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Trade Unions Demand Effective Responses from the IMF and World Bank to Worsening Financial and Food Crises

Brussels, 05 October 2008 (ITUC OnLine): With the spreading financial crisis likely to take centre stage at the upcoming annual meetings of the World Bank and IMF in Washington on 11-13 October, the global trade union movement is urging the international financial institutions (IFIs) not to overlook the millions of low-income workers whose buying power has declined drastically because of food and fuel price hikes. By the World Bank's estimate, the price surges will add 100 million to the number of extreme poor in the world, which the Bank recently adjusted upward to 1.4 billion before the food and financial crises.

"If vigorous action is not taken, the Millennium Development Goals such as halving global poverty by 2015 will not be attained. The IMF and World Bank must increase and expedite aid to the developing countries suffering the consequences of the food, fuel, and now, the financial crisis," said ITUC general secretary Guy Ryder. "Global Unions are pleased that the IFIs are responding to the crises with emergency aid, but they should reconsider previous IFI policies that have contributed to food security problems, for example, and change them accordingly."

Ryder added, "The IFIs must ensure that none of those suffering from food price hikes suffer even more because of certain policy measures they put forward." In its statement for the IFIs' meetings (http://www.ituc-csi.org/IMG/pdf/No_34_statement_imfwb.pdf), the ITUC and other Global Unions organizations point out that the elimination of subsidies to reduce prices of basic foodstuffs in favour of greater "targeting" of aid, which the IFIs have proposed, can result in many of the needy losing access to assistance. The statement also recommends that the IFIs support increased minimum wages and the protection of freedom of association so that workers can seek to prevent further deterioration of their real incomes through collective bargaining.

Need for adequate regulation, not more reckless deregulation

Although Global Unions have long called for the IMF to promote greater regulation of the global financial system, it was only this past month that IMF managing director Dominique Strauss-Kahn seemed to echo the international trade union movement's demands for better regulation. "This crisis is the result of regulatory failure... We must ensure it does not happen again," he wrote in an article published in September.

Global Unions' statement urges the IFIs' member-country governments gathering in Washington next weekend to mandate the IMF to develop appropriate international regulatory frameworks of the financial sector and coordinate national regulatory reforms. The process must include

consultations of organizations such as the ITUC, whose members are sustaining heavy job losses because of the financial debacle. Said the ITUC's Guy Ryder: "It would be unacceptable that the private financial sector, which put the world economy into the current mess, would have greater influence over the design of new regulations than those who are suffering the consequences of the inadequate regulation that the private institutions lobbied for."

Global Unions have also demanded that the World Bank cease to use its Doing Business publication to encourage developing countries to deregulate their economies, citing its abuse in IFI country reports and by many outside the IFIs eager to do away with any and all labour market regulation. "It is ironic that in the past four weeks the World Bank has been heavily promoting the 2009 edition of its bible of across-the-board deregulation, Doing Business, at the same time that the financial sector is collapsing in the US and other countries because of inadequate regulation," said Ryder.

The ITUC has frequently noted that Doing Business (DB), which is the World Bank's highest circulation publication, falsely claims that the deregulation it promotes results in higher economic growth and increased job creation. Last June, the Bank's own Independent Evaluation Group agreed with this assessment when it "found no statistically significant relationships between the ... DB indicators and growth rates" and that, "no significant association emerged between ... [the DB indicator on] employing workers and employment". By giving the highest ratings to countries with the least labour regulations, DB has been used to pressure developing countries to do away with provisions such as minimum wages, recourse against unjust dismissal and mandated contributions to health care or old-age pensions, thus adding to the difficult situation already faced by many workers in these countries.

Observing that the IFIs will face exceptional global challenges at this year's annual meetings, Global Unions are asking the IFIs to respond more fully to the needs and priorities of all of their member countries. Said Ryder, "The food and financial crises and other challenges like climate change will have stronger adverse effects on poorer countries. The IFIs must reform their governance structures so that developing countries have an equal voice in determining how to confront these problems."

Commenting on the discussion on governance reform expected to take place at the World Bank during the meetings, Ryder added, "Nothing short of voting parity for developing countries is acceptable. The lender-borrower relationship that has defined decision-making in the IFIs is no longer appropriate given the global scale of these challenges."

The ITUC represents 168 million workers in 155 countries and territories and has 311 national affiliates. <http://www.ituc-csi.org>
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For more information please contact the ITUC Press Department on +32 2 224 0204 or +32 476 621 018.

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