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World Bank and IMF - Major Changes Needed

World Bank's "Doing Business" Report getting it all wrong on employment and workers' rights

Brussels 20 September 2007 (ITUC OnLine): As the World Bank and International Monetary Fund (IMF) prepare to hold their annual meetings Washington next month (20-22 October) in the wake of recent leadership changes at both institutions, the international trade union movement is calling on them to use the meetings as an opportunity to undertake major organizational and policy changes.

"Unions have long criticized the international financial institutions (IFIs) for being unaccountable to developing countries and their citizens. The debate around the lack of an open leadership selection process in both IFIs has drawn greater attention to the problem. Now, it's time for them to make a change," said the General Secretary of the International Trade Union Confederation (ITUC) Guy Ryder.

In a joint statement released today by Global Unions (the ITUC, Global Union Federations, and the Trade Union Advisory Committee to the OECD), the trade union movement asks the World Bank and IMF to bring their policies in line with the Millennium Development Goals and the Decent Work Agenda.

The statement focuses on the controversial labour market deregulation proposals of the World Bank's highest-circulation publication, Doing Business, which gives the best scores to countries that have eliminated worker protection rules, no matter what the impact might be on employment, wages, working conditions and respect for workers' fundamental rights.

"By declaring that countries such as Afghanistan, Bangladesh, Belarus, China, Colombia, Haiti and Saudi Arabia to have done a better job in 'Employing Workers' than most countries in Western Europe, the Bank is declaring that it has no concern for the welfare of workers or respect for their rights" said Guy Ryder. Such a message against workers' rights is highly ironic, since some divisions of the World Bank Group now require that the projects they finance respect the International Labour Organization's core labour standards. Said Ryder: "The World Bank should resolve this flagrant contradiction once and for all by removing the theme of labour regulation from the mandate of the group that issues Doing Business."

Global Unions' statement emphasizes that a change in policy is especially needed at the IMF, whose influence has significantly diminished since most middle-income countries have taken steps to avoid borrowing from it. Looking back at the Asian financial crisis ten years ago, the statement faults IMF policies and questions whether the IMF has really learned from its mistakes.

"Ten years after the Asian crisis, it's worrisome that the IMF may repeat the same errors today," Ryder said. "The IMF failed to predict the dramatic tightening of global credit markets that began in August and IMF spokespersons have responded to its potential economic consequences by expressing admiration for private financial institutions' creativity." Noting that highly-leveraged investment strategies by hedge funds and private equity seem to have contributed to the global spread of problems originating in the US sub-prime mortgage market, the statement calls on the IMF to develop an adequate policy response. "The IMF should take the lead in developing international regulatory frameworks for hedge funds, private equity funds and related financial activities that are non transparent, exploit unwarranted tax subsidies and contribute to financial market instability," stated Ryder.

"The international financial institutions can be a force for equitable globalization," Ryder concluded, "but not if they continue along the same course they have for the last 60 years. The upcoming annual meetings are an ideal time to begin making changes."

To read the full report:

<http://www.ituc-csi.org/IMG/pdf/statement.imfwb.1007.pdf>

Founded on 1 November 2006, the ITUC represents 168 million workers in 153 countries and territories and has 305 national affiliates.

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