

# Statement of Labour Leaders to the World Economic Forum (Davos, 26-30 January 2005)

## INTRODUCTION

1. As participants in the World Economic Forum (WEF) meet once more in Davos to debate the 2005 WEF theme "Taking Responsibility for Tough Choices", the global economic situation is unstable and the global social situation unsustainable. While the prospect of continuing decline in the US dollar continues to spread uncertainty in economic activity everywhere, chances for lifting half the world's poorest out of extreme poverty by attaining the Millennium Development Goals (MDGs) are slender without a massive increase in international assistance and a major redirection of global policy. Several countries of Asia have been hit by the tsunami, a natural catastrophe that has taken hundreds of thousands of lives and will cost billions of dollars for reconstruction. And despite some outward signs of resumed confidence in the World Trade Organisation (WTO) in preparation of its Conference in Hong Kong this December, public concern over the negative impact of globalisation remains at an all-time high, due in large part to continuing evidence of corporate corruption and to the migration of millions of jobs to China in a downward spiral in working conditions.

2. The level of public response across the world to the tsunami bears witness to the potential to mobilise solidarity with the victims of tragedy, a lesson which should not be lost as the international community discusses how to meet the MDGs in the run-up to the UN Millennium plus five Summit in September 2005. The equivalent of a tsunami takes place in the world's poorest countries on a perpetual basis, with over 250,000 women, men and children dying of poverty each and every week. Helping this part of the world's population requires dynamic leadership in order to mobilise international assistance on a far greater scale than currently provided.

3. Similarly, innovative and far-sighted measures are needed to confront the major new challenges of the global economy. Issues like off-shoring require governments to take measures to ensure that workers' rights are respected everywhere and that companies recognise and negotiate with trade unions, as is the case in the best examples of agreements between companies and unions to deal with transfers of employment through off-shoring.

4. The statement below provides the contribution of some 20 global trade union leaders<sup>1</sup> attending Davos on the three major issues that will be confronting the 2005 WEF: Global Security Issues; Jobs and Demand Worldwide; and Achieving a Just Globalisation.

---

<sup>1</sup> The following labour leaders are attending the 2005 World Economic Forum: Brendan Barber, General Secretary, TUC (Great Britain); Sharan Burrow, President, ACTU (Australia) and President, International Confederation of Free Trade Unions (ICFTU); David Cockroft, General Secretary, International Transport Workers' Federation (ITF); Luc Cortebeek, General Secretary, CSC (Belgium); John Evans, General Secretary, OECD-TUAC; Fred Higgs, General Secretary, International Chemical, Energy & Mine Workers' Federation (ICEM); Tine Auvig-Huggenberger, Vice-President, LO (Denmark); Philip Jennings, General Secretary, Union Network International (UNI); Neil Kearney, General Secretary, International Textile, Garment & Leather Workers' Federation (ITGLWF); Fred van Leeuwen, General Secretary, Education International; Anita Normark, General Secretary, International Federation of Building and Wood Workers (IFBWW); Govindasamy Rajasekaran, General Secretary, Malaysian Trade Union Congress; Guy Ryder, General Secretary, ICFTU; Fackson Shamenda, Honourary President, Zambia Congress of Trade Unions; John Sweeney, President, AFL-CIO (USA); Willy Thys, General Secretary, World Confederation of Labour (WCL); Gerd-Liv Valla, President, LO (Norway); Aidan White, General Secretary, International Federation of Journalists (IFJ).

## **I GLOBAL SECURITY ISSUES**

5. Recent years have seen serious challenges to the role of the United Nations in providing a multilateral framework for peace and security around the world, particularly in relation to the war in Iraq. The escalating loss of life and widespread suffering in Iraq illustrate the vital importance of a primary role for the United Nations in Iraq and the need to maintain and develop multilateral processes for peace and security, as highlighted by the recent report of the UN High-Level Panel on Threats, Challenges and Change.

6. The election of a new President of the Palestinian Authority, Mahmoud Abbas, provides the potential for a major new impetus in the quest for peace between Israel and Palestine, based on the existence of two independent and viable states, requires renewed international attention and support from all. Key building blocks for peaceful and constructive relations between Israel and Palestine and their neighbours must be the full implementation of UN Resolutions 242 and 338 as well as the "Road Map" for peace. Israelis and Palestinians should together renounce violence, commit to immediate ceasefire and immediately engage in direct negotiations, since they are the only viable route to lasting peace. The Israeli government should end the occupation of the West Bank and Gaza without delay and remove settlements from these territories, recognising that their continued existence is a major barrier to resolving the conflict. Real progress in Israeli/Palestinian relations is critically important for the Middle East as a whole.

7. International cooperation to achieve effective global oversight, regulation and enforcement must take place in order to break the connections between terrorism and organised crime. Efforts to defeat terrorism must also deal effectively with the economic, social and political factors including illiteracy, poverty and unemployment, which enable terrorist organisations to build support and to recruit. The rise in fundamentalism underlines the need for the promotion of sustainable and equitable development, good governance, democracy and human rights, and education for tolerance and mutual respect. Trade unions are key allies in this process.

## **II JOBS AND DEMAND WORLDWIDE**

8. The world's major economic regions are dangerously imbalanced, with macroeconomic and currency misalignments threatening further global destabilisation. Unemployment remains unacceptably high with stagnant or falling wages and rising poverty levels in many countries. The ILO stated in 2004 that global unemployment had reached over 185 million, the highest level ever recorded, with 550 million people (60% of whom are women) working in extreme poverty on US\$ 1 or less a day.

9. The policy priority of raising job growth must be achieved through higher and more balanced economic growth across the three major regions, with a focus on increased domestic demand. This requires first and foremost that the Euro zone finally becomes an accelerated engine of growth, through a significant easing of monetary policy, alongside, in the short term, flexible implementation of the existing Stability Pact, allowing coordinated growth orientated fiscal policy. The nascent recovery of the Japanese economy is welcome and all policy measures must be taken to sustain it at a higher rate. The United States' recovery remains fragile and monetary policy must remain expansive, while fiscal policy must be reoriented both to raise the incomes of middle and low-income families as well as the unemployed, and to begin to restore its depleted infrastructure. That will pave the way for much needed

job growth and allow internal and external imbalances to be reduced without transmitting a shock to the global economy.

10. In the OECD area an opportunity exists for an activist macroeconomic policy to promote growth and employment, against the low-inflation backdrop, but ad-hoc unilateral action is insufficient in today's interlinked globalizing economy. To maximise this growth potential and to avoid negative spill over effects, G7 and wider OECD Finance Ministers and Central Banks need to implement a coordinated package of measures to boost the global economy and ensure jobs growth through structural initiatives based on human capital investment, skills adaptation, and income security in a changing job market.

11. Higher sustainable growth built upon domestic demand is needed in most developing countries. Yet unemployment or unprotected employment continues to plague much of the developing world, along with growing informal employment in those countries suffering from low growth, driving further in-work poverty. Financial market liberalisation and deregulation have meanwhile led to an explosion in levels of financial reserves, diverting scarce resources away from productive investment. The main beneficiaries from this have been wealthy elites whilst the working poor and the unemployed have paid the price.

12. The international union movement is part of the Global Call to Action against Poverty (G-CAP) with its objective of achieving major progress this year towards meeting the Millennium Development Goals (MDGs). The UN target for allocating 0.7% of GNP as official development assistance must be treated as an achievable target by all countries. Additional resources must be allocated in particular towards debt relief for low-income indebted countries. The level of debt relief provided by the HIPC programme must be increased, the number of eligible countries must expand, and structural adjustment conditionality that may hamper the achievement of MDGs must not be part of debt relief requirements. The IMF and World Bank should examine other policy options, such as the proposed International Financial Facility, in order to channel more financial resources towards developing countries. They should ensure that their loan conditions do not prevent the implementation of poverty-reduction measures as defined in poverty reduction strategy papers (PRSPs).

13. The tsunami tragedy requires a generous response from the international community in terms of humanitarian assistance, sustainable rehabilitation and reconstruction work, commensurate to the massive scale of the needs involved. Post-tsunami reconstruction must be oriented towards ensuring sustainable economic development, with creation of decent jobs a central priority. At the same time, these funds must be allocated in addition to existing development aid commitments and not in their place. While the international community focuses on tsunami relief, broader and longer term action to tackle global poverty is also of paramount importance.

### **III ACHIEVING A JUST GLOBALISATION**

14. It is simplistic to maintain the assumption that all countries and regions automatically gain from trade and investment liberalisation. The OECD Economics Department has noted that "... in the short run, job turnover associated with offshoring is not costless and may disproportionately affect certain regions, sectors and firms". But there are not just temporary winners and losers. There can also be permanent losers as argued in 2004 by Nobel prize-winning economist Paul Samuelson. If the WTO negotiating process this year is to achieve fruitful results in Hong Kong, it has to be

demonstrated both that change need not be a zero sum game and also that it is possible to manage change in firms, industries, regions and labour markets in socially equitable ways. Countries have to restructure on the basis of a high set of labour standards and not on the basis of a low wage model of development, and ensure that productivity growth is used to raise living standards, reduce poverty and contribute to sustainable development.

15. Many developing countries are competing intensively for export markets and there the adjustment problems are even more acute. With the expiry of the Agreement on Textiles and Clothing at the end of 2004, the governments of many textiles exporting countries are deeply concerned, as shown by their request in October 2004 (denied) for an emergency debate at the WTO. The jobs loss in countries from Mexico and South Africa to the Philippines and Bangladesh, once they are in free competition with China, stands to run into several millions. It provides an example of the result of the lack of a floor level to maintain a basic level of labour standards. As a minimum, the WTO should enter into a discussion process together with the ILO, OECD, World Bank, IMF and relevant UN agencies, to anticipate the social impact of the textiles sector developments and to propose counter-measures, backed by international assistance. The example of Cambodia, which hopes to adjust to the post-quota environment by promoting its garment industry as a role model of decent labour standards with full involvement of the ILO, is one that should be supported.

16. The ILO's World Commission on the Social Dimension of Globalisation made strong pleas for there to be far more attention paid to the social dimension of globalisation. It called for coherence to be established in the multilateral system in respect for workers rights by all international institutions including the IMF, World Bank and the WTO. We believe governments should agree action in particular to launch policy coherence initiatives, including a Globalisation Policy Forum between relevant international organizations, to serve as a platform for regular dialogue between different points of view on the social impact of developments and policies in the global economy.

17. The *laissez-faire* approach of some governments to the offshore outsourcing of jobs threatens to undermine support for the multilateral trade and investment system. The adequate response should encompass respect for core labour standards world-wide and targeted regional and industrial policies along with active labour market policies to help those communities whose jobs may be affected. Trade unions and forward-looking employers are negotiating these issues both at the national and international level through the sectoral Global Union Federations. The focus is on early negotiations to maintain sustainable employment, avoid compulsory lay-offs, and to promote internal firm-level redeployment and up-skilling, whilst at the same time ensuring that workers' rights are respected and developed everywhere and that companies recognise and negotiate with trade unions. Governments have a role to support the outcome of negotiations. A specific focus is needed on stopping the proliferation of labour rights abuses in export processing zones around the world (where generally over 80% of the workers are women), and particularly in China.

\*\*\*\*\*