

**GENERAL COUNCIL**  
**of the**  
**INTERNATIONAL ORGANISATION OF EMPLOYERS**  
**POLICY STATEMENT ON THE SOCIAL CLAUSE**

The IOE General Council, meeting in Geneva on 3 June 1996, debated the social dimension of international trade liberalization. At the conclusion of the debate, the General Council adopted the following conclusions.

The General Council of the IOE reaffirms that:

- , an open trading and investment system contributes to economic growth and, consequently, to employment growth and improved working conditions;
- , economic development requires access to world markets for both capital investment and imports and exports;
- , labour standards in most countries improve progressively with the rising standard of living which results from development.

However, the IOE firmly opposes the introduction of a social clause in the rules of the trading system to permit the application of coercive measures to enforce labour standards. Linking labour standards to the multilateral trading system implies the use of trade sanctions to enforce compliance, introducing new barriers to trade, negating the objective of economic growth through open world trade.

The IOE, therefore, does not see any merit in either WTO or joint WTO/ILO work in this area. The WTO is a “rule-making body” in the field of trade and could not contribute to the examination of the ways to improve labour standards:

- , the multilateral system of trade rules and disciplines is based on contractual rights and obligations which, if set aside, would destroy the fundamental guarantees and certainty on which trade and investment are based;
- , the WTO has no provision for collective condemnation and application of trade sanctions. To amend the rules to permit the imposition by one country of sanctions against another for non-commercial purposes would destroy the balance of rights and obligations, would fragment and politicize the system and encourage the use of the clause for protectionist purposes;

- , finally, the introduction of a social clause would involve the WTO in punitive measures in matters of domestic governance unrelated to its rule-making mandate and would be rejected by many countries as an invasion of their sovereignty.

The International Labour Organization (ILO) is the international organisation with the mandate to seek to improve worldwide working conditions through standard-setting, technical cooperation, dialogue and example. As one of the Organization's tripartite constituents, employers' organisations have contributed actively to these efforts, including through support for its supervisory machinery.

However, the IOE believes that the ILO must display greater creativity and flexibility in order to enhance its effectiveness in this respect:

- , ILO activities in the area of improving labour standards, which are meant to govern the conditions of working people, should not only take account of the different positions of member countries but should also be integrated with activities to increase employment and ameliorate unemployment;
- , the interests of the unemployed must also be taken into account;
- , the ILO's tripartite constituents should, therefore, work towards greater flexibility in national policies and labour markets and correspondingly greater flexibility in the international labour standards.

The ILO should continue to promote the ratification and implementation of its core conventions, including examination of obstacles to the ratification of those conventions.

To supplement the constitutional system of binding conventions and supervisory machinery, the ILO should develop a parallel means of encouraging observance of the fundamental principles underlying the core conventions. This should take the form of a statement of principles which should be promoted in a variety of ways, including :

- , through actions by Member States and by employers' and workers' organisations;
- , through the ILO's own technical cooperation programmes;
- , through country examinations related to employment policy;
- , through action in specific areas of the fundamental principles such as by intensifying and publicising ILO work on exploitative child labour and supporting an IOE programme of work in this important area.

IOE member federations are urged to work with their governments in support of the conclusions stated above and, in particular, to state the views of the business community on the social clause in trade agreements whether in the WTO or in regional economic organisations.

Geneva, 3 June 1996.