

>>> "ITUC Press" <press@ituc-csi.org> 21.11.2008 17:33 >>>

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Global Economic Crisis: G20 Declaration Insufficient, But Better News from the ILO

Brussels, 21 November 2008 (ITUC OnLine): The first meeting of G20 leaders on the world economic crisis, while setting a road map that has the potential to create a new financial regulatory agenda, has nevertheless fallen short on some major areas of concern, in particular concerning the immediate fiscal boost required to tackle the looming global crisis in employment, according to the ITUC. While the Declaration issued from the Summit recognises that coordinated international action is needed, it gives little indication of how such coordinated action is to be undertaken.

"The fact that the G20 countries met, and recognised that past failures in regulation are at the root of this crisis, is positive. However they have not gone anywhere near far enough in setting out the basis for the radical reform of governance of the world economy that is needed, and they have virtually ignored the looming jobs crisis which will hit working people in every part of the world", said ITUC General Secretary Guy Ryder.

Trade unions are looking for a far more concrete and convincing description of the measures to be taken to address the employment crisis, through support for jobs and investment in the short term that provides sustainable growth in the medium term. In addition, while the G20 governments acknowledged the prospect of extremely serious impacts of the crisis on the poorest countries, they have made no promise to increase their official development assistance or even to respect previous ODA commitments, nor any specific commitment to increase the resources of the multilateral development banks.

The Declaration and the Action Plan that goes with it do provide some detail on "enhancing sound regulation", and the G20 governments have acknowledged that there are gaps in regulation of the global financial system. The G20 commit to 'immediate actions' to bring the opaque world of credit derivative trading in line with basic transparency and accountability standards, and to make concrete proposals to tackle the irresponsible leveraging and executive remuneration that are at the roots of the crisis. Ad hoc supervisory colleges are to be created to oversee the activities of large transnational financial groups. The G20 further promise to emphasise 'institutions, instruments, and markets that are currently unregulated' but stop short of naming speculative hedge funds and private equity groups specifically. Of great concern however is the absence of consideration for working families who have been abused by predatory lending and aggressive sales policies by banks.

"Whether the G20 words turn into action remains to be seen. Expectations are high. There needs to be a fundamental overhaul of the global financial system to serve the needs of the real economy" said John Evans, General Secretary of the Trade Union Advisory Committee (TUAC) to the OECD.

The G20 statement is silent on the fundamental need for the International Monetary Fund to reform its lending policies: to abandon the austerity conditions of the past and adopt 'positive conditionality', which assists countries to restore short-term growth, fair distribution of costs and benefits and long-term sustainability. Similar reform of the policies of the World Bank and other multilateral financial institutions is needed.

Also of particular concern is the fact that there is no acknowledgement by the G20 of the need to give trade unions, the International Labour Organisation (ILO), or other key actors a seat at the table in the negotiations up to and beyond the next major G20 meeting on the crisis. In Washington, the governments agreed to meet again before the end of April 2009.

"Jobs are central to the whole question of stimulating the world economy and the new global economic architecture which must be created. While the G20 have conspicuously failed to recognise this, the ILO

has shown at its Governing Body meeting this week that it is ready to meet the challenge, and UN Secretary General Ban Ki Moon has endorsed its vital role", said Ryder.

In a speech to the ILO Governing Body on 19 November, Ban stressed the need for governments to meet their international aid commitments, and for a "focus on labour-intensive projects that reduce greenhouse gas". He also pointed to the role of the ILO, stating "The ILO's Decent Work Agenda really touches the core of people's lives and aspirations. In your day-to-day work, you bring together employers, workers and government ministries to hammer out consensus and solve problems. We are going to need this kind of partnership, and this kind of practical approach, to get through this difficult time."

On 18 November, Spanish Prime Minister José Luis Rodríguez Zapatero told the ILO meeting "I defend social dialogue as the model that guides the European Union and globalisation as a whole. I would like to propose this as a model for the reform process that started this weekend at the G-20 meeting".

OECD Secretary-General Angel Gurría also focused on the need for better collaboration between the international organisations including the ILO and OECD. Warning that the financial crisis is quickly turning into a social and economic crisis, he told the ILO meeting that "globalisation can only work to the benefit of all if we get the social dimension right".

Juan Somavia, Director-General of the ILO, echoed these sentiments, stating that the ILO "must play our role within a strong and responsive UN system, including Bretton Woods institutions and the World Trade Organization and OECD".

"We call on the G20, and other governments to pay heed to the clear message expressed at the ILO, by leaders who understand the vital role of social dialogue and the need to involve the trade union movement in getting the world economy on track and properly regulated", concluded Ryder.

The ITUC represents 168 million workers in 155 countries and territories and has 311 national affiliates.
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