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# **2021 IOE GENERAL COUNCIL**

1 June 2021 (on-line)

PART II

REPORT OF THE HIGH-LEVEL POLITICAL PANEL DISCUSSION

**TRADE & EMPLOYMENT**

## Background & rationale

Throughout its more than 100-year history, IOE has been a strong proponent of the fundamental value of collaboration and coherence in the pursuit of common political goals and social.

This began at IOE's creation in 1920 as the Secretariat to the Employers' Group in the tripartite International Labour Organization, which was founded on the premise that the different workplace constituents could make greater gains towards achieving social justice by working together in a spirit of consensus.

In more recent times, IOE has been consolidating its position and relationship as the global voice of business with other agencies in the multilateral system in areas that align with IOE's mandate: with OHCHR to advance the greater engagement of business in the respect of human rights; with UNDESA to bring the contribution of business to the realisation of the 2030 Agenda for Sustainable Development; with WHO to improve the preventative approach to occupational safety & health (OSH) through awareness-raising and education; with IOM to ensure that the voice of business contributes to shaping a positive narrative around migration; and with WTO in support of the rules-based global trading system as a key component of an enabling environment for enterprise development, technology transfer and inclusive social progress that leaves no one behind, especially hitherto marginalised groups.

In this era of Covid-19, when the efforts of all international agencies, intergovernmental processes, governments, employers, workers and other stakeholders must bring their respective strengths, experiences, and areas of expertise to the multilateral table to map the road to recovery, IOE joins in the common chorus that returning to the status quo is not an option, that we must, together, build stronger, more coherent working relationships in order to build back better.

In further efforts to build on IOE's longstanding relationship with WTO and in light of the recent appointment of the organisation's new Director-General, Dr Ngozi Okonjo-Iweala, Part II of IOE's 2021 General Council was dedicated to a high-level panel discussion focussing on three key questions for setting the direction for early collaboration in the pursuit of common goals.

Joining Dr Okonjo-Iweala on the panel was Ms Arancha Gonzalez Laya, Minister of Foreign Affairs of Spain and Mr Guy Ryder, Director-General of the International Labour Office (ILO). The discussion was moderated by Ms Michele Parmelee, IOE's newly elected President.

## Setting the scene

In her introductory remarks, Ms Parmelee recalled IOE's pre-eminence as the world's largest business network, with membership organisations representing more than 50 million companies in over 150 countries across the globe. She highlighted IOE's longstanding focus on trade for its key role in employment creation, as well as the organisation's involvement in trade-related matters at national and regional level. The adverse impact of Covid-19 on global trade levels was a stark reminder of the important role trade played in sustaining economies, societies, and livelihoods. Looking ahead, it was clear that the resumption of trade and investment would be crucial to economic and employment recovery. However, there was general agreement that picking up where we had left off pre-Covid was not an option, and that the opportunity of a global re-set must be seized to more equitably distribute the gains derived from global trade and more fully harness its positive impact on growth and livelihoods. Getting it right this time around meant breaking down the silos that had too long

characterized policymaking and taking an integrated policy approach at domestic, regional and international level.

Ms Parmelee expressed her hope that the distinguished panellists would share their personal views on the measures necessary to unleash the potential of trade to rebuild the global economy in a more inclusive manner.

### ***The role of WTO and trade in the world***

Director-General Dr Ngozi Okonjo-Iweala took the floor, recalling the central purpose of WTO as set out in the Marrakesh Agreement - to enhance living standards, create employment and support sustainable development. Trade was a means to making people's lives better. The track record of trade was impressive, having lifted hundreds of millions of people out of poverty and improved living standards for many more. However, the relationship between trade and employment was highly nuanced and complex and its implications for wider social and economic policies deserved closer examination.

### ***Why pursue trade integration?***

Dr Okonjo-Iweala said that trade integration, underpinned by the multilateral-rules framework upheld by WTO had brought about several benefits:

- Higher productivity because trade induced the re-allocation of resources from less productive sectors and firms to more productive ones;
- Fiercer competition because firms were driven to be innovative and adopt new technologies;
- Wider choices and lower prices for consumers, bringing a boost to purchasing power, especially for poorer households;
- Reduction in the price of household consumption by two-thirds for low-income families in advanced economies; and
- For developing countries in particular, faster growth by allowing people to import "what the rest of the world knows and to export what it wants."

### ***How does trade positively impact employment?***

While evidence suggested that trade increased aggregate employment only slightly, it appeared to have other positive impacts on employment and jobs:

- Replacing jobs in low-productivity firms and sectors with jobs in higher-productivity, export-oriented firms and sectors. (Note how Chinese workers had moved from agriculture, to textiles, to smart phones);
- Creating jobs that were typically higher skilled and better paid;
- Providing a major source of employment in advanced economies (40-50% in the Netherlands, Chinese Taipei and Ireland), as well as in many developing ones. Some 36 million jobs in the

EU relied on export trade and were on average 12% better paid than jobs elsewhere in the economy.<sup>1</sup> Trade supported one in five jobs in the US.

### ***What's the downside?***

Trade could however contribute to adversely impacting workers and communities - substantially and for a long time - as seen in certain parts of the manufacturing sector in Europe and the US, especially where government had failed to ensure accompanying adjustment and safety-net policies. When individuals who had lost their jobs were not retrained or reskilled to be able to transition to sectors where new job opportunities had been created, adverse impacts were amplified. Regions gaining jobs as a result of export opportunities were not necessarily those that were losing jobs as a result of import competition.

### ***Is trade alone to blame for labour market disruption?***

Trade was often the scapegoat. Technological change as well as changing consumer preferences had similar, and often larger, impacts on jobs. Country-specific factors were also at play: the health of the economy, rigidities in the labour market, inadequate social protection and safety nets, etc.

### ***How to spread the gains from trade more equitably and change the narrative?***

Ensuring more inclusive gains from trade (and technological change), mitigating the potential downsides of trade, and equipping all people to share in the benefits required an open, stable and predictable trading environment alongside more carefully crafted domestic policies:

- **Macroeconomic policies** designed to sustain strong economic and job growth and made it easier to direct people and resources into new jobs and sectors;
- **Housing, credit and infrastructure policies** facilitated worker mobility minimised adjustment costs, and promoted employment;
- **Passive and active labour market policies** could mitigate the pain of job churn for families and communities; and
- **Education systems** could prepare workers for the evolving demands of the labour market.

### **What is needed to create an environment that will unleash the potential of trade integration to create more decent jobs?**

ILO Director-General Guy Ryder began by congratulating Ms Parmelee on her recent election and endorsed Dr Okonjo-Iweala's remarks regarding the benefits to be derived from trade.

### ***The perception of the gains of trade integration is not positive, hampering further liberalisation***

Mr Ryder observed that the question acknowledged the existence of barriers to the realisation of the full potential of trade integration. He agreed that the gains had not been spread widely enough, or at

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<sup>1</sup> 2017 EC figures

least had not been perceived in the right ways, which had provoked a reaction that hampered further trade liberalisation.

There was evidence of this lack of positive narrative even in Geneva, where the multilateral agencies struggled to maintain momentum.

### ***Various factors are at play***

Mr Ryder underlined the difficulty of untangling the effects of the various concurrent factors:

- trade integration
- technological advances
- inadequate national policies

### ***How can we change the narrative?***

For Mr Ryder, an integrated approach was needed across policy areas to manage trade and its impact so that the benefits could be more fairly distributed, involving:

- Social protection systems
- Active labour market policies
- Skills & learning processes
- A less siloed/more integrated, interconnected approach to policymaking (across trade and employment related matters) at international level

While Dr Okonjo-Iweala agreed that the gains of trade had been unevenly spread, she argued that open, stable, rules-based and predictable access to regional and international markets underpinned by WTO:

- Provided businesses with the certainty needed to be able to invest and hire with a view to seizing trade-related opportunities;
- Assured citizens that international trade was even-handed;
- Contributed to an environment conducive to value-added industries; and
- Helped create better, higher-value products to trade and export, especially for developing countries.

Dr Okonjo-Iweala concurred that improved policy action by governments was essential for transforming the narrative on the positive links between trade integration and decent work. Such measures included:

- Adjustment and competitiveness policies to help workers seize the best opportunities created by trade, while cushioning them from adverse shocks;
- Active labour-market policies (job search assistance, training programmes, in some case even wage insurance);
- Education systems to help workers upgrade their skills to access the better-paying jobs;
- Domestic labour standards (collective bargaining and wage rules helped workers to share in the gains of trade)

When it came to digital trade, Dr Okonjo-Iweala conceded that WTO had lagged behind when it came to creating rules for the growing area of cross-border e-commerce. However, she reported that efforts were underway on rules to underpin the ability of e-commerce to create better jobs and more employment.

### ***Building back better via a coherent and coordinated approach***

Minister Gonzalez Laya agreed on the need for an integrated, coherent approach across policymaking: recovering from the Covid-19 pandemic would require firing up all possible engines for growth and trade had a major role to play. Minister Gonzalez Laya identified three key actions to realise recovery goals:

- **Make trade possible** -by creating trade agreements and new rules to govern trade that foster opportunities;
- **Make trade happen** – through financing, connectivity (for digital trade), access to information and intelligence; and
- **Make trade work for everyone** – by adopting the policies that will ensure the benefits of trade are more widely spread, such as active labour market policies; skills & education; fair taxation; social safety nets; infrastructure and sustainability frameworks.

Guy Ryder picked up on Minister Gonzalez Laya's point regarding the need for more trade agreements, and especially at the multilateral level. In recent times, agreements negotiated at the bilateral and regional levels were seeing the inclusion of social and labour clauses. While he did not wish to expound on the merits or demerits of this development, for Mr Ryder it was an indication of a public/political opinion that there were areas that needed to be addressed in trade. However, these were areas that could also be incorporated into the external environment in which trade agreements were implemented.

He recalled that when the ILO 1998 Declaration on Fundamental Principles and Rights at Work had been adopted, ILO had made the clear political statement that these rights were not to be used for protectionist purposes. Similarly the principles of the 2008 Social Justice Declaration were not to be abused for comparative advantage. Mr Ryder hoped that these intentions would inform the joint discussions between international organisations going forward.

Looking ahead to the Covid-recovery/building back better discussion to be had at the upcoming session of the International Labour Conference, Mr Ryder said that a key element would be to agree how ILO could support and better interact with sister organisations in the international system, such as WTO and the international financial institutions, on the inter-related aspects of their mandates. He viewed recovery as providing impetus and urgency in working together to create the conditions to extract the full benefits of trade.

### **What concrete steps can be taken by governments to strengthen multilateralism and trade integration?**

#### ***Invest in multilateralism***

Minister Gonzalez Laya's concise response to this question was: **invest in multilateralism and ensure that the opportunities arising from international trade belong to everyone**. She added that one clear lesson learned from managing the pandemic was that international cooperation was not only more fair, it was also more effective. Looking ahead to an imminent WTO ministerial, Minister Gonzalez Laya felt that this could provide an excellent opportunity to send a clear signal along these lines to the members of the international community.

Dr Okonjo-Iweala agreed on the importance of such investment. She highlighted as problematic a contradiction at the heart of government behaviour: insisting on new modern clauses on labour,

digital, women when engaging in bilateral or regional trade negotiations, but failing to agree on similar things at WTO. She called on governments to come to WTO and similarly subscribe to achieving gains for trade and for ordinary working people.

### **How can WTO and IOE better collaborate on employment-related matters?**

#### ***Joint communication and awareness-raising***

The first area where Dr Okonjo-Iweala saw potential for collaboration between WTO and IOE was on a **communication effort** to highlight:

- the gains of trade to people, to employers and to workers, in terms accessible for the ordinary person;
- that trade is not about WTO rules or policies, it's about touching the ordinary person in the street by providing opportunities for a better life;
- that trade was not responsible for many of the ills attributed to it – other factors were at play;
- that trade has lifted millions of people out of poverty; and
- that governments had a role to play in adopting active labour market policies to take care of those left behind by facilitating adjustment, skilling, upskilling, and inclusion.

#### ***Joint research and documentation***

The second area was a **research effort** in order to:

- Understand and document the interactions between trade, employment creation and labour market policies.

#### ***IOE involvement in trade dialogue***

The third area related to **IOE engagement in trade dialogue**:

- Participation in WTO ministerial meetings, but also outside of such formal forums.

On behalf of IOE, Ms Parmelee affirmed IOE's commitment to participate in educating people as to the benefits of trade and its potential for improving the lives of entrepreneurs and ordinary citizens alike. She underlined IOE's firm intention to collaborate with other global business organisations and other stakeholders in the endeavour to promote free trade that is underpinned by the global, rules-based multilateral system and to work on better framework conditions with ILO, governments and other decisionmakers to foster trade, advance employment and economic growth, technology transfer, digital transformation and social development in building back better for a sustainable future for all.

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