N^R44 | FEBRUARY 2010 | EUROPEAN TRADE UNION CONFEDERATION (ETUC) | CONFÉDÉRATION EUROPÉENNE DES SYNDICATS (CES)

[ETUC newsletter]

Contents

Figure of the month

64 %

64% of European citizens are in favour of more decision-making at European level concerning the protection of social rights

(Source: Eurobarometer)

Note

Dear Readers,

Over the past few weeks Europe has seen a resurgence of financial speculation.

Speculators have been quick to fall back into their old habits. They are playing on the collapse of the euro zone by attacking the countries left most fragile by the crisis. The whole exercise revolves around betting on their insolvency in order to make the maximum profit. This speculation is shameless, because the public finances of the countries under attack by certain hedge funds and banks are currently being squeezed because of the effort that those self-same countries have had to make to save their financial systems and support their economies. While on the one hand a growing number of workers are losing their jobs, on the other a small band of speculators are profiting. The situation in Greece is a good illustration of what is happening in Europe: once again it is the citizens who are having to pick up the bill, while struggling under the burden of austerity measures, specifically reductions in wages and pensions. What is happening in Greece can happen elsewhere.

We are continuing to press for a strong and clear response from the European Union in order to impose effective regulation on financial capitalism and prevent speculation.

In particular, we want to see the market oversight authorities guaranteed effective powers, hedge funds, rating agencies and private equities being regulated, tax havens scrapped and financial transactions taxed. Several directives are making their way through the European Parliament and we shall ensure that they move in the right direction.

Moreover, as we had announced to the President of the European Council during our meeting in early February, employment – and in particular, youth employment – must be the European Union's number one priority. Unfortunately, the result of the last European Summit was disappointing: no decision was taken to revive the economy and combat the rising tide of unemployment. We need to change course, and we need to do it now!

John Monks
General Secretary

European Trade Union Confederation (ETUC)
Boulevard du Roi Albert II, 5 | B-1210 Bruxelles (Belgique)
Téléphone: +32 (0)2 224 04 11 | Fax: +32 (0)2 224 04 54
E-mail: media@etuc.org | www.etuc.org

ETUC in action

Solidarity with Belgian workers and trade unions

29/01/2010 - The ETUC supported the **demonstration organised by the three Belgian affiliates (CSC, FGTB, and CGSLB)** that took place in Brussels on 29 January **for employment, respect of workers and social justice.** Józef Niemiec, ETUC Confederal Secretary, gave a speech during this demonstration.

ETUC's support for the Turkish Tekel workers

11/02/2010 - **12,000 workers from the Turkish privatised tobacco and alcohol warehouses (TEKEL) have lost their jobs.** While the dispute is entering its third month there is still no solution in sight. The ETUC called on the Turkish government again to ensure that negotiations begin immediately, with a view to transferring these workers to other public enterprises with their full employee benefits, in accordance with the law.

European trade unions supports general strike in Greece

24/02/2010 - The European trade union movement is following closely the situation in Greece and in particular **the pressures by the European Commission and the European Central Bank on the Greek government for harsher austerity.** European trade unions stand in solidarity with Greek citizens in their struggle against job cuts, wage and pensions freezes and cuts. ETUC believes that the EU should send the Greek people a message of solidarity and not calling for more privatisation which will penalise even more people who are suffering as result of the crisis.

ETUC press release
John Monks' speech at the general strike in Greece

MAJOR MEETINGS - CONFERENCES - PROJECTS

ETUC Steering Committee

04/02/2010 - The ETUC Steering Committee met in Brussels. The economic and social crisis was the main item on the agenda.

[ETUC in action]

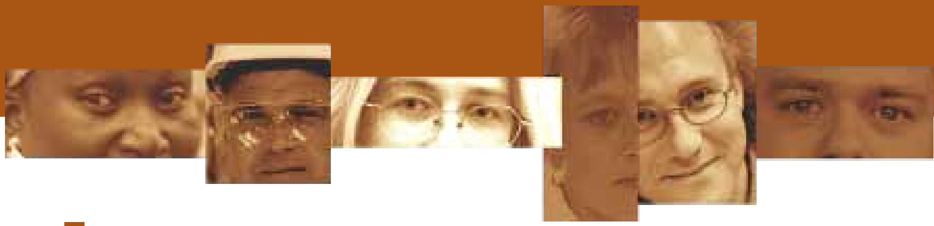
MAJOR MEETINGS - CONFERENCES - PROJECTS

Annual EURES trade union advisers seminar

19/02/2010 - The annual trade union EURES advisers took place in Brussels.
The new social security coordination rules and the proposal for a directive on free movement of patients were the main subjects under discussion.

[Trade Union Agenda] February – March 2010

04/02/2010	ETUC Steering Committee (Brussels)	
17/02/2010	Meeting of the Group II 'Workers' of the European Economic and Social Committee (Brussels)	
02-04/03/2010	UIL Congress (Rome)	
09/03/2010	ETUC Steering Committee (Brussels)	
09-10/03/2010	ETUC Executive Committee (Brussels)	
17/03/2010	Meeting of the Group II 'Workers' of the European Economic and Social Committee (Brussels)	
18-20/03/2010	GSEE Congress (Kallithea)	



[Dossier]

ARE THE FINANCIAL SPECULATORS the real winners of the crisis?

The crisis is not just making losers. The point is that financial speculators are continuing to play on the collapse of the euro zone by fuelling and speculating on the problems being experienced by some countries in Europe.

Since the beginning of the year, financial speculators have once again been in the spotlight. Admittedly, this is not the first time that speculators have been asserting their power on the markets[1], but what is happening at the moment is once again completely irrational. In reality, those who caused the financial crisis are busy benefiting from it, while speculating on the long-term viability of the public finances of the States from which they have received guarantees to rescue that very same financial system.

Thanks to the effort made to ward off the collapse of the financial markets, but also for the sake of restoring the economy and putting right the serious social damage caused by the recession, public finances in most European States are currently being squeezed.

The statistics in the three tables below give a very stark and alarming overview of the current economic situation and the short-term forecasts of the four euro zone countries targeted by the financial speculators[2].

Public deficits as a % of GDP

	2008	2009	2010	2011
Portugal	-2.8	-6.7	-7.6	-7.8
Ireland	-7.2	-12.2	-12.2	-11.6
Greece	-7.8	-12.7	-9.8	-10.0
Spain	-4.1	-9.6	-8.5	-7.7
Total OECD	-3.5	-8.2	-8.3	-7.6

Source: OECD

Unemployment as a % of the active population

	2008	2009	2010	2011
Portugal	7.6	9.2	10.1	9.9
Ireland	6	11.9	14	13.8
Greece	7.7	9.3	10.4	10.4
Spain	11.3	18.1	19.3	19
Total OECD	5.8	8.2	9	8.8

Source: OECD

Public debt as a % of GDP

	2008	2009	2010	2011
Portugal	66.3	77.4	84.6	91
Ireland	44.1	65.8	82.9	96.2
Greece	99.2	112.6	124.9	135.4
Spain	39.5	54.9	66.3	74

Source: OECD

Speculation in action

Before looking in more detail at how financial speculators behave, **let us first define what we mean by financial speculation**.

Financial speculation consists of a set of operations to purchase and sell financial or monetary securities with the objective of turning a profit from them thanks to the variation in their rates.

In practice, the speculator is betting on the movement of the rate of a security over a short or even very short period, compared to the traditional financial investments, for the sake of making money as quickly as possible. In addition, whereas for a 'traditional' investment we have solid forecasts and statistics, the key element in any speculation is subjectivity, specifically the use of forecasts which do not rely on solid statistical foundations.

The conduct of the speculators is frequently self-fulfilling: they choose to bet heavily on the loss of a security, and those bets are what cause that very loss.

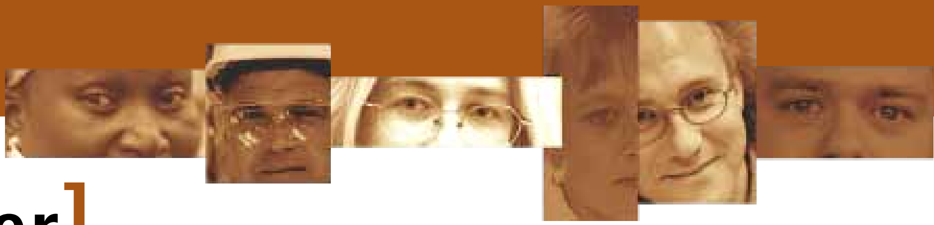
The speculation around the financial viability of Greece is a very clear example of this practice: speculators are betting on Greece's inability to service its debts, and those bets are fuelling the idea that the country is insolvent, generating in its turn irrational behaviour or even panic among the economic players.

At the same time, speculators are betting on Greece leaving the euro zone. This activity drives the rate of the euro down, and inflates Greek lending rates over two years to a level twice that of the average emerging country.

---

1 In 1992, the US magnate George Soros had speculated on the exchange markets and triggered the devaluation of the pound sterling and the Italian lira, also forcing them out of the European monetary system. The French franc had also been targeted, but the robust intervention of the Banque de France had repelled this speculative attack.

2 Financial jargon now talks of 'PIIGS', a deliberately negative acronym coined to refer to the economies of Portugal, Italy, Ireland, Greece and Spain, which are heavily in debt.



[Dossier]

Are the financial speculators the real winners of the crisis? (following)

The *Financial Times* reports that there are over 40,000 contracts worth more than 7.5 billion dollars betting on Greece leaving the euro zone and the euro tumbling.

Indeed, this sort of speculation is made possible because certain types of financial contracts and financial transactions are not effectively regulated or transparent. This is particularly the case on the market for Credit Default Swaps (CDS), which are insurance contracts designed to cover the buyer of a loan against the risk of non-repayment. The principle is very simple: the higher the risk of insolvency, the higher the price of the CDS.

Against such an uncertain background, many speculators are betting on an explosion in the price of Greek CDS, meaning that speculators are betting on Greece going bankrupt. Since October 2009, the Greek CDS has gone from 120 base points to over 400. These rises have been caused by rumours of an imminent application for support from the Hellenic Republic to the European Investment Bank and the International Monetary Fund. Even despite rumours which have proved to be groundless, the price of Greek CDS has rocketed and is continuing to rise. Another thorny factor is that over recent years, the CDS market has gained in autonomy vis-à-vis its fundamental values, which has further increased speculation – CDS are being freely bought and sold – as if people were taking out fire insurance in the hope that their house would burn down, without actually owning the property they were insuring!

As for the euro, in the space of three weeks or so its rating against the US dollar has fallen from 1.50 to 1.35. This nosedive in turn 'justifies' charging ever higher interest rates to Greece, as well as Portugal and Spain, which are basically the most fragile economies in the euro zone at the moment.

Without regulation, it's a return to old habits

Far from underestimating the problem posed by the viability of the Greek public finances, we must not forget that the gross domestic product (GDP) of that country accounts for only 2.6% of GDP in the euro zone. That being so, the euro zone overall is entirely capable of providing all the necessary guarantees with regard to the non-insolvency of Greece's debt. To fall for the temptation of the irrational patterns fuelled by the financial speculators would be to play into their hands. Even though the political context was very different, let us not forget that the insolvency rate of the State of California, which accounts for 13% of America's GDP, had been regarded as high, without this having any significant impact on the dollar.

However, what is happening shows that in the absence of effective rules at European or global level, speculators are perpetuating the same activities taking reckless risks that lay behind the financial crisis in the autumn of 2008, for which we are still paying a high price today. Faced with such a situation, there is a need for a determined political response: Europe's decision-makers must effectively regulate this area. This would send out a strong political signal to those who are playing with the financial and political stability of States and individuals.

For a long time now, the ETUC has been calling for European legislation in this area, because the consequences of financial speculations in not just economic but especially political and social terms are too brutal.

Europe's trade unions believe that legislation worthy of the name must – among other things – guarantee that the market oversight authorities have effective and efficient powers, that hedge funds and private equities are regulated, that rating agencies are regulated (see box), that tax havens are scrapped and financial transactions are taxed, at least at European level.

At the European Parliament, several texts covering many of the problems flagged by the trade union movement are under discussion. Moreover, the recent statements by the new Commissioner in charge of the internal market with regard to a forthcoming legislative proposal for more transparent CDS is a step in the right direction. However, the ETUC will not let these issues slip from its grasp. On this score, in cooperation with other partners, the European trade unions have set up a campaign to raise awareness and mobilise support so as to contribute effectively to the debates underway.

To avoid a repetition of such a crisis, policy must prevail over the financial markets. The ETUC will be very closely watching the work ongoing at Parliament, to make sure that the European Union equips itself with strict and effective rules.

Who are the rating agencies?

A rating agency is a body charged with rating States or businesses by reference to certain criteria defined by a regulation or by the players on the market.

Even if their rating has been requested by States or businesses, rating agencies are supposed to work independently.

The rating represents the assessment of the risk of financial solvency attaching to a business or a State.

For the operators working on the financial markets, the rating represents a key criterion in assessing the risk involved in a particular investment. The work of the rating agencies is unavoidable, as things stand, because of the globalised financial markets where it is increasingly difficult to control the information and evaluate the risk.

REFERENCES:

Resolution of the ETUC Executive Committee on the regulation of the financial market: http://www.etuc.org/a/6614

FOR MORE INFORMATION:

Andreas Botsch, ETUC advisor in charge, among other issues, of financial regulation: abotsch@etuc.org

[EU Agenda] February – March 2010

07-09/02/2010	Informal meeting of Ministers fir Competitiveness (San Sebastian)	Meeting Agenda
08-11/02/2010	Plenary Session at the European Parliament (Strasbourg)	
11/02/2010	Informal meeting of the European Council (Brussels)	Meeting Agenda
12-13/02/2010	Informal meeting of Ministers for Transports (A Coruña)	Meeting Agenda
15/02/2010	Eurogroup Meeting (Brussels)	Meeting Agenda
15/02/2010	EU-Brazil Summit (Madrid)	Summit Agenda
15-16/02/2010	Education, Youth and Culture Council (Brussels)	Council Agenda
16/02/2010	ECOFIN Council (Brussels)	Council Agenda
17-18/02/2010	Meeting of Development Ministers (Segovia)	Meeting Agenda
17-18/02/2010	Plenary Session at European Economic and Social Committee (Brussels)	
22-23/02/2010	General Affairs and External Relations Council (Brussels)	Council Agenda
24-25/02/2010	Mini-Plenary Session at the European Parliament (Brussels)	
25-26/02/2010	Justice and Home Affairs Council (Brussels)	Council Agenda
02/03/2010	Competitiveness Council (Brussels)	Council Agenda
05-06/03/2010	Informal Meeting of Foreign Affairs Ministers (Cordoba)	Meeting Agenda
07-08/03/2010	EU-Morocco summit (Grenade)	Summit Agenda
08-09/03/2010	Employment, Social Policy, Health and Consumers Council (Brussels)	Council Agenda
08-11/03/2010	Plenary Session at the European Parliament (Strasbourg)	
11/03/2010	Transport, Telecommunications and Energy Council (Brussels)	Council Agenda
15/03/2010	Eurogroup Meeting (Brussels)	Meeting Agenda
16/03/2010	ECOFIN Council (Brussels)	Council Agenda
17-18/03/2010	Plenary Session at European Economic and Social Committee (Brussels)	
22/03/2010	General Affairs and External Relations Council (Brussels)	Council Agenda
24-25/03/2010	Mini-Plenary Session at the European Parliament (Brussels)	
25/03/2010	Informal Equality Ministers meeting (Valencia)	Meeting Agenda
25/03/2010	Tripartite Social Summit (Brussels)	
25-26/03/2010	European Council (Brussels)	Council Agenda

Focus on the EU and trade union positions

"You have saved the bankers, now what about us?"

ETUC met M Van Rompuy, President of the European Council

04/02/2010 - On the eve of the Informal European Summit, to be held on 11th February, an ETUC delegation visited Herman Van Rompuy, President of the European Council to set out workers' expectations and demands. The ETUC urged the European Council to **maintain high levels of spending to promote growth**, **guarantee jobs and learning opportunities to all young people**, keep up purchasing power, invest in welfare states and ensure effective regulation of financial markets.

ETUC press release
John Monks' video

For a Social Europe and a Social market economy

10/02/2010 - The ETUC and the European Union of Christian Democratic Workers (EUCDW) have adopted a joint declaration **for a Social Europe and a Social market economy.**
The implementation of measures against increasing unemployment, efficient regulation of financial markets and fighting global warming are among the main points of the declaration.

Joint ETUC and EUCDW press release
Joint ETUC and EUCDW declaration

Extraordinary European Council: not a good start

12/02/2010 - **The European trade union movement is disappointed** with the results of the Extraordinary European Council of 11 February. **It is hard to judge from the** Declaration of Heads of State and Governments whether or not **the EU is committed to ensuring that Greece will not default**. For the ETUC, the most vulnerable economies in the Euro zone are likely to need some help to maintain stability, and the EU needs a clear plan with the scale of assistance available, and the obligations to be incurred if it is sought. The EU needs to consider urgently ETUC proposals for the creation of Euro-bonds and transaction taxes to create more scope for EU support.

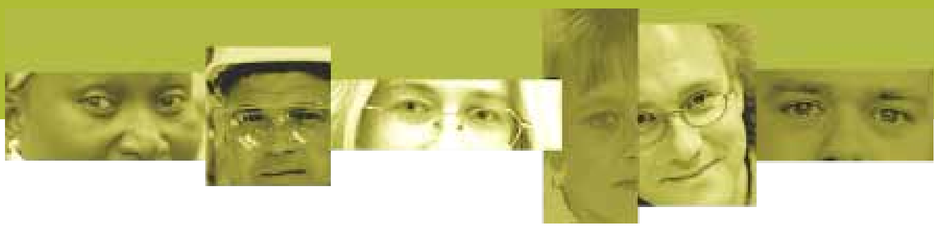
ETUC press release

[Focus on the EU and trade union positions]

Do not let financial market speculation rule Europe

15/02/2010 – On the occasion of the Macro Economic Dialogue, **ETUC warned political leaders not to let financial market speculation rule Europe**. For the ETUC, policy makers all through Europe are obsessed with premature fiscal exit strategies, with wage freezes and wage cuts and cutbacks in welfare and public sector employment. Such a policy will kill domestic demand, trigger downward competitive wage spirals, distort the internal market and increase unemployment and poverty.

ETUC press release



[You may be interested]

New publication:
recommendations on negotiating during the new EWC directive transposition period

The ETUC, the European Industry Federations and the Social Development Agency released a new joint publication on recommendations for negotiating during the new European Works Council (EWC) directive transposition period. These common recommendations are intended to provide guidance to negotiators on how to anticipate the changes of the new EWC directive during its transposition period (5 June 2009 to 5 June 2011).

Link to the publication

Editorial Team

Managing Editor: **John Monks** • Editor-in-chief: **Patricia Grillo** • Editor: **Daniele Melli**

Please pass this newsletter on to your colleagues and contacts