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EUROPEAN PARLIAMENT AND THE ECONOMIC AND SOCIAL COMMITTEE**

**PROMOTING CORE LABOUR STANDARDS AND
IMPROVING SOCIAL GOVERNANCE IN THE CONTEXT OF GLOBALISATION**

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1. INTRODUCTION¹

The complex interface between globalisation and the promotion of core labour standards receives growing attention. Citizens perceive that an equitable global economic system should promote social development and fundamental rights, and that our current governance model does not adequately address these issues. European public interest in the issue continues to be high. This reflects a greater awareness of the impact of globalisation, greater interest in economic relations beneficial to all those involved and a recognition that trade and investment flows should benefit the population at large and support those that participate in the production processes and contribute to economic growth. The growing public interest is based on recognition of the universality of core labour standards, and does not aim to put into question the comparative advantage of low-wage developing countries. This basic objective of promoting fundamental rights and sustainable development is reflected in the EU position as set out in the 1999 Council conclusions².

Within Europe itself the recognition that sustainable economic growth goes hand in hand with social cohesion - which implies respect for core labour standards - now underpins the strategic economic and social policy goals of the EU. Indeed, the notion that social and economic policies are mutually reinforcing is at the heart of the EU's social policy agenda, which was adopted at the Nice European Council in December 2000. Furthermore, these matters will be addressed in the framework of the EU's Sustainable Development Strategy, including in the Communication concerning the Union's contribution to global sustainable development that, as agreed at the Göteborg European Council, the Commission will submit by January 2002.

Existing international economic and social rules and structures are unbalanced at the global level³. Global market governance has developed more quickly than global *social* governance. The ILO enforcement mechanism, being limited to ratified conventions, has limited effectiveness. By comparison, the World Trade Organisation (WTO), with its rules-based system and binding dispute settlement mechanism, is a strong and relatively effective organisation. This relative strength of the WTO has led to calls that it take upon itself to act in areas outside the trade field, thus using its instruments to reinforce governance in other policy areas, such as labour standards and the environment. However, the ILO is, and must remain, the organisation competent to set and deal with labour standards, and a rebalancing of the global system should seek to strengthen the social pillar by taking its starting point in the ILO mechanisms, not in the WTO.

These broader aspects of global governance in themselves go beyond the scope of this communication, but they do affect the promotion of core labour standards. These considerations help us understand the dynamics of international developments in this field over the past decade; as well as identify avenues to promote social development in the context of globalisation. In particular, they underscore the close inter-linkage between trade and investment, economic growth and social development and the need to address these issues in

¹ This Communication complements the analysis provided by the Commission's 1996 Communication, which concentrated on the trading system and internationally recognised labour standards, COM(96)402 final/2 of 4 September 1996.

² The conclusions are found in annex 1 to this communication.

³ UN Secretary-General Koffi Annan in his report to the Millennium Summit stated that "... in recent decades an imbalance has emerged between successful efforts to craft strong and well-enforced rules facilitating the expansion of global markets while support for equally valid social objectives, be they labour standards, the environment, human rights or poverty reduction, has lagged behind".

an integrated manner. This requires a multidisciplinary approach to the promotion of core labour standards.

The objective of the present Communication is to outline a strategy for the improvement in social governance and the promotion of core labour standards, with a view to enhancing the contribution of globalisation to social development and to the respect for fundamental rights. In defining such strategy, the Communication proposes instruments within several different policy areas, at international level and at European level, thus seeking to define a comprehensive and multidisciplinary approach.

2. INTERNATIONAL DEVELOPMENTS IN SUPPORT OF CORE LABOUR STANDARDS

2.1. Towards better social governance internationally

International discussions on the interface between globalisation and social development have evolved in several fora, including at the UN Millenium Summit, and at different tempi.⁴ These discussions reflect overall support for the promotion of core labour standards and greater recognition of social development as a necessary component of sustainable development. Yet they also clearly underline the difficulty of addressing the interaction between trade and social issues in a manner that duly takes account of the concerns of all parties. The greatest concern is that a link between trade and social issues could be abused for protectionist purposes or open the door for increased recourse to trade sanctions. *It may also be noted that there has a significant growth in recent years in private voluntary initiatives to promote the implementation of core labour standards, developed either by companies themselves or designed to support their activities.* These can be seen as contributing to the improvement of social governance and the promotion of core labour standards, alongside measures involving governments and other public actors. The Commission launched a debate on such initiatives in its green paper on "Promoting a European framework for Corporate Social Responsibility".⁵

2.1.1. Recognising the universality of core labour standards: The 1995 World Summit for Social Development

The 1995 World Summit for Social Development addressed the social dimension of globalisation for the first time at the highest political level and thus gave full recognition to the social component of sustainable development.

In the Copenhagen Declaration on Social Development, participating countries recognised that globalisation⁶ creates opportunities for sustained economic growth and development of the world economy, as well as for sharing experiences and for cross-fertilisation of ideals, cultural values and aspirations. At the same time, they recognised that poverty, unemployment and social disintegration have too often accompanied the changes and

⁴ An overview of international developments and activities by international organisations is found ILO document for the November 2000 Working Party on the Social Dimensions of Globalisation: Developments in other organisations: Overview of developments in other international organisations and bodies relevant to the work of the Working Party, GB.279/WP/SDG/1.

⁵ COM(2001)x of 18 July 2001.

⁶ Defined as "a consequence of increased human mobility, enhanced communications, greatly increased trade and capital flows, and technological developments", Copenhagen Declaration on Social Development and Programme of Action of the World Summit for Social Development of 12 March 1995.

adjustment processes. The Copenhagen Declaration identified the challenge of managing the process of globalisation so as to increase its benefits and mitigate its potential negative effects upon people.

In the Programme of Action⁷, governments committed themselves to “safeguarding and promoting respect for basic workers’ rights, including the prohibition of forced labour and child labour, freedom of association and the right to organise and bargain collectively, equal remuneration for men and women for work of equal value, and non-discrimination in employment, fully implementing the conventions of the International Labour Organisation (ILO) in the case of States parties to those conventions, and taking into account the principles embodied in those conventions in the case of those countries that are not States parties to thus achieve truly sustained economic growth and sustainable development.” Thus, the Summit identified core labour standards for the first time, and agreed on their universality by making them the responsibility of all governments, not just those that have ratified the relevant conventions.

2.1.2. Reinforcing core labour standards in the ILO: The 1998 Declaration on Fundamental Principles and Rights at Work

The Copenhagen summit, with additional impetus provided by the 1996 OECD study and the WTO Singapore Ministerial Declaration, inspired the adoption of the 1998 ILO Declaration on Fundamental Principles and Rights at Work⁸. This Declaration constituted an important step forward in the universal recognition of core labour standards. Of particular interest is the agreement that all ILO Members, including those that have not ratified relevant conventions, are obliged, by their membership of the ILO, to promote and realise the principles concerning the fundamental rights of the ILO Conventions. The key objective of the Declaration was to ensure universal recognition and application of the core labour standards as articulated in the Copenhagen Summit and in the Declaration itself.

The 1998 Declaration confirmed the four core labour standards as identified by the Copenhagen Summit:

1. Freedom of association and the effective recognition of the right to collective bargaining
2. Elimination of all forms of forced or compulsory labour
3. Effective abolition of child labour
4. Elimination of discrimination in respect of employment and occupation

These four core labour standards are currently covered by eight ILO conventions⁹.

⁷ Paragraph 54 (b): Expansion of productive employment and reduction of unemployment, Enhanced quality of work and employment.

⁸ Adopted on 18 June 1998 by the International Labour Conference at its 86th Session. This important development was recognised and supported in the **Copenhagen +5 Conference** in Geneva in 2000, which committed participants to “respecting, promoting and realising the principles contained in the ILO Declaration on Fundamental Principles and Rights at Work and its follow-up”.

⁹ The eight ILO conventions and the current number of ratifications among ILO members are listed in annex 2.

The 1998 Declaration also introduced a follow up mechanism to promote the universal application of core labour standards which applies to all ILO members, including those which have not ratified the corresponding ILO conventions. This follow-up mechanism, which seeks to assist the efforts made by members, is additional to the supervisory mechanisms established by the ILO constitution for the application of ratified conventions as well as the special Freedom of Association procedure, which already applied to non-ratifying states.

Instruments available to the ILO for promoting core labour standards

1. The supervisory mechanism

a) Regular reporting on the implementation of ratified ILO conventions

Every two to five years, Members present a report on steps taken to implement the conventions that they have ratified. These reports are examined by a Committee of Experts (CEACR), which can identify particular problems and request additional information. Although these reports cover all ILO conventions, an increased number of CEACR observations relate to the implementation of the fundamental ILO conventions. Additional peer pressure can be exercised by the annual ILO Conference through the tripartite Committee on the Application of Conventions and Recommendations.

b) Complaint procedure

In addition to the regular supervisory instruments, the ILO constitution provides for more specific courses of action. Thus, complaints can be initiated by ILO members under the provisions of Article 26, while employers' and workers' organisations similarly have the possibility of making representations under the provisions of Article 24. This procedure can lead to the establishment of a Commission of Inquiry, including employer and worker delegates and the ILO. Where a country fails to carry out the recommendations of an ILO Commission of Inquiry, the ILO may be called upon to apply the provisions of Article 33. Under this Article the ILO Governing Body can, in case of grave and persistent violation, recommend to the Conference measures to secure compliance with the recommendations of the Commission of Inquiry.

In June 2000, the ILO Conference adopted Article 33 action because of the failure of Burma/Myanmar to comply with ILO recommendations concerning the effective abolition of forced labour. This was the first time in the ILO's 81-year history that the conference had recourse to such measures. The resolution recommended to the organisation's constituents to review, in the light of the conclusions of the Commission of Inquiry, the relations that they may have with the member state concerned and take appropriate measures to ensure that the said member cannot take advantage of such relations to perpetuate or extend the system of forced or compulsory labour. International organisations were also invited to reconsider, within their terms of reference and in the light of the conclusions of the Commission of Inquiry, any co-operation they may be engaged in with the member concerned and, if appropriate, to cease as soon as possible any activity that could have the effect of directly or indirectly abetting the practise of forced or compulsory labour. The relationship between any trade action, which members may choose to take in this framework, and WTO rules – in particular GATT Articles XX and XXI – is yet to be clarified.

2. The follow-up to the 1998 Declaration on Fundamental Principles and Rights at Work

a) Reporting on core labour principles and rights by non-ratifying countries

The Follow-up to the 1998 ILO Declaration introduced a yearly reporting requirement by which non-ratifying countries have to indicate the steps they have taken to promote the principles of the fundamental conventions. These submissions are published each year in an annual review. Employer and worker groups can provide comments on the submissions. A group of experts can also make comments on the national reports. So far, these have only been of a general nature.

b) Global report

Pursuant to the 1998 Declaration, the ILO Director General each year presents a global report, covering both countries which have ratified the relevant conventions and those which have not, which focuses on the identification of trends and needs as regards each one of the four principles of core labour standards. The 2000 report focused on freedom of association and this year's report focused on forced labour.

3. Technical assistance

Technical assistance is a key instrument of the ILO to promote the principles and rights of the 1998 Declaration and has provided good results in the past. ILO assistance encompasses advising on legislative reform, capacity building of regulators and administrators and training government officials, to strengthen the capacity of the tripartite constituents. Technical assistance is often linked with other elements - e.g. monitoring, support for education structures and social welfare - in integrated programmes. The efforts in the framework of the International Programme on the Elimination of Child Labour (IPEC) in e.g. Pakistan are an example of a successful, integrated programme (see Annex 3).

2.1.3. Looking at the wider perspective: Creation of an ILO working party on the social dimension of globalisation

The ILO Governing Body established the ILO Working Party on the Social Dimension of Globalisation already in 1994¹⁰. The Working Party analysed a wide range of aspects of economic globalisation under three main themes: (i) Review of the means of action available to achieve ILO social objective in the context of globalisation (strengthening global governance); (ii) improving empirical knowledge of the social impact of globalisation; and (iii) discussion of the activities of other organisations.

The March 2000 Working Party decided to develop further its mandate, and defined future activities as follows:

“The objective of the exercise is to deepen the ILO’s knowledge base with respect to the interaction between different dimensions of economic and social policies within the new framework of a global economy. This would serve as a basis for policy proposals that could enhance the capability of countries to better cope with the social impact of globalisation. The results will contribute to dialogue and exchange with other international organisations on issues of common interest.”

Following this redefinition of its tasks, in its November 2000 meeting the Working Party looked at questions relevant to understanding how globalisation impacts on social progress and more specifically at the contribution that freedom of association and collective bargaining can make to development.

ILO Director-General Somavía brought this work another step forward in the March 2001 meeting of the Working Party by suggesting a number of ways to strengthen and further upgrade the Working Party. On the occasion of the June 2001 International Labour Conference, the Working Party then considered more detailed proposals by Mr Somavía on enhancing its action. There was agreement on the need to strengthen the Working Party's technical capacities and on its role as a forum for high-level dialogue and exchange. The ILO secretariat will make further proposals in November 2001 with regard to the precise form of the Working Party’s high-level dialogue and exchange. Moreover, the Working Party supported the idea of enhancing its contribution to an integrated framework for the social dimension of globalisation. The Director-General will continue consultations with regard to the proposal for a World Commission of eminent personalities, which might be created with a view to preparing an authoritative Report on the social dimension of globalisation.

2.1.4. In the trade context: The 1996 Singapore WTO Ministerial Declaration

The relation between the multilateral trading system and labour standards was on the table at the Marrakech ministerial meeting in April 1994, where some participants requested that the WTO initiate further work on this issue. In the first WTO Ministerial Conference in Singapore in December 1996, some WTO Members, including the EC, suggested that a WTO Working Party be created to look into the links between international trade and working conditions. This position was promoted in particular by industrialised countries and fiercely opposed by most developing countries, which saw this as a guise for protectionism and an

¹⁰ Upon establishment, the Working Party was denominated Working Party on the Social Dimensions of the Liberalisation of International Trade. The name was changed in 2000.

attempt to introduce trade restrictions, by reference to labour standards. The outcome was paragraph 4 of the 1996 Singapore WTO Ministerial Declaration, which states:

“We renew our commitment to the observance of internationally recognised core labour standards. The International Labour Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.”

The interface between trade and social issues was also discussed in the third WTO Ministerial Conference in Seattle in November 1999, when some industrialised countries called for inclusion of trade and labour in the WTO agenda¹¹. The EC position for the third WTO Ministerial Conference was outlined in the Council conclusions of October 1999 (reproduced in Annex 1). The Ministerial Conference in Seattle did not arrive at any conclusions. It is fair to say that the issue of trade and labour and the apparent desire of at least one major WTO Member for linking labour standards to trade sanctions contributed to the failure of that Conference. More generally, the proceedings of the Ministerial Conference confirmed the great sensitivity of the issue for virtually all developing countries. Despite this sensitivity, however, informal discussions at that time and since then also helped indicate the way towards a possible international consensus on how to tackle the link between globalisation, trade and social development. Such consensus would most likely need to be based on the following elements:

- a regular international dialogue on trade and social development;
- with the participation of ILO, WTO, UNCTAD, World Bank, governments and civil society;
- to undertake analysis and to exchange experiences on the interface between trade and social development, while
- clearly rejecting any sanctions-based approaches.

2.1.5. A complex relationship: the OECD study on international trade and core labour standards

The 1996 OECD study on International Trade and Core Labour Standards provided a useful analysis of the inter-linkage between trade, competitiveness, growth and core labour standards. The study focused on core labour standards, which differ in substance and in economic impact from other labour standards. The study concluded that:

- the absence or inadequacy of respect of core standards in a country is not a significant factor increasing that country’s competitive advantage in international trade or in attracting foreign direct investment, and that

¹¹ The second WTO Ministerial Conference in 1998 in Geneva simply confirmed the commitments and assessments of Singapore, but made no specific reference to the link between trade and labour standards.

- there is a positive interaction between the liberalisation of international trade and the application of core labour standards.

The 2000 update of the study presented an overview of developments since the 1996 study as well as an overview of recent literature. This update report largely confirmed the main findings of the 1996 study (see Annex 4 for the main elements of the 2000 update).

2.1.6. Developing international codes of conduct: towards corporate social responsibility

Multinational enterprises (MNEs) play a key role in upholding socially responsible corporate behaviour within global labour markets. The effect of international trade on core labour standards also depends on domestic policies in developing countries. Companies face the challenge of developing in the context of international competitive markets. The Commission strongly encourages companies to practice corporate social responsibility, while recognizing the voluntary nature of such initiatives. Moreover, the Commission believes corporate social responsibility should be developed in partnership with all relevant stakeholders.

2.1.6.1. The ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy.

The ILO adopted a Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in 1977. The Declaration was updated in 2000 in the light of the 1998 ILO Declaration on Fundamental Principles and Rights at Work. The Declaration's value lies both in its comprehensive content – which covers all aspects of social policy, from industrial relations to training and employment – and in the fact that it is addressed to a wide range of key economic actors (MNEs, governments, and employers' and workers' organisations).

2.1.6.2. The OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises - adopted in 2000 - are of central importance. The Guidelines are a set of recommendations addressed by governments to MNEs. Although non-binding, they are supported by OECD countries in which most MNE's originate. In keeping with the notion of corporate social responsibility and to promote the contribution of business to social development and the promotion of basic workers' rights, the Guidelines provide voluntary principles and standards for responsible business conduct in fields such as employment, industrial relations, human rights, environment, competition, information disclosure and taxation, combating bribery and consumer protection. The implementation of the guidelines should be supported to limit the costs of an absence of corporate social responsibility, and the implications in terms of development assistance.

According to the Guidelines, MNEs should contribute to economic, social and environmental progress with a view to achieving sustainable development and respect the human rights of those affected by their activities consistent with the host governments' international obligations and commitments. More specifically in the social field, the Guidelines, recommend MNE commitments in line with the fundamental ILO conventions, stating that enterprises should:

- Respect the right of the employees to be represented by trade unions and engage in constructive negotiations with such representatives;
- Contribute to the effective abolition of child labour;
- Contribute to the elimination of all forms of forced or compulsory labour;

- Not discriminate against their employees with respect to employment or occupation.

2.1.6.3. UN Global Compact

The UN Global Compact initiative is another example of internationally recommended code of conduct for a socially responsible corporate behaviour. This initiative was first proposed in 1999 by UN Secretary-General Kofi Annan to challenge business leaders to promote and apply nine principles derived from international instruments to advance human rights, labour and environmental standards. The initiative was formally launched in July 2000 by business, labour and civil society. They agreed to work together within this common framework to strengthen responsible corporate citizenship and the social pillars of globalisation, through both dialogue and operational activities.

The key objective of this initiative – which for the first time brings together business and civil society in the UN context – is to make private business embrace and enact the nine core principles in their individual corporate practices and support public policies in these areas. In the field of labour, the UN Secretary General has asked business to “demonstrate global leadership by upholding the values that lie at the heart of Decent Work. These principles help build constructive relations in the work place and the community, and more stable investments. Enterprises will realise benefits in terms of productivity, improved reputations and co-operative working environments, all of which can improve the bottom line.” The principles suggested in the labour field mirror the eight ILO core conventions (the principles of the Global Compact are listed in Annex 5).

3. BASIC TENETS OF THE EU APPROACH

The EU has a long-standing commitment to the promotion of core labour standards and social development more generally. The EU itself rests on the respect of fundamental rights. The Charter of Fundamental Rights of the European Union¹², proclaimed in Nice in December 2000 confirms the EU’s aim to promote and fully integrate fundamental rights – including core labour standards – in all its policies and actions.

3.1. Labour standards as a key element of EU social policy

Economic progress and social cohesion, together with a high level of protection and improvement of the quality of the environment, are complementary pillars of sustainable development and are at the heart of the process of European integration. Raising living standards, promoting a high level of employment and social protection improving living and working conditions and promoting quality of life are goals of the European Union. Most recently, at the Nice Council, the EU endorsed a social policy agenda which promotes the concept of quality – in employment, in industrial relations, and in working conditions - as the driving force for a thriving and inclusive economy, with more and better jobs.

Respect for labour standards is an integral element of the European social model, and a substantial body of Community legislation, ranging from standards on health and safety at

¹² Of particular relevance in this context is Chapter IV on solidarity: Article 27 on workers’ rights to information and consultation within the undertaking, Article 28 on right of collective bargaining and action, Article 30 on the protection in the event of unjustified dismissal, Article 31 on fair and just working conditions and Article 32 on the prohibition of child labour and the protection of young people at work, as well as Article 5 of Chapter I on dignity, which prohibits slavery and forced labour.

work to equal opportunities and non-discrimination, has been built up since the early years of the Community. With regard, more specifically, to international core labour standards, the fundamental principles and rights at work identified by the International Labour Organization of course apply in their entirety to the countries of the EU¹³.

The role of the social partners in the development of the social dimension of European integration has been a central one, and the scope of the social dialogue at the European Union level has been progressively extended – such that the social partners in the EU now play an important institutional role in elaborating EU-wide social and employment policy and legislation. Giving the social partners themselves the opportunity to propose rules on the issues which most concern them in the process of European economic and social integration has been a crucial element in the Community's efforts to manage the social dimensions of structural change. Moreover, the Treaty provides for the consultation of the Economic and Social Committee, which comprises representatives of the various categories of economic and social activity, in the policy process at the European level. The Economic and Social Committee could play a useful role in further promoting dialogue on the issues considered in this Communication.[DJJ]

3.2. Rejection of sanctions-based approaches in trade policy

The EU position on trade and labour is outlined in the Council conclusions of October 1999 on the preparation of the third WTO Ministerial Conference, which remain the basis for the EU position on trade and social development¹⁴. In these conclusions, the Council agreed that the EU should strongly support the protection of core labour standards. Other fundamental elements of these Council conclusions are the support for the work of the ILO, as well as its co-operation with the WTO, including through a regular dialogue; support for positive measures to encourage respect of core labour standards; and a clear rejection of any sanctions-based approach.

The Council confirmed the EU's firm opposition to any sanctions-based approaches and stated that "the EU will oppose and reject any initiative to use labour rights for protectionist purposes". In addition, the Council agreed "that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question." On a more general level, the Council conclusions of October 1999 identified increased coherence in global economic policymaking as an overall objective. Efforts to address the interface between trade and social development should be seen in the context of this overall objective, which responds to concerns over imbalance in the global governance system and confirms the need for strengthening the role of the ILO.

3.3. Poverty reduction and respect for fundamental rights in development assistance and bilateral agreements

Poverty, poor governance and extensive informal sectors are often the main cause of the weak implementation of core labour standards in developing countries. In many developing countries, a large part of the local economy is informal and unregulated. Poorer people are heavily reliant on the informal sector, both as workers and consumers, and they consequently

¹³ Given that the speedy ratification by all EU Member States of all eight ILO fundamental conventions is a natural concomitant of the Union's commitment to the promotion of core labour standards, the Commission thus issued a Recommendation to Member States on 15 September 2000 on the ratification of the ILO's most recent fundamental convention, No. 182 (1999).

¹⁴ The conclusions are found in Annex 1 to this Communication.

tend to be less well protected by core labour standard agreements. Moreover, it should be borne in mind that sustained economic growth can contribute to the respect and effective application of labour standards and of the social regulatory framework and vice versa: strengthened core labour standards can increase economic growth and efficiency. Development tools can therefore play an important role in promoting core labour standards.

The main objective of Community **development policy** is poverty reduction. Social development, including employment, access to social services, social integration and social regulation, is an essential part of efforts towards poverty reduction. Hence, the poverty reduction objective of EC development policy entails support for sustainable economic, social and environmental development. A better integration of core labour standards would be in line with the overall objectives of Community development policy, which is grounded in the principle of sustainable, equitable and participatory human and social development. The November 2000 statement by the Council and the Commission confirmed that the EC's means of action available under poverty reduction strategies should be co-ordinated so as to cover, *inter alia*, the social aspects of development¹⁵.

The **co-operation agreements** concluded between the EC and third countries cover economic and social co-operation. The comprehensive nature of agreements allows for the various instruments to work in complement towards objectives of economic growth and sustainable development, including its social dimension. These objectives are now reflected in all co-operation agreements with third countries: Since 1992 all agreements concluded between the EC and third countries have been required to incorporate a clause defining human rights as a basis element. This clause encompasses also core labour standards as set out in the eight core ILO Conventions. Furthermore, since the Copenhagen World Summit for Social Development in 1995, all agreements between the EC and third countries incorporate a reference to the final declaration of this Summit, on the same footing as the reference to human rights.

The 2000 Cotonou Agreement between the EC and the 77 ACP states represented a step forward in this field, as it includes a specific provision on trade and labour standards, which confirms the parties' commitment to core labour standards¹⁶. The Cotonou Agreement is a prime example of a comprehensive approach that integrates different policy instruments: trade, development and political dialogue. Social development and the promotion of core labour standards is also part of the overall development strategy of the Agreement, which provides that "co-operation shall support ACP States' efforts at developing general and sectoral policies and reforms which improve the coverage, quality of and access to basic social infrastructure and services .." and that co-operation shall aim at *inter alia* "encouraging the promotion of participatory methods of social dialogue as well as respect of basic social rights"¹⁷.

4. AN EU INITIATIVE TO MOVE INTERNATIONAL ACTIONS FORWARD

As described above, international discussions have come a long way – from the basic recognition of social development as one of the pillars of sustainable development and the

¹⁵ Joint statement by the Council and the Commission of November 2000 on the Community's development policy.

¹⁶ Title II: Economic and trade co-operation, Chapter 5: Trade-related areas, Article 50: Trade and labour standards. The text is reproduced in Annex 5.

¹⁷ Title I: Development strategies, Section 2: Social and human development, Article 25: Social sector development.

confirmation of the social dimension of globalisation in the 1995 Copenhagen Declaration for Social Development, through the WTO 1996 Singapore Ministerial Declaration, to the adoption in 1998 of the ILO Declaration on Fundamental Principles and Rights at Work.

These developments reflect an increasing convergence of views internationally in recognition of the need to ensure full respect for core labour standard, while avoiding any risk of abuse by unilateral, protectionist measures. The international community has not yet, however, found adequate ways of addressing the interface between globalisation, trade and social development, nor has it exhausted all possibilities to effectively promote core labour standards. The carefully worded Singapore Declaration and the events at Seattle show the sensitivity of addressing the interface between trade and labour issues. The adoption of the 1998 ILO Declaration is an important development, also institutionally, but the imbalance between the economic and social pillars of the global governance system remains a factor that complicates progress on both counts.

While the subject matter has evolved – reaching agreement on the universality of core labour standards - the instruments needed to make these rights a universal reality have only developed in a piece-meal and somewhat sporadic manner. In order to ensure effective implementation of core labour standards, it is possible to make more effective use of ILO instruments and, as appropriate, consider their reinforcement.

The EU should seek to strengthen international and European instruments for promoting the universal application of core labour standards and reinforce global social governance through an integrated, multi-disciplinary approach, while firmly rejecting protectionist or sanction-based approaches.

5. ELEMENTS FOR FURTHER ACTION AT THE EU AND INTERNATIONAL LEVEL

The elements outlined in the following sections are intended as elements of an integrated approach to promote the universal application of core labour standards and improve social governance. This approach would comprise instruments and actions within different policy fields, at EU and at the international level. It implies making use of existing tools and strengthening them, as well as introducing new instruments to provide a graduated means of promoting the universal application of core labour standards. The approach is based on the EU policy and principles as set out in the October 1999 Council Conclusions, i.e. the universality of core labour standards, support for the work of the ILO and its co-operation with other international organisation and the rejection of any sanctions-based approaches.

5.1. Enhancing action at the international level

5.1.1. *Making ILO instruments more effective*

The ILO has in recent years enhanced very substantially its means for promoting respect for core labour standards – most notably through the 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up, but also through the use of the complaints procedure in a number of cases which led to action at the national and international level. Moreover, greater use has been made of focussed technical assistance as a means of encouraging compliance with core labour standards, as foreseen in the 1998 Declaration. This positive development should be continued, and the EU could play an important role in encouraging further moves towards greater effectiveness for ILO instruments. The following elements could be considered in this regard:

- Means for giving greater weight to the observations made in the reports of the Committee of Experts on the Application of Conventions, notably with regard to the core conventions, and for ensuring a more systematic follow-up of these observations. This should involve enhanced technical assistance,
- Giving greater publicity to the supervisory mechanism, in particular as far as the core conventions are concerned. This should aim at ensuring that the international obligations contracted by countries in the ILO by ratification of conventions are given greater attention throughout the international system.
- Possible measures to improve the effectiveness of complaint procedures. A number of countries have introduced autonomous measures to suspend development co-operation or GSP benefits in cases of grave and persistent violation of core labour standards. There would appear to be advantages – in terms of greater coherence – if such actions were to be taken not as a result of a unilateral assessment, but following recourse to ILO complaint procedures. It should be noted, however, that these complaint procedures only apply in the case of countries, which have ratified the relevant core conventions.

In addition to strengthening the effectiveness of the existing supervisory mechanism, thought could be given to new promotional means for encouraging effective respect for core labour standards. The following ideas could be considered in this context:

- A system whereby states could enter into voluntary reciprocal commitments to respect the core ILO standards. This might for example involve subscribing to a commitment to ensure that the core conventions are effectively implemented on the territory of the state concerned. In order to provide a market incentive to participate in such a system, some system of public recognition could be envisaged for the participating countries. Ratification of the relevant conventions would be a first and easily verifiable step. The precise institutional framework for such a system, and whether it could be accommodated in an existing international organisation, would be a matter for further reflection.
- Consideration of positive incentives in a wider sense. This could include additional ILO technical assistance to help compliance through technical co-operation within the framework of the Declaration.

While the universal application of fundamental rights is certainly a necessary condition, it is not sufficient to ensure parallel economic and social progress. The question arises whether more can be done at international level to promote greater synergy between globalisation and progress in terms of social development and equity in a broader sense. The ILO has already made a significant contribution to furthering understanding of the relationship between globalisation and social and employment policy at the country level¹⁸. The establishment of a more regular and systematic framework for such activities could therefore be considered, with a view to creating an interactive system for regular appraisal of a country's overall social policy performance. The ILO would be the natural forum for such a process, given both its internationally recognised expertise and its tripartite structure.

➤ *The EU should promote, within the ILO, discussion on further steps to reinforce the effectiveness of ILO supervision, including better publicity, more effective follow-up and ways of enhancing the status of the findings of the ILO supervisory mechanism throughout*

¹⁸ Notably in the *ILO Country Studies on the Social Dimension of Globalization* (Geneva, 2001)

the international system. The EU itself should take the findings of the supervisory mechanism into account more systematically in its bilateral and multilateral relations.

- *The EU should promote, inter alia within the ILO, discussion on new incentive mechanisms to promote respect for core labour standards. This could include consideration of a new system of reciprocal commitments to ensure respect of the ILO core conventions, involving a mechanism for ensuring adequate public recognition of this commitment.*
- *The EU should promote discussion, within the ILO, on a new mechanism for the regular review of social policy at the country level.*

5.1.2. Increasing support for multilateral technical assistance, including in the ILO

The EC and its Member States provide financial support for ILO technical assistance activities. The Commission, for its part, recently reaffirmed its commitment to working together with the ILO on issues such as the promotion of core labour standards, with the conclusion in May 2001 of a new exchange of letters between the Commission and the ILO. The EC will, and Member States should, however, consider increasing their financial contribution to ILO programmes for the promotion of core labour standards.

Moreover, the EC and Member States should actively promote discussion and consideration of social development and core labour standards in other development organisations, including the Bretton Wood Institutions and UNCTAD, in order to ensure policy coherence in support of core labour standards and increased assistance for the enforcement of core labour standards as part of aid programmes. In reflecting the interface between poverty reduction and core labour standards, the promotion of core labour standards and social development should be considered as an integral part of the process of establishing Poverty Reduction Strategy Papers (PRSPs) or similar instruments at the country level.

- *The EC and Member States should provide increased support for ILO technical assistance activities as a means to promote core labour standards.*
- *The EC and Member States should actively promote the consideration and discussion of social development and core labour standards in other development organisations in order to ensure policy coherence in support of core labour standards and increased assistance for the enforcement of core labour standards as part of aid programmes.*

5.1.3. Launching a forum for international dialogue

The establishment and continuation of a regular international dialogue with the participation of governments, international organisations and civil society continues to be a cornerstone in a comprehensive EU strategy to improve social governance in the context of globalisation and promote core labour standards. Consistent with the 1999 Council conclusions, the EU has been seeking to launch a regular international dialogue on trade and social development, including core labour standards. The ultimate objective of such dialogue is to maximise the positive interface between trade and social development, thus promoting core labour standards.

This process should be inter-institutional and build on the results already achieved in international conferences and by the international organisations, as described above in part 1 of this Communication. The ILO, as the competent body to set and deal with labour standards, would have a key role in such a dialogue, through its technical assistance, monitoring,

reporting as well as analytical activities. The activities of the Working Party on the Social Dimension of Globalisation could provide a useful starting point for a constructive further process, and the discussions at the June 2001 meeting of the Working Party point towards a higher profile for the Working Party as a forum for exchange and dialogue. The WTO, UNCTAD and the World Bank – as well as other international organisations – would be natural partners for the ILO in that process and should bring to the debate the benefit of their particular areas of competence.

The dialogue should help identify means to maximise the positive social implications of trade and investment liberalisation, in particular through the exchange of concrete experiences. Social implications should be understood in a broad sense, on the basis of the Copenhagen and Rio processes on social and sustainable development. In view of the close inter-linkage between economic and social development, the process should encompass the development and poverty reduction related aspects of sustainable development, and analyse the connection between economic growth, employment, inequalities, poverty reduction and social protection. This would imply analysis of labour conditions, competitiveness, social flanking policies in support of trade reform (including vocational training), education, the impact of trade on gender and other forms of discrimination. This analysis would assist in providing a common understanding to help make trade and investment liberalisation supportive of social development, including core labour standards. Moreover, the forum for international dialogue on trade and social development should foster an exchange of experiences on the social impacts of trade reform and can thus contribute towards improved methodologies to evaluate ex-ante the social impacts of trade liberalisation.

➤ *The EU should continue its efforts to launch a regular international dialogue on trade and social development, including core labour standards.*

5.2. Pooling together the EU policy tools

5.2.1. Increasing the trade incentives: Generalised System of Preferences

The Community GSP scheme provides market access on a preferential basis to developing countries. This preferential access is granted autonomously by the EC, and the modalities for granting preferences under the GSP are set out in a Council Regulation. Social incentives under the GSP scheme are an important instrument for the promotion of core labour standards and the EC should reinforce its policy in this field. The current GSP Regulation¹⁹ addresses the issue of core labour standards by (i) providing a positive incentive scheme whereby effective compliance with core labour standards qualifies for additional trade preferences²⁰, and (ii) allowing for a withdrawal, in whole or in part, where beneficiary countries practice any form of slavery or forced labour. Improvements to the special incentive scheme are envisaged as part of the proposed review of the GSP scheme, which will lead to a new scheme that enters into force in 2002²¹. In addition, consideration should be given to ways of further strengthening the impact of the GSP scheme on the promotion of core labour standards in the next review, which is due in 2004.

¹⁹ Council Regulation (EC) No 1256/96 of 20 June 1996 and Council Regulation (EC) No 3281/94 of 19 December 1994.

²⁰ Under the special incentives, additional trade preferences may be granted, upon request, to countries that effectively apply the standards laid down in ILO Conventions 87 and 98 on freedom of association and the right to collective bargaining and those of Convention 138 on child labour.

²¹ See COM(2001)293final, adopted by the Commission on 12 June 2001

The following reinforcements are proposed by the Commission in **the current review**, to encourage countries to request special incentives and to reinforce the link with core labour standards:

- Making the scheme more attractive by a widening of the additional trade preferences under the incentives schemes.
- Increasing the transparency and streamlining procedures, so as to help countries make better use of the special incentives and the market access opportunities offered.
- Making the effective enforcement of all four core labour standards, as identified in the 1998 ILO Declaration, a requirement for the special incentives. In addition, as an element of the ongoing review of the GSP scheme, the Commission has proposed to include the serious and systematic violations of the four core labour standards among the reasons for temporary, full or partial, withdrawal of GSP benefits. All beneficiary countries would thus have the option of the additional incentives, provided that they meet the criteria of effective enforcement of core labour standards. Countries that receive only the general preferences under GSP, may lose temporarily, fully or partly, the benefit of these preferences, only if they are found to seriously and systematically infringe core labour standards.

In the context **of a future review** of the GSP regulation, the Commission will give consideration to refining further the social incentive scheme and the link to ILO core conventions to enhance the possibilities of using the GSP incentives to promote the application of core labour standards. Attention should in particular be given to the incorporation in domestic legislation of the substance of the eight ILO core conventions, as well as to possible differentiation according to products, sectors or regions.

Other than improvements to the GSP scheme itself, consideration should be given to a framework of technical assistance to help countries make use of the special incentives schemes, i.e. by effectively implementing core labour standards, adapting production and applying for the special incentives scheme, thus increasing the impact of the scheme. This would require a better link between the GSP schemes and development programmes, and should be considered in the context of the integration of core labour standards in EC development programmes (point 5.2.2.). More broadly, the EC should seek to maximise the impact of special incentives globally by encouraging other industrialised countries to adopt social incentive schemes, similar to that of the EC.

- *In the framework of the current review of the EC GSP Regulation, the social incentive scheme should be strengthened by providing for further improved market access opportunities, by making the scheme more transparent and by extending the basis to all of the four core labour standards in the 1998 Declaration. The provision for temporary withdrawal should be extended by broadening the basis to severe and systematic violations of any of the core labour standards.*
- *In the context of a future review of the EC GSP scheme, consideration should be given to enhancing the possibilities to use GSP incentives to promote core labour standards. .*
- *The EC should seek to maximise the impact of special incentives globally by encouraging other industrialised countries to adopt social incentive schemes, similar to that of the EC.*

5.2.2. Bilateral relations: Agreements, assistance and capacity strengthening.

Social development is one of the priorities of EC development assistance. The Commission carries out a range of development projects in all parts of the world in the field of human rights, including social rights, but should put more emphasis on the promotion of core labour standards in its overall development policy. This would imply giving higher priority to the promotion of core labour standards in development assistance programming.

In its recent Communication "The European Union's Role in Promoting Human Rights and Democratisation", the Commission proposed that, as part of the political dialogue with third countries, discussions should cover how ratification of the fundamental human rights instruments and of other rights-based international agreements (in particular ILO conventions) and their effective implementation could be pursued. Indeed, the Commission believes that respect for social rights and core labour standards contribute to durable and equitable social and economic development.

The Cotonou agreement presented an important step forward in promoting core labour standards in bilateral agreements. The EU should apply a similar approach in future trade and co-operation agreements by including specific provisions on core labour standards. This will help integrate these in economic and development co-operation to allow better co-ordination of the various means of action and increase the synergy effect between policy instruments. In particular, the commitment to core labour standards in co-operation agreements will make these autonomous instruments complementary with efforts in the multilateral framework to promote such standards.

With respect to development assistance, the Cotonou Agreement provides a clear opportunity to discuss the implementation of core labour standards with ACP countries. This opportunity arises in drafting the Country Strategy Papers and in the discussions with governments on Poverty Reduction Strategy Papers (PRSPs).

Other instruments include specific measures for **capacity strengthening** in relevant ministries, to enable governments to formulate, enact and implement national labour legislation that adapts the international consensus of the ILO conventions to local realities, thus facilitating ratification and implementation, and to build realistic monitoring mechanisms likely to strengthen compliance with the legislation by domestic employers and MNEs. Such assistance should not, however, be linked to any new conditionality on the part of the Community.

The Cotonou Agreement also recognises the potential contribution that can be made by a broad range of non-state actors. The EC should work to build the capacity of local NGOs and civil society organisations to strengthen workers' awareness of their rights under ILO Conventions, and to monitor compliance with core labour standards.

Specific measures to further the elimination of **child labour** include: developing effective and time-bound programmes to eliminate the worst forms of child labour through prevention, protection and rehabilitation; ensuring access to free, quality basic education and, wherever possible and appropriate, vocational training for all children; giving greater visibility to child labour through strengthened data collection, analysis and dissemination; and promoting awareness of children's rights to protection from economic exploitation, and the need for priority action against the worst forms of child labour.

- *The EC should better integrate core labour standards in its development policy in line with its overall objective of poverty reduction, including by strengthening capacity in developing countries for the implementation of core labour standards.*
- *The EC and Member States should improve the link between the GSP scheme and development programmes to help countries make better use of the incentive schemes for the promotion of core labour standards.*
- *The EU should extend the Cotonou approach to other agreements by seeking to include specific provisions on core labour standards.*

5.2.3. Making better use of Sustainability Impact Assessments (SIA)

Sustainability impact assessments are a relatively new tool in relation to trade policy. SIAs aim at assessing and thus taking account of the impact of trade policy on sustainable development, including its social component. The basic indicators initially used by the Commission Sustainability Impact Assessments are: average real income; employment, net fixed capital formation; equity and poverty; health and education; gender inequality; environmental quality of air, water and land; biological diversity and other natural resource stock. These basic indicators may be subject to adjustments as the instrument evolves.

The use of SIA can help policy makers understand more clearly how trade can contribute to social development and concentrate efforts on objectives that advance trade growth, while supporting sustainable development. It can also help identify measures to further improve the impact of trade reform. SIA provides a useful basis for action in other policy fields to promote the positive impact of trade reform on social development, in particular in relation to core labour standards and social regulation. The Commission is committed to using SIA as a contribution to policy-making on important multilateral trade negotiations. SIA will be applied to the WTO built-in agenda as well as to the future Round of multilateral trade negotiations in the WTO. SIA will be built into the EC-ACP regional trade negotiations and should also be applied to other future bilateral agreements.

- *The Commission will use SIA in relation to future trade negotiations and agreements and continue to adjust and develop as appropriate the methodology, so as to improve the SIA tool. In this context, it will consider means to better reflect the effect of trade policy on social development and the promotion of core labour standards.*

5.3. Private and voluntary schemes for the promotion of core labour standards: Social labelling and industry codes of conduct

With the growing public awareness of social and environmental implications of consumption patterns there is an increasing demand for socially responsible products and investments. The demand for socially responsible products and the public interest in the social impact and ethical standards of industry has also moved many companies, in particular those involved in the production of consumer goods, to introduce codes of conduct for their social behaviour in recognition of the corporate social responsibility, i.e. acting in accordance with recognised fundamental principles in the fields of labour, human rights and the environment. For most companies, public relations are a central element of corporate social responsibility, as companies are aware of the costs of negative publicity in terms of lost turnover and market shares. Monitoring, certification and publication, including by ethical accounting, of social guidelines are therefore central. Monitoring bodies have multiplied. Private and voluntary ethical labelling schemes are one aspect of the social responsibility of companies and a means

to reconcile social development and respect for core labour standards with increased competitiveness. Fair trade initiatives and labels are examples of established and well functioning labelling schemes that include social elements²².

Codes of conducts, guidelines and private, voluntary labelling schemes are important instruments that help promote social development and core labour standards through strengthened corporate social responsibility. It should be stressed that private voluntary schemes are complementary to government action, and cannot substitute for ratification and implementation of labour standards at government level. It should also be underlined that private schemes must respect applicable competition rules. At the same time, private voluntary schemes represent new and premium market opportunities, which can be of particular interest to developing country producers. It is essential to help developing country producers make use of these opportunities. This will require that:

- Schemes are objective, transparent and non-discriminatory, so that producers have a fair opportunity for getting acquainted with the requirements and to meet them.
- Procedures to obtain labels are fair, proportional and not unnecessarily resource demanding so as not to exclude developing country producers.
- The needs of developing country producers are taken into account in development programmes through capacity building measures to help sectors or regions in developing countries adapt their production to meet the requirements necessary to obtain better market access.

The growing importance of private initiatives like codes of conduct and social labels, and the need for greater coherence and transparency with regard to such initiatives, has led the Commission to prepare a green paper on Promoting a European framework for Corporate Social Responsibility²³. This deals inter alia with the need for coherence in the contents of different codes as well as the need for such codes to be based on the ILO core standards.

The use of the ILO core conventions in private and voluntary schemes clearly improves transparency and makes it easier for producers to meet requirements. At the same time, the issue of verification and certification of private and voluntary schemes is an important concern as such schemes become more widely used. Indeed, there is a risk that a proliferation of disparate codes and labels without common, authoritative standards for the content and application of such schemes could undermine their credibility. Further thought will therefore need to be given to internationally recognised mechanisms or common standards for the verification and certification of voluntary schemes.

- *The EC and Member States should help developing countries make use of the premium market opportunities offered by social labelling schemes, including through capacity building and by supporting efforts to improve the transparency, availability and non-discrimination of schemes.*

²² See also Communication from the Commission to the Council on fair trade, COM(1999)619 final of 29 November 1999.

²³ This initiative follows the Nice Council conclusions of December 2000, in which the Council stressed the importance of addressing the employment and social consequences of economic and market integration and of adapting working conditions to the new economy.

- *The Commission favours the implementation by business and voluntary sector of objective, transparent and non-discriminatory labelling schemes, which respect the EC's international obligations and applicable competition rules, aimed at the promotion of core labour standards, and supports use of ILO's core conventions as a common minimum standard for such schemes.*
- *The EU should increase public awareness and promote discussion on international instruments or standards for the certification and verification of private and voluntary schemes and achieving effective quality control.*
- *The EU should continue to support the work of the ILO with regard to private voluntary initiatives.*

6. CONCLUSIONS

The interface between globalisation, trade and social development is complex and links a number of policy areas in the shared objective of sustainable development. Therefore, improving social governance and promoting core labour standards in the context of globalisation and trade liberalisation require a comprehensive approach. To this end the Commission proposes the adoption by the Council of a strategy to improve global social governance and promote core labour standards in the context of globalisation, in considering the reactions of the European Parliament and the Economic and Social Committee, to which this communication is also addressed. The Council could begin by reaffirming the basic tenets of the EC position as set out in the October 1999 Council conclusions, i.e. the universality of core labour standards, support for the work of the ILO and its co-operation with other international organisations and the rejection of any sanctions-based approaches. In addition, a number of actions should be envisaged, including both actions to be undertaken by the EU, encouraging other partners to do likewise, and initiatives to be proposed at the international level. In this connection:

At the international level

- *The EU should promote, within the ILO, discussion on further steps to reinforce the effectiveness of ILO supervision, including better publicity, more effective follow-up and ways of enhancing the status of the findings of the ILO supervisory mechanism throughout the international system. The EU itself should take the findings of the supervisory mechanism into account more systematically in its bilateral and multilateral relations.*
- *The EU should promote, inter alia within the ILO, discussion on new incentive mechanisms to promote respect for core labour standards. This could include consideration of a new system of reciprocal commitments to ensure respect of the ILO core conventions, involving a mechanism for ensuring adequate public recognition of this commitment.*
- *The EU should promote discussion, within the ILO, on a new mechanism for the regular review of social policy at the country level.*
- *The EC and Member States should provide increased support for ILO technical assistance activities as a means to promote core labour standards.*
- *The EC and Member States should actively promote the consideration and discussion of social development and core labour standards in other development organisations in*

order to ensure policy coherence in support of core labour standards and increased assistance for the enforcement of core labour standards as part of aid programmes.

- *The EU should continue its efforts to launch a regular international dialogue on trade and social development, including core labour standards.*

At the EU level

- *In the framework of the current review of the EC GSP Regulation, the social incentive scheme should be strengthened by providing for further improved market access opportunities, by making the scheme more transparent and by extending the basis to all of the four core labour standards in the 1998 Declaration. The provision for temporary withdrawal should be extended by broadening the basis to severe and systematic violations of any of the core labour standards.*
- *In the context of a future review of the EC GSP scheme, consideration should be given to enhancing the possibilities to use GSP incentives to promote core labour standards.*
- *The EC should seek to maximise the impact of special incentives globally by encouraging other industrialised countries to adopt social incentive schemes, similar to that of the EC.*
- *The EC should better integrate core labour standards in its development policy in line with its overall objective of poverty reduction, including by strengthening capacity in developing countries for the implementation of core labour standards.*
- *The EC and Member States should help developing countries make use of the premium market access opportunities offered by social labelling schemes, including through capacity building and by supporting efforts to improve the transparency, availability and non-discrimination of schemes.*
- *The EC and Member States should improve the link between the GSP scheme and development programmes to help countries make better use of the incentive schemes for the promotion of core labour standards.*
- *The EU should extend the Cotonou approach to other agreements by seeking to include specific provisions on core labour standards.*
- *The Commission will use SIA in relation to future trade negotiations and agreements and will continue to adjust and develop as appropriate the methodology, so as to improve the SIA tool. In this context, it will consider means to better reflect the effect of trade policy on social development and the promotion of core labour standards.*
- *The Commission favours the implementation by business and voluntary sector of objective, transparent and non-discriminatory labelling schemes, which respect the EC's international obligations and applicable competition rules, aimed at the promotion of core labour standards, and supports use of ILO's core conventions as a common minimum standard for such schemes.*
- *The EU should increase public awareness and promote discussion on international instruments or standards for the certification and verification of private and voluntary schemes and achieving effective quality control.*

- *The EU should continue to support the work of the ILO with regard to private voluntary initiatives.*

ANNEX I

Council Conclusions of October 1999 **on trade and labour**

The Council agreed that the EU should strongly support the protection of core labour rights. In this context, the Council discussed in detail the role that the WTO should play to promote the observance of core labour rights as well as the implications of an EU initiative to this end in the WTO. The Council recalled the importance of the Singapore declaration and agreed that additional initiatives should be taken on the following lines:

The WTO should, in co-operation with other relevant international organisations, encourage positive incentives to promote observance of core labour rights. For this purpose the EU should undertake a continuous dialogue with partners in the WTO and in the ILO as well as civil society, in order to define and agree approaches which would be in the best interests of those who are really affected by these issues.

The European Union will advocate the following measures for progress on the issue of trade and labour rights:

- enhanced co-operation between the WTO and the ILO and their Secretariats;
- support to the work of the ILO and its observership in the WTO;
- creation of a Joint ILO/WTO Standing Working Forum on trade, globalisation and labour issues to promote a better understanding of the issues involved through a substantive dialogue between all interested parties (including Governments, employers, trade unions and other relevant international organisations). This dialogue should include an examination of the relationship between trade policy, trade liberalisation, development and fundamental labour rights. This Forum would also prepare for a ministerial-level meeting which should take place no later than 2001. The EU will propose to host such a meeting;
- pursuit and encouragement of further positive measures building on the incentives already applied by the EU for the enhancement of labour rights, in particular through additional improvements in market access for developing country exports, and not through trade-restrictive measures.

The Council confirmed the EU's firm opposition to any sanctions-based approaches. The Council also agreed to pursue international consensus through discussions and negotiations with its partners. The EU will oppose and reject any initiative to use labour rights for protectionist purposes. In addition, the Council agreed that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question."

ANNEX 2

Core labour standards: the eight Fundamental Conventions of the ILO

Freedom of association and the effective recognition of the right to collective bargaining:

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (Convention No. 87)
 - ratified by 137 countries²⁴
- Right to Organise and Collective Bargaining Convention, 1949 (Convention No. 98)
 - ratified by 149 countries

Elimination of all forms of forced or compulsory labour:

- Forced Labour Convention, 1930 (Convention No. 29)
 - ratified by 158 countries
- Abolition of Forced Labour Convention, 1957 (Convention No. 105)
 - ratified by 156 countries

Effective abolition of child labour:

- Minimum Age Convention, 1973 (Convention No. 138)
 - ratified by 111 countries
- Worst Forms of Child Labour Convention, 1999 (Convention No. 182)
 - ratified by 87 countries

Elimination of discrimination in respect of employment and occupation:

- Equal Remuneration Convention, 1951 (Convention No. 100)
 - ratified by 153 countries
- Discrimination (Employment and Occupation) Convention, 1958 (Convention No. 111)
 - ratified by 151 countries

²⁴ The number of ratifications refers to the situation on 12 July 2001. The ILO has 175 Member States.

ANNEX 3

An example of ILO technical assistance: COMPREHENSIVE PROGRAMMES FOR THE ELIMINATION OF CHILD LABOUR

Model programme in the football-making industry in Pakistan

In 1996, there were approximately 7,000 children engaged in stitching footballs in the Sialkot district of Pakistan. Sialkot is the centre of Pakistan's football-producing industry, a major hard currency earner. Almost 20 per cent of the workforce were made up of children. By using a model of prevention, withdrawal, rehabilitation and monitoring, IPEC succeeded in convincing an entire industry to prevent and progressively eliminate child labour, while providing alternatives that keep children out of work.

In 1997, ILO, UNICEF and the Sialkot Chamber of Commerce and Industry signed an agreement on a joint project to prevent and eliminate child labour under the age of 14 in the football manufacturing industry. The agreement:

- provides for an internal, industry-based monitoring system,
- establishes an external compliance monitoring system implemented by IPEC,
- identifies and removes full-time child workers in a phased manner,
- provides educational opportunities and other support services to children and their families.

Achievements

- Some 6,400 children attend education centres
- Children continue to work at home part-time to gain income while receiving educational and rehabilitation services
- The 22 participating manufacturers in 1997 reached 65 in February 2000
- IPEC monitors 100 per cent production in more than 1,799 stitching centres
- The Agreement has been replicated in Pakistan in the carpet industry and in the football-stitching industry in India.

ANNEX 4

OECD study on International Trade and Core Labour Standards, 2000

Main conclusions from the literature review

- Strengthened core labour standards can increase economic growth and efficiency by raising skill levels in the work force and encouraging innovation and higher productivity.
- Countries with low core labour standards do not enjoy better export performance than high-standard countries.
- Countries that develop democratic institutions – including core labour rights – will weather the transition to trade liberalisation with smaller adverse consequences than countries without such institutions.
- Opinions continue to differ about the impact of trade on employment patterns and/or wage inequality relative to the impact of other forces. Many studies confirm a role for trade, but the contribution is limited.
- Fears about a “race to the bottom” in labour standards are probably exaggerated.
- Trade interventions are not an optimal instrument to abolish exploitative child labour and expand human capital formation. In some circumstances a ban on child labour may be effective, but there are limits to such a policy and a ban can actually worsen the conditions of households. Subsidies to families to keep their children in school are likely to be a superior policy²⁵.

²⁵

For the ILO International Programme on the Elimination of Child Labour (IPEC) results in applying its model programme in selected countries, see below under 2.2.

ANNEX 5

Global Compact: The nine principles

The UN Secretary-General asked world business to:

Human Rights

1. Support and respect the protection of international human rights within their sphere of influence; and
2. Make sure their own corporations are not complicit in human rights abuses.

Labour

3. Uphold freedom of association and the effective recognition of the right to collective bargaining;
4. Uphold the elimination of all forms of forced and compulsory labour;
5. Uphold the effective abolition of child labour; and
6. Uphold the elimination of discrimination in respect of employment and occupation.

Environment

7. Support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

ANNEX 6

Article 50 of the Cotonou Agreement

Trade and labour standards

1. The Parties reaffirm their commitment to the internationally recognised core labour standards, as defined by the relevant ILO Conventions, and in particular the freedom of association and the right to collective bargaining, the abolition of forced labour, the elimination of worst forms of child labour and non-discrimination in respect of employment.

2. They agree to enhance co-operation in this area, in particular in the following fields:

- Exchange of information on the respective legislation and work regulation;
- The formulation of national labour legislation and strengthening of existing legislation;
- Educational and awareness-raising programmes;
- Enforcement of adherence to national legislation and work regulation.

3. The Parties agree that labour standards should not be used for protectionist trade purposes.