

ITUC¹ Contribution to the pre-conference negotiating text for the UNCTAD XII Conference in Accra, 20-25 April 2008²

Introduction: Trade, Employment and Inequality

1. The ITUC welcomes this opportunity to contribute to the consultation process with civil society in preparation for the UNCTAD XII Conference in Accra in April by providing inputs for the negotiating text. In this statement, we indicate our recommendations concerning specific areas that need to be included in the UNCTAD work programme for the next four years.
2. We do so from a perspective of examining what trade contributes to the world's major challenges today. One of the main challenges is to raise living standards and eliminate poverty, but the world faces a lack of the productive and decent employment that can lift people out of poverty. If we analyse the contribution of trade to the reduction of poverty, it is clear that there is indeed potential for economic growth to be realised by increased trade flows with the right accompanying policies, leading to growing levels of income in some developing countries. But even then, the benefits of such (frequently jobless) growth have not been distributed equally and there is a huge global deficit of decent and productive jobs. At the same time, unemployment and underemployment are high. About half of the working people in the world earn less than US\$2 per day, with one out of every five workers struggling to survive on less than US\$1 per day. The number of working poor have only decreased in some regions (namely East Asia and CEE and CIS states). Women remain disproportionately concentrated among the working poor.
3. Moreover, the share of labour in national income has gone down whereas the share of capital in national income has further increased to unprecedented levels. This goes hand in hand with increased wage inequality³. Of the 73 countries for which figures are available, 53 countries - comprising more than 80% of the world's population - have recorded an increase in inequality of income distribution over the last two decades. While international organisations and national governments have focused on economic growth, the distribution of its benefits has long been ignored – yet not only does this growing inequality hamper progress and poverty elimination, but it is also a threat to social and political stability.
4. Trade and trade liberalisation have been one of the factors that has played a role in this growing income inequality, as was shown by the ILO-WTO report on trade and employment⁴. One of the ways to get a more equal distribution of benefits is to ensure strong roles for both governments and workers' organisations in achieving a more equal distribution of incomes. However, many trade agreements result in the opposite, namely stronger positions for the owners of capital

¹ The International Trade Union Confederation (ITUC) represents 168 million workers in 155 countries.

² TD(XII)/PC/1 November 2007

³ UNDP HDR 2005

⁴ ILO-WTO report on Trade and Employment, 2007

(multinational companies and investors), while resulting in a reduced role of governments and weaker positions of workers and trade unions. This has, indeed, further widened inequalities.

I. Decent Work

5. The Decent Work concept, which aims at providing decent and productive work for all, and which is based on four pillars: i) labour standards; ii) the creation of productive employment; iii) social protection; and iv) social dialogue, has gained importance as a concept that could address the current challenges. The objective of full and productive employment and decent work for all has been included in several documents and work programmes. In the Outcome Document of the 2005 World Summit of the UN General Assembly (New York, 14 – 16 September, 2005), Heads of State and Governments made a commitment to prioritise full and productive employment and decent work [A/60/L.1-para 47]. The 2006 UN Economic and Social Council (ECOSOC) Ministerial Declaration reaffirmed this commitment [E/2006/L.8] and called for incorporating decent work (with specific reference to the ILO's core labour standards) into all national-level development strategies, including efforts to achieve the Millennium Development Goals. Through such declarations, decent work has now been recognised as a global goal to be pursued not by one organisation or one country alone but throughout the UN system. It requires a joint international effort and coherent policies among international organisations and within countries to achieve decent work for all. In this context it is also important to note that there is a need to strengthen the public sector, given the destructive impact on public services of moves to privatisation, deregulation and corporate-driven globalisation.

⇒ In line with the Decent Work commitments taken in the above mentioned UN bodies and in order to ensure a coherent approach across UN bodies, we call upon governments to take up a similar commitment to Decent Work in the UNCTAD work programme. UNCTAD should, together with other UN bodies, strive to make full and productive employment and decent work for all a reality. Different areas of UNCTAD's work could provide specific opportunities to incorporate the concept of decent work and to further advance decent work. The recently developed toolkit⁵ for international organisations to streamline decent work in their activities can assist UNCTAD in this effort.

Trade and Gender

6. One of the rights covered in the concept of Decent Work is that of non-discrimination. Women suffer most from economic and social inequalities. Due to a lack of adequate social safety nets they struggle to keep families together, take care of the young, the elderly and the sick, and are often employed in harsh circumstances in agriculture or in manufacturing, frequently in Export Processing

⁵ Toolkit for Mainstreaming Employment and Decent Work, ILO, 2007

Zones (EPZs). Health standards are falling and family violence and social exclusion have increased. Many women and children are forced into prostitution and other forms of sexual exploitation, linked to the trafficking of human beings. The position of women is often adversely affected by trade and trade liberalisation and that impact needs to be addressed urgently and comprehensively. In those cases where trade has benefited women, more needs to be done to sustain these gains and to multiply positive effects.

⇒ *UNCTAD's four-year work programme should therefore address the impacts of trade on gender in a systematic and comprehensive way, including research, analysis and policy options.*

II. Investment

7. UNCTAD's vast programme and activities on investment needs to be structured in a way that provides recommendations for positive employment and social outcomes. In particular, policy advice given to developing countries on the promotion of investment need to be modified so as to result in attracting investment that contributes to the creation of productive employment and which ensures the protection of workers in such employment. This requires full respect for workers' rights, both in legislation and in application and enforcement.

⇒ *UNCTAD's work, including Investment Policy Reviews need to be assessed against this background. Investment strategies need to be focused on attracting investment that creates productive and decent employment, that ensures the respect of workers' rights and that includes consultations with trade unions. Any policy recommendations need to be in line with these broader objectives.*

The social responsibilities of multinational companies

8. The foundation of corporate accountability is law and regulations that address the behaviour of a corporation with respect to society as well as laws and regulations that address how the corporation is internally governed. Governments have an essential role to play in order to implement and enforce laws at national level and multinational companies have a duty to comply with the rule of law. Corporate social responsibility (CSR) initiatives cannot be an end in themselves but can provide opportunities to engage companies about the social impact of their business activities, cross-border investment and trade transactions. CSR should complement and support, and not substitute for national legislations that protect workers' established rights as defined by the ILO core labour standards. However for that to happen CSR initiatives must be firmly rooted in authoritative inter-governmental standards – including the ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises. They should support free trade unions in the workplace and promote sound systems of industrial relations. UNCTAD's current approach

to CSR is not following those principles and is at risk of falling into unconditional support for purely voluntary private sector initiatives.

⇒ *UNCTAD's approach to the social responsibilities of multinational companies – including 'CSR' programmes and initiatives – should be firmly rooted in the ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises. UNCTAD should emphasise that the existence of free trade unions in the workplace provides the best guarantee for achieving socially responsible companies.*

Dispute Settlement in investment treaties

9. The dispute settlement procedures that are attached to Bilateral Investment Treaties (BITs) are an area of serious concern given the lack of transparency of the dispute procedures and the non-consideration of the social and environmental effects of decisions, as well as the huge payments that governments can be required to make to foreign investors.

⇒ *UNCTAD should provide more research on specific disputes and continue work on alternative dispute settlements, and at the same time assist developing countries in negotiations of BITs that offer sufficient protection of countries' sovereignty and that balance rights and obligations of foreign investors without undermining the right to regulate of governments or social and environmental provisions and regulations.*

Export Processing Zones (EPZs)

10. Over the past two decades, domestic economic deregulation and liberalisation have led to the explosive growth of Export Processing Zones that generally exempt foreign investors from compliance with labour and environmental protection, and often offer tax breaks or other regulatory loopholes. The globalisation of the world economy has accentuated competition for investment between the EPZs of various countries. To secure investments, ever greater financial rewards are offered to investors or measures are taken to make workers more compliant. Some jobs may be created but the working conditions are usually very poor. Labour laws are regularly violated and organising of workers, some 80% of whom are women, is generally virtually impossible. Overall, multinational companies are often the primary and sometimes virtually the sole beneficiaries. In fact, it should be noted that EPZs are an expression of one of the most unbalanced aspects of the WTO's rules: the notion of non-discrimination. Many people assume that this says that domestic and foreign entities must be treated equally: it does not. It says that foreign entities must be treated no less favourably than domestic entities. And that is what EPZs are all about – the granting to multinational enterprises of the right to evade domestic taxation, environmental, labour and health and safety laws which domestic employers must respect.

⇒ *Given the serious violations of workers' rights in production for exports, whether plantation work, agricultural work, agro-processing or manufacturing, there is an important role for governments and for UNCTAD to establish a work programme and/or forum that discusses these trade related problems and that provides solutions that can address them. Currently no attention is given to such violations, allowing for continued exploitation on behalf of foreign investors, with governments being unable or unwilling to seriously address the exploitation of workers that takes place.*

Market power of multinational companies

11. The market power of existing multinational companies (MNCs) has grown at the same time as MNCs from developing countries have entered global markets as well. Such market concentration has often enabled MNCs to capture an undue share of the benefits on both sides of the market (both supply chains and consumer markets), which has contributed to an increase of inequalities and to enormous pressure on suppliers to reduce costs and the already low wages paid to workers.

⇒ *UNCTAD should address the issue of market power in its work programme and examine regulations to enable cross border mergers to be challenged when necessary such that abuses of power by multinational corporations are controlled. The phenomenon of financialisation that has become a growing problem over recent years, whereby private equity and hedge funds have emerged as some of the most dominant financial and corporate players, is a further area where UNCTAD should play a role in terms of research and analysis as it is seriously affecting the functioning of the real economy.*

III. Further priority work areas for UNCTAD

Climate change

12. Climate change has moved to the centre of international policy making, reflected to some extent in the work of UNCTAD. Among the challenges today are to consider how trade can contribute to sustainable development and how governments can contribute to tackling the challenges of climate change. This must include policies that promote the creation of “Green Jobs” and access to cleaner technology for developing countries.

⇒ *UNCTAD should make a strong contribution to the ongoing processes of the UN Framework Convention on Climate Change (UNFCCC) on areas within UNCTAD's competences.*

Government Policies and Policy Space

13. As the ILO-WTO report on trade and employment showed, government policies play a critical role in determining whether trade and trade liberalisation have a beneficial effect. This includes both the trade policies themselves as well as accompanying policies and the sequencing of those policies. More research should be devoted to such issues, particularly in the area of NAMA negotiations and bilateral trade agreements including EPAs where the importance of policy space has been stressed on many occasions by the ITUC and others. A reduction of policy space through the reduction of tariffs to low levels will seriously jeopardise the potential for industrial development, diversification of industries and the creation of decent and productive employment. Reduction of tariffs will also have an impact on tariff revenue for governments, which could severely jeopardise the financing of trade adjustment programmes, social protection and the provision of public services like health and education.

⇒ ***UNCTAD's work programme should reinforce and continue research and analysis on the issue of policy space.***

Regional Integration

14. Regional integration can contribute to better diversification of economies within a region and allow countries to build productive capacities, services and a regulatory framework that can contribute to higher levels of development before integration in the global economy. However, trade agreements between developed and developing countries can result in unbalanced agreements that perpetuate undiversified and undeveloped economies. Such risks are apparent in the Economic Partnership Agreements (EPAs) being negotiated between the EU and ACP countries which will not enable full regional integration before market access is provided to the EU. Instead, longer implementation periods are required as well as increased asymmetry to favour the ACP countries. Such agreements should not be required to include "WTO plus" issues such as services, intellectual property, competition policy and investment.

⇒ ***UNCTAD's work programme should cover developing country concerns around policy space, industrial development and protection of agriculture production and markets, including expertise to support the ACP countries in their current negotiations with the EU.***

Mode 4

15. Temporary cross-border labour mobility needs to be assessed on the basis of the benefits for the migrating persons, while addressing potential brain drain. In this regard, a number of considerations need to be taken into account; first and foremost the protection of the rights of temporary workers needs to be guaranteed such that the workers are not subject to any discrimination in employment or remuneration. At the same time ways need to be found to enhance local development in the sending country as this provides the best way to avoid exploitation and negative social impacts from temporary movement of people.

⇒ *In this respect closer cooperation of UNCTAD is needed with the ILO on the basis of a multilateral rights based framework for migration. Research work in the area of labour mobility by UNCTAD must include a rights based approach in order to ensure that benefits accrue to temporary workers and that full protection of their rights is guaranteed.*

IV. UNCTAD consultation procedures

Trade union participation

16. The involvement of trade unions in UNCTAD's work is important, yet so far UNCTAD's cooperation with trade unions in developing countries has been virtually nonexistent. Whether it concerns expert meetings, policy advice or research, little outreach is made to trade unions in developing countries. However, often the policy advice that is given to governments by UNCTAD does directly or indirectly affect employment and the lives of workers.

⇒ *UNCTAD should invite trade unionists on a regular basis as experts to specific meetings, consult national trade unions when field research in developing countries takes place, and generally increase its consultation of trade unions, particularly on issues with a direct impact on the conditions of employment including investment policies, advice on labour markets, and other policies that have an impact on employment.*

The role of civil society

17. The role of civil society in the work of UNCTAD through participation in expert meetings and through the existing annual hearings should be expanded. Although the hearings provide an opportunity to enter into discussion with member states on specific chosen topics, the role that civil society plays should be more substantial inbetween hearings. Consultations with civil society could provide more balanced discussions and outcomes.

⇒ *UNCTAD should facilitate more regular contact of representative civil society organisations, many of them based in Geneva, with UNCTAD member states on issues of concern to them. In addition UNCTAD staff should be more responsive to civil society when it comes to preparing research, meetings and policy advice in developing countries.*