative to the EU, IMF

— solid institutional structures,

— effective public services and services of general interest,

— strong social and civil dialogue,

— investment in human capital, and

— quality of employment;

1.5 agrees with the European Commission that the global market economy has generated many significant benefits and has great productive potential in terms of economic, political and social development and has created more and better jobs; accepting also the findings of the World Commission on the Social Dimension of Globalisation (WCSDG) that market-opening measures and financial and economic considerations have predominated, neglecting their social consequences so far and that these rules and policies are the outcome of a system of global governance insufficiently responsive to the interests and needs of the less powerful players;

1.6 refers to the recent study of the World Bank⁽²⁾ which shows that the opening of markets and economic integration have contributed to substantial economic progress for developing countries that have managed to enter global manufacture and service markets. In combination with another World Bank study of February 2003, which relates the reduction of income inequalities and wage discrimination as well as improved economic performance to high unionisation rates and sound industrial relations⁽³⁾, this study underlines the case for a balance between economic and social values which the WCSDG is making when addressing the issue of poverty in a globalising world;

⁽²⁾ Globalisation, Growth and Poverty: Building an Inclusive World Economy, World Bank, Washington, 2002

⁽³⁾ Unions and Collective Bargaining. Economic effects in a global environment, World Bank, Washington, 2003

1.7 states that although globalisation has generated many positive effects, poverty which can be directly linked with the increase of the informal economy both as a cause and a result of it, remains one of the most serious challenges in the world;

1.8 states that problems in regard to poverty remain particularly present where countries are excluded from globalisation: the two billion people below the poverty line worldwide live mainly in countries that do not participate actively in globalisation and risk remaining marginalised from the world economy;

1.9 affirms that also developing countries which can be classified as emerging market economies with high economic growth have problems and that poverty can only be combated, when inequalities are reduced and a competitive formal economy and effective social policies are put in place;

1.10 endorses one of the key messages of the WCSDG report, that the starting point for change is the national level: social development must be a bottom-up approach and all institutions — national and local — have an extremely important function in facilitating integration and ensuring that more people can share the benefits of globalisation and will be protected from its negative effects. It is of crucial importance for a fair sharing of the fruits of globalisation that social and civil dialogue based on strong, representative, independent and responsible actors is developed in all countries and regions;

1.11 good local, national, regional, and global governance, based on the Universal Declaration of Human Rights, and the ILO Core labour standards as well as the Declaration on fundamental principles and rights at work is an important basis for trade liberalisation, global growth and development. The EESC supports the EU in encouraging a discussion at the international level on establishing a basis for world wide environmental standards.

2. Specific comments: the EU-policy contribution

2.1 The EESC believes that the EU can play a key role in supporting and promoting the social dimension of globalisation. It can actively engage in and pursue a policy which can convince governments of the necessity of an equitable legal and judicial framework, of respect for property rights, of cost-effective dispute resolution and contract enforcement, of access to education and training, of appropriately regulated financial institutions and access to them, of an equitable tax system and of the recognition of the central role of human development. The pursuit of these goals should, however, not lead to growth of trade with no impact (or even a negative impact) on sustainable development, to liberalisation of financial markets not accompanied by balanced fiscal and social regulation, to unfair conditions governing structural adjustments and restructuring

in employment, education and health, and to growing inequities in all countries, including the industrialised. If the EU wants to play that role effectively, however, the Commission as well as the Member States will have to look carefully at their own policy coherence in relevant areas.

2.2 The European Commission has developed a number of tools which are in the view of the EESC suitable to achieve progress in the social dimension of globalisation. Such tools are the bilateral and regional agreements, development and external cooperation, trade policy, market access for developing countries, promotion of private initiatives for social development, and the promotion of governance at the global level. The Committee refers to the latest Opinions it has delivered on all of these instruments (see appendix 2). While the Committee shares the views of the Commission on the potential of these instruments, it wishes to put on record its preference for multi-lateral agreements. The EESC stresses that the EU should continue to put incentives in place to further promote south-south trade.

2.3 Bilateral and regional agreements can help to drive development in the field of good governance, the rule of law, human rights and democratisation. The EESC supports the negotiation of bilateral/regional agreements between the EU and its trading partners provided they are based on political and economic, social and environmental considerations and that they build on and/or complement the multilateral trading system. Priority should be given to achievable agreements, which promise a large volume of trade and significant market access benefits (goods, services and investment). All such agreements should comply fully with WTO provisions. The EESC underlines the importance of discussing and monitoring these agreements with regard to their impact on the social dimension and welcomes the idea of inviting international organisations such as the ILO to participate in such a process.

2.3.1 In this connection the Committee notes with interest the Commission's intention to set up new joint mechanisms in bilateral agreements to discuss and monitor relevant aspects for the social dimension of globalisation in which other international organisations could be invited to participate ('Joint bilateral observatories'). Instruments like these can effectively demonstrate the responsible role of free and independent social partners as well as other relevant civil society organisations, like farmers' organisations, consumers and environmental associations etc. and the EESC which is incorporating them sees a role for itself in them, drawing on its experience in organising civil society partnerships across borders including in developing countries, particularly in the context of Mercosur, ACP and Euromed⁽⁴⁾.

⁽⁴⁾ The EESC has a structure of follow-up groups, Joint consultative committees, a Round Table and contact groups with different geographical regions of the world.

2.4 The EESC is of the opinion that special emphasis should be given to the 'European Neighbourhood Policy' — it believes that this approach to enhance the relations with the eastern and southern neighbouring countries of the EU can contribute significantly to social development in these countries, if regional development, employment and social policy are part of such cooperation. Experience from cooperation with candidate Member States in pre-enlargement periods of the EU have shown certain positive effects in accession countries.

2.5 The promotion of human rights (including employers' as well as workers' and trade union rights as established in ILO Conventions 87 and 98) and democratisation in third countries are fundamental issues in order to bring forward development and democracy. There exists a strong linkage between good governance, including the fight against corruption, the rule of law, the protection of human rights and fundamental freedoms and the quality of justice. In this context the EESC recalls that human rights' treaties are agreements between states. The obligations they create lie with states in the first instance. The European Commission should encourage Member States to fully respect these obligations and engage within the international dialogue to increase awareness of the duties of the states and remind them of their respective responsibilities for social development. Once implemented in national legislation or other relevant national regulations, international norms become binding on private legal entities, i.e. on citizens and companies.

2.6 These priorities should also apply for external cooperation and development assistance: that change starts at the national level is one of the key messages of the WCSDG. The EESC believes that it is important to focus on single issues within a coherent overall development policy.

2.6.1 Such a priority issue could be decent work⁽³⁾, which should include the development of an integrated employment policy to generate productive, sustainable employment, to match the skills of people to current and emerging job requirements and to improve working conditions, and raise living standards. Such policies should lead to more productive and better jobs in the economy, move the unemployed into employment, and focus public and private investment as well as international assistance in the most productive areas.

2.6.2 Education should be another field of priority: matching education to labour market needs and providing people with the requisite basic knowledge and skills. Business has a crucial role to play in helping to shape, in a setting that involves social partners and governments, policies and to provide insight into what are the probable skills requirements of the economy in the short, medium and long term.

⁽³⁾ Cf.: 'Decent work', ILO

2.6.3 Finally, the protection of social economy organisations like e.g. cooperatives, which combine the market approach and social considerations and which act as generators of both economic and social wealth, should be a priority in cooperation with and assistance to developing countries.

2.7 Migration policies which respond to changing patterns and current realities in the labour market need to be devised, in a rights-based multilateral framework, taking into consideration the International Convention of the United Nations on the Protection of the rights of all migrant workers and members of their families, as well as the linkages between economic, social, political, trade, labour, health, cultural, security and foreign policies and development aspects. The EESC shares the opinion of the United Nations secretary-general, who stated at a meeting with the European Parliament in January 2004 that 'only through cooperation — bilateral, regional and global — can we build the partnerships between receiver and sender countries that are in the interests of both; explore innovations to make migration a driver of development; fight smugglers and traffickers effectively; and agree on common standards for the treatment of immigrants and the management of migration'.

2.8 International trade is increasingly important to all economies and can be key to alleviating poverty. The lesson from some of those developing countries that have developed competitiveness in manufacturing is that a pro-active export-led strategy through developing comparative advantages on the basis of quality and not of low wages is vital for building up new export capabilities. However, in order to succeed there has to be a parallel process of strategic integration into the world economy geared to supporting national development priorities, including local development initiatives which are particularly important and which therefore should be promoted. This process must have a social dimension. In this context, special attention should be paid to cases of exploitation of (women) workers in a majority of Export Processing Zones (EPZ). The EESC thinks that a coordinated effort should be made by relevant international organisations to put an end to the abuses of workers' rights in these EPZ. The European Commission as well as the EU member states should actively support such efforts.

2.9 EU trade/investment and development policies should be fully supportive of and integrated into EU global policy objectives. The EESC is in favour of the objectives of the EU Generalised System of Preferences (GSP) but raises the question whether the incentive arrangements (environmental, social and anti-drug regime) included in it impose too much bureaucracy on the importer and thus are not extensively used by those poor countries and small companies which are supposed to be the main beneficiaries. The EESC encourages the European Commission to focus on the promotion of ratification as well as implementation in law and practice of the ILO core labour standards by the beneficiary countries and to include in the

2005 review measures of how to maximise the benefits of this to recipients. The review should be done with the full involvement of the social partners and other relevant civil society organisations.

2.10 With regard to the OECD Guidelines for Multinational Enterprises the EESC recommends that the European Commission initiate an awareness-raising campaign in order to make this important and useful instrument better known to companies and their European Works Councils. Its non-binding character should be maintained, but governments which are party to it should continue to promote the Guidelines and the adherence of multinational companies to them. Efforts should be made to prevent that a linkage to trade agreements with third states might be interpreted as a new form of protectionism. The Commission should support OECD efforts to promote the respect by non-OECD members of the Guidelines. The same considerations apply to the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

2.11 With regard to the promotion of private and voluntary initiatives for social development, the EESC believes that business can play a supporting role in bringing social development forward. Corporate Social Responsibility (CSR) as a concept describes how national and multinational companies transpose the concept of sustainability into their business practices. The EESC in this context refers to its opinion on the Green Paper Promoting a European framework for Corporate Social Responsibility (CES 355/2002). Corporate Social Responsibility is not just about creating and safeguarding employment; it is about developing better jobs with adequate health and safety at work, taking needs of people with disabilities into account and promoting a culture of lifelong learning. Socially responsible behaviour means companies applying existing social rules in a committed way and endeavouring to build up a spirit of partnership with relevant stakeholders.

2.12 The improvement of governance at the national and at global level is another key message of the WCSDG-report. As regards the global level, the EESC agrees that it is of crucial importance to strengthen the multilateral system of international organisations. The key to governance at global level is greater and more policy coordination between the organisations. It needs to be more effective, better resourced, more reactive and responsive, avoiding duplication and mismanagement. Within the decision-making bodies of the international organisations the Member States of the EU should urgently insist on bringing this process forward. It should be observed that, if it comes to coordination and coherence, the role of the Member States is at least as important as the Commission's. More recommendations in this respect in the Communication would have been welcome. The interplay between Commission and Member States should receive adequate attention in the development of policies in the relevant international fora. It is crucial that the EU pulls its full weight in international governance. The member states must strengthen cooperation, improve the preparation of their proposals and activities in international institutions, and coordinate their positions.

3. Conclusions and recommendations: The way forward

3.1 The EESC believes that there is an internal and an external dimension for the EU in bringing forward the social dimension of globalisation.

3.2 The **internal dimension** lies in the ability of the EU to deal with structural reforms: the EESC believes that the success of the Lisbon Strategy is key for the success of a specific EU-policy contribution to the social dimension of globalisation. Only when the Member States succeed in implementing the necessary structural reforms by mutually reinforcing economic development, employment and social policy, as well as in realising economic and social cohesion, can the European Union serve as a benchmark for the global level. The EU must continue its efforts to overcome protectionist tendencies in today's EU trade policy in particular, but non-exclusively, as regards agriculture, especially processed products, and should generally pave the way for a trade policy without export subsidies. Furthermore the European Union and its Member States must take an active stance with decisive reforms on the challenges of demographic ageing and persistent high unemployment. In order to stimulate a sustainable increase in the level of employment, reforms in social protection and insurance systems are essential to increase the incentive to work and reduce non-wage labour costs. Flexible working arrangements are just as important as adequate protection for people working under those arrangements and as investments in human capital. Furthermore, new active economic migration policies should be drawn up, as called for at the Thessaloniki European Council and proposed by the Commission and the EESC. All these reforms have to be worked out carefully in cooperation with employers and trade unions.

3.3 The EESC refers to the recent Global Competitiveness Report 2003–2004 of the World Economic Forum, which states a notable good performance by the Scandinavian countries. These are countries which on the one hand have a strong tradition in social market economy but which at the same time have succeeded in implementing the structural reforms, which are vital for maintaining the basic principles of social market economy. This proves that the European social model can provide a basis for successful structural reforms.

3.4 The **external dimension** is that the EU should play a leading role in underlining the importance of multilateralism and global governance. The key issues are to strengthen the system of international organisations within the UN-system and to push for a more coherent policy between these organisations and with the Bretton Woods' institutions and the WTO. The EU should especially engage in strengthening the existing standards for social development, such as the ILO core labour standards, decent work as a global goal, and the UN human rights' Covenants. It should work towards the implementation of these standards in the UN-member states, in law as well as in practice. It should secure better integration of the social dimension and decent work in its programmes for external cooperation. EU Member States should increase their development assistance.

3.5 In this context the EU has a role to play in promoting forms of formal representation and consultation of employers' organisations, trade unions, and other relevant civil society organisations in international financial and trade organisations such as the IMF, the World Bank and the WTO. The OECD can provide these institutions with an example, which has proven its usefulness for many years.

3.6 The Commission and the Member States should, in close cooperation, give serious consideration to the proposal of the WCDG of establishing an Economic and Social Security Council. This is one of its major suggestions for providing real leadership at the global level because it sees a need for balancing economic and social policies in a coherent way in order to achieve agreed objectives. They should also pay appropriate attention to any serious efforts to reform and strengthen the UN ECOSOC's potential, and yet not materialised, role in global policy coordination in the economic and social field. If ECOSOC's position would indeed be upgraded, the EESC will explore ways and means to make the voice of Europe's organised civil society better heard through ECOSOC within the UN-system.

3.7 The European Commission and the Council of Ministers should take the message of the WCDG that decent work is an essential instrument to eradicate poverty. They should promote decent work as a global goal to be considered by the United Nations in its review of the Millennium Declaration and the Millennium Development Goals.

3.8 One of strongest messages of the WCDG is the urgent appeal to Governments to coordinate and formulate coherent policies in and between the international financial institutions (IFIs), the WTO and the ILO. A pre-condition for such cooperation and coherence is that the same exercise is undertaken by governments at the national level. They should put an end to the current practice that the representatives in the IMF receive their instructions predominately from Finance ministries, in the WTO from Trade or Economic Affairs ministries, and in the ILO from the ministries of Labour, Social affairs and Employment. The EESC strongly suggests that the Commission, as well as the Council of Ministers, consider the idea that governments of Member States which have an Economic and Social Council, request an opinion of their respective Councils on ways and means to realise this cooperation and coherence at the national level. Governments of Member States, which do not have an Economic and Social Council, could solicit the views of the most representative employers' organisations and trade unions

in their countries, or use existing consultation machinery in which civil society participated in the preparation of the UN Social Summit and the Social Summit +5 exercise.

3.9 The Commission, in close cooperation with the Member States, might go a step further in the promotion of more effective dialogue between the ILO and the WTO (and, for that matter, the ILO and the IMF, and the ILO and the World Bank) than it proposes in sections 5.5 of the Communication. The WTO (which has so far been very resistant to the idea to pay attention to the social dimension of the policies within their mandate), the IMF and the World Bank might, on the basis of a mandate given by their Member States, establish coordination bodies with the ILO in which the inclusion of a social dimension in their work, as well as the monitoring of the development, could be secured. For instance with the expiration of the WTO's Agreement on Textiles and Clothing (ATC) at the end of 2004, many textiles exporting countries face acute adjustment problems and major job losses. Given the cross-cutting nature of the issue, it provides an evident area for a Policy Coherence Initiative to be undertaken, which should involve all the agencies concerned — the WTO, World Bank, IMF, ILO and other relevant UN agencies — in anticipating the social and economic impact and recommending measures to be taken by the governments that stand to be affected, backed by international assistance.

3.10 The EU should continue to encourage the inclusion of core labour standards as a point of reference in the periodic trade policy reviews of WTO Member States, based on its own example of October 2004. The EESC thinks that it would be appropriate to be represented on the Commission's delegation to such a future trade policy review. The Commission could also stimulate its main trading partners to engage in this sort of trade policy reviews.

3.11 The EESC thinks that, while the idea of the WCDG of establishing a UN Globalisation Policy Forum comprising the agencies of the multilateral system and other organisations, groups and individuals concerned with the social dimension of globalisation is interesting, it might be too ambitious a project under the prevailing conditions. When Governments have seriously started to coordinate and increase the coherence of their policies in the IFIs, the WTO and the ILO and when on the basis of that a start has been made with better cooperation between these international institutions, the time will be ripe to consider this proposal seriously.

Brussels, 9 March 2005.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND