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ITUC/TUAC EVALUATION OF THE 3RD G20 SUMMIT PITTSBURGH, 24-25 SEPTEMBER 2009

Introduction and Summary: Progress in Pittsburgh, but Still Far to Go

1. The results of the Pittsburgh G20 Summit represented some advance on the outcome of the April Summit in London but also demonstrated a degree of complacency and progress was slow in some crucial areas. The role agreed for the ILO was especially important but key questions remain, notably concerning the International Monetary Fund (IMF), financial regulation and climate change. While G20 Leaders stated their commitment to "Putting Quality Jobs at the Heart of the Recovery" and agreed that the G20 would implement new mechanisms to reduce imbalances in the global economy with a role for the ILO, it did so by reinforcing the IMF's role in tackling the crisis despite few signs that its underlying conservative positions including its imposition of "pro-cyclical" policies are to be reversed.

2. It was significant that the G20 Summit agreed to work on an international framework that could include a transactions tax to help make sure that the financial sector pays a fairer share towards economic recovery and development, however again the IMF has been given responsibility for examining this. On other urgently needed reforms of international financial markets the Summit confirmed the central role of the Financial Stability Board (FSB), created from the Financial Stability Forum at the London Summit and which remains characterised by a lack of transparency that calls into question its legitimacy to undertake such work. However, with the global jobs crisis still worsening, the Pittsburgh Summit did agree to hold a meeting of G20 labour ministers including social partners' consultation in early 2010 that provides an opportunity to push the maintenance and creation of decent jobs higher up the agenda, with implementation of the ILO Global Jobs Pact as a central objective. The G20 further agreed to hold their next Leaders' Summit together with the G8 in Canada in June 2010, but stated that the G20 would henceforth replace the G8 as "the premier forum for our international economic cooperation".

GLOBAL ECONOMIC RECOVERY, JOBS AND THE ILO

3. The G20 Statement, which is structured in the form of a Preamble followed by a 50-paragraph communiqué with two annexes, begins with a self-congratulatory series of paragraphs recounting the effectiveness of the interventions they decided in London in

April.[1] One paragraph of just two words (#P5) baldly states, with reference to their earlier actions, “It worked.” There seems a clear assumption that the worst is over and that now it is a matter merely of managing the recovery. However the Preamble makes an important statement on the need to maintain coordinated stimulus actions “until the global economy is restored to full health and hard-working families can find decent jobs” (#P9) and states specifically that “We will avoid any premature withdrawal of stimulus” (#P10). This is complemented by text in the main statement (#1-4) starting from the assertion that “we must continue to implement our stimulus programmes to support economic activity until recovery clearly has taken hold” (#2). The upcoming G20 Finance Ministers’ meeting in Scotland, UK in early November 2009 is tasked with “developing cooperative and coordinated exit strategies” (#2).

4. References to jobs are frequent in the main document and the specific section on labour issues (#43-47) has been entitled “Putting Quality Jobs at the Heart of the Recovery”, a late change in the title that responds to trade union demands for a focus on job creation and job quality (not just workers’ employability as in earlier drafts). The statement calls for “recovery plans that support decent work, help preserve employment, and prioritise job growth” (43) and refers to training and income support for the unemployed, particularly those “most at risk” (it should be noted that there is no explicit reference to women or youth anywhere in the document). It is emphasised that recovery should not be sought through attempts to drive down labour costs by removing workers’ rights, with a statement that “current challenges do not provide an excuse to disregard or weaken internationally recognised labour standards” and that “to assure that global growth is broadly beneficial, we should implement policies consistent with ILO fundamental principles and rights at work” (#43).

5. This is followed by general references to the need for “structural reforms” (#44) and “national policies to strengthen the ability of our workers to adapt to changing market demands…”. More positively, for the most part that paragraph (44) provides a series of examples of active labour market policies with regard to training and education programmes, particularly in new technologies and lifelong skills development.

6. Pursuing the theme of training, the ILO is called upon (#45) “in partnership with other organisations, to convene its constituents and NGOs to develop a training strategy for our consideration”. The active role given to the ILO is important as it provides a continuing reason for greater ILO presence in the G20 process. As the ILO’s constituents are workers’ and employers’ organisations, this paragraph constitutes one of the two explicit references to trade unions in the G20 statement. However the reference to NGOs in this workplace context is hard to understand, unless the intention is to refer to the quasi-NGOs constituted by vocational training advice bodies or institutes in many countries; this is an issue that will require consultation with the ILO to determine which “NGOs” would be invited.

7. The G20 Leaders “reaffirm the importance of the London Jobs Conference and Rome Social Summit” (#46), referring to meeting conclusions which, particularly in the case of Rome, have been supported by the union movement. The Leaders welcome the ILO Global Jobs Pact adopted in June 2009 and “commit our nations to adopt key

[1] Paragraph numbering in this document uses the formulation of (#P) to denote paragraphs in the Preamble, while numbers appearing with the # hash key alone denoting paragraphs in the body of the Leaders’ Statement.

elements of its general framework to advance the social dimension of globalisation" (#46). There is then an important reference to the need for other institutions – clearly implying the IFIs and the WTO, among others – to take ILO policies and standards into account, in the statement that "The international institutions should consider ILO standards and the goals of the Jobs Pact in their crisis and post-crisis analysis and policy-making initiatives" (#46), again an area where unions will need to maintain close contacts with the ILO regarding its follow-up measures.

8. There is no reference per se to the trade union demand for a G20 working group on employment that could constitute a permanent locus for G20 employment actions, but the section on jobs concludes by committing the G20 to "continued focus on employment policies", to achieve which the Labor Secretary of the US is "to invite our Employment and Labour Ministers to meet as a group in early 2010 consulting with labour and business" – the reference to consultation with trade unions is a major advance achieved through trade union pressure up to and at Pittsburgh, and will require active follow-up to give it the fullest possible effect. The Labour Ministers' meeting is "building on the upcoming OECD Labour and Employment Ministerial meeting on the jobs crisis", referring to the meeting held in Paris on 28-29 September 2009 (in one of five direct references to the OECD in the document). TUAC is circulating a separate evaluation of the OECD meeting. G20 Leaders "direct our Ministers to assess the evolving employment situation, review reports from the ILO and other organisations on the impact of policies we have adopted, report on whether further measures are desirable, and consider medium-term employment and skills development policies, social protection programs, and best practices to ensure workers are prepared to take advantage of advances in science and technology" (#47). The references to reporting back from the ILO on the impact of policies provide a further important means for the ILO to build a greater role within international decision-making machinery.

THE LONGER-TERM: GLOBAL ECONOMIC COORDINATION AND GOVERNANCE

9. The Statement formalises a major development in international economic relations, designating "the G20 to be the premier forum for our international economic cooperation" (#P19). The next three Summits are announced to take place in Canada in June 2010 (concurrently with the G8), Korea in November 2010 and France in mid-2011, with the intention expressed to meet annually thereafter (#P31).

10. Allusion is made to the need to develop relationships with countries not in the G20 in the phrase that "critical players need to be at the table and fully vested in our institutions" (#P18), which may also refer to regional bodies such as the African Union secretariat or the European Commission.

11. G20 Leaders then commit themselves to adopt a peer review process (#6), to be launched in November 2009 by the next G20 Finance Ministers, as part of a new "G20 Framework for Strong, Sustainable, and Balanced Growth" (set out in an Annex). The content of the Annex refers above all to responsible fiscal and monetary policies and strengthened financial supervision, though it also includes references to improving social safety nets and reducing poverty. Countries with persistent trade deficits or surpluses commit to appropriate actions to reducing such imbalances, including n the latter case

through "lifting constraints on demand growth". The G20 countries further recognise their shared responsibility to run sound and mutually compatible policies, undertaking to "agree on shared policy objectives", to "work together to assess the collective implications of our national policy frameworks", and "based on the results of the mutual assessment,… agree any actions to meet our common objectives". Such a process is potentially significant and had been advocated by the trade union movement for some time; however, the institution charged with assisting G20 Finance Ministers to assess and develop their mutual assessments and recommend policy actions is the IMF. Given the lack of adequate governance reform or transparency in the IMF, and above all its record of promoting highly pro-cyclical, contractionary economic policies and not paying sufficient attention to the distributional (i.e. inequality-creating) impact of its policy advice, this stands to constitute a major problem for the process in the future, and to lead to highly anti-social policy recommendations being directed towards G20 governments. Indications of that danger were presaged in the joint OECD/IMF paper of May 2009 that called for flexible social and labour policies as part of governments' exit strategies. The risk is that the "Framework" will come to constitute a dangerous straitjacket that prevents governments from taking effective measures to attain high growth and employment with high quality social policies.

12. In general, there is little of the sense of long-term vision of a more equitable society with broader sharing of benefits (implying more progressive taxation) that was predominant in the G20 Leaders' London Declaration. In the weeks before the Pittsburgh Summit, there was significant concern that preparatory work on a draft "Charter for Sustainable Economic Activity" even stood to be discontinued in Pittsburgh with a short and rather general declaration of principles. This outcome was opposed by the union movement and in the event, it was agreed that work would continue on the Charter (#9). Bizarrely, however, much of the content of the draft declaration that would have been in a Pittsburgh "Charter" has been rebaptised as "Core Values for Sustainable Economic Activity" and reappears as an Annex adopted in Pittsburgh to "underpin the Framework" (#9). This Annex is a five-paragraph statement that emphasises "that our growth and prosperity are interconnected" and to "promote a broader prosperity for our people through balanced growth within and across nations", to "sound macroeconomic policies…to reject protectionism…promote entrepreneurship and innovation…"; to ensure "propriety, integrity and transparency" in business dealings; and "to invest in people by providing education, job training, decent work conditions, health care and social safety net support." Clearly, it will remain important for unions to press for an effective Charter that includes strong references to social justice and labour standards and a credible follow-up mechanism.

13. Developing country voting representation at the IMF is agreed to be increased by at least 5% (#P20, and 21 in the main Statement) and that at the World Bank by at least 3% (#P21, and 27 in the main Statement). However, it should be noted that the increased representation will be for the main benefit of rapidly growing "emerging market" countries, rather than for the low-income countries most affected by the IFIs' policies. At the World Bank, it is stated that "it is important to protect the voting power of the smallest poor countries" but this is not expressed as a commitment (#27). There is no reference to change in IMF conditionality or other policy recommendations, nor to consultative structures for trade unions and other representative civil society organisations.

14. There are no direct references to any role for the UN General Assembly or ECOSOC, although various UN agencies are mentioned in different locations of the report – generally where there is an evident technical input required from those bodies. One such reference relates to the UN's new Global Impact Vulnerability Alert System which "will help our efforts to monitor the impact of the crisis on the most vulnerable" (#34). However there is no reference to coordination with the Open-ended Working Group of the UN General Assembly on the World Economic and Financial Crisis and its Impact on Development, or to a potential role for the Stiglitz Commission of experts on reforms of the international monetary and financial system.

THE FINANCIAL REGULATION AGENDA: SLOW PROGRESS ON GLOBAL FINANCE

15. The Leaders' Statement opens by calling for "Growth without cycles of boom and bust" (#P11) and "Markets that foster responsibility not recklessness". Yet compared with the London Summit in April, the G20 Leaders achieved little (though still perceptible) progress in Pittsburgh on financial regulation. In essence the dedicated section on financial regulation (#10-16) draws on the statement of the G20 Finance Ministers' meeting in London in early September 2009, with a few notable exceptions such as the commitment to establish some "limit" to traders' and bankers' pay in proportion to their firms' revenues. Importantly, the G20 leaders task the IMF to conduct a feasibility study for a "fair and substantial contribution" by the financial sector to pay for "any burdens associated with government interventions" in the current bail-out programmes (#16): something that can be read as a first, though timid, opening to the creation of a global tax on international financial transactions. Of concern however is the apparent belief in the text that global finance does not need to be downsized and that public authorities and their supervisors could accommodate the existence of large complex financial businesses provided that better "coordination" and international "dialogue" is achieved under the realm of the – still secretive – FSB. The document lacks vision as regards proposals for any new supervisory architecture such as the creation of "systemic regulators" that could, inter alia, prevent the emergence of future speculative bubbles.

16. In the Preamble the G20 Leaders declare that they "will not allow a return to banking as usual" (#P16) and lists the main measures of the Action plan adopted at the London Summit in April including national capital standards (within the Basel II framework), supervision of trading of derivative products, supervision of significant cross-border financial groups, and executive and trader remuneration (#P17). The Pittsburgh Statement confirms the central role of the FSB (#P19); it falls short however of addressing the secretive nature of the FSB and the absence of coordination with international institutions that are not parties to the Board currently (the ILO, among others) or consultation with global civil society, including Global Unions. This is cause for concern given the problem of governance and access to information that non-members and civil society encounter with that body. G20 leaders may well believe that there will be no "return to banking as usual" but when it comes to implementation, it is "business as usual" with the FSB that appears to be prevailing.

17. The section on financial regulation (#10-16) opens with a description of the causes of the crisis (#10), followed by progress achieved since London in implementing

the G20 action plan (#11). The G20 Leaders reaffirm the leadership of the FSB in the implementation of their commitments. Unlike the London Summit, the statement does address the current management of the banking solvency crisis by governments and central banks (#12): G20 Leaders agree to "deal with impaired assets" and to "conduct robust, transparent stress tests as needed". However there is little sense of gravity and urgency of the need for immediate and comprehensive loss recognition by banks that would provide the basis to restore public confidence and resume lending to the real economy.

18. On a positive note, household consumer protection against predatory lending – which was a major cause of the housing bubble in the US and other OECD economies – is referred to for the first time in a G20 statement (#13). Yet no measures are considered to shield workers' pensions from excessive risk-taking or unregulated markets, despite the fact that pre-funded pension schemes have been hit hard by the crisis as evidenced by recent OECD reports.

19. The text develops further on four priorities of the G20 Action Plan in London which were highlighted at the G20 Finance ministers' meeting earlier in September (#13). The G20 leaders commit to revise Basel II rules on capital adequacy by end-2010 with effective implementation by end-2012. Measures would include higher counter-cyclical buffers, and higher requirements for "risky products" and off-balance sheet activities (#13, 1st bullet). Furthermore Leaders call for banks to "retain a part of the risk of the underlying assets" of securitised products (#12).

20. Following the much publicised scandals of traders' bonuses in mid-2009 in several OECD countries, G20 leaders commit to more stringent rules on compensation than those adopted by the FSB at the London Summit in April. "Guaranteed bonuses" are to be banned while claw back provisions and deferred payments are to be generalised. Importantly, the G20 agree to "limiting variable compensation as a percentage of total net revenues". The text repeats, in a more explicit manner, the London summit commitment to increase the powers of supervisors who "should have the ability to modify compensation structures" and "apply corrective measures, such as higher capital requirements" in case of non compliance by banks (#13, 2nd bullet).

21. With regard to so-called "shadow finance", the text restates the G20 Finance Ministers' commitment to bring trading of currently "over-the-counter" derivative products under exchanges or "electronic trading platforms" and for non-standardised products (i.e. those that cannot be traded on exchanges) to be subject to higher capital requirements (#13, 3rd bullet) – but does not indicate concrete steps to bring hedge funds and private equity firms in line with minimum standards of transparency and accountability with respect to regulators.

22. Following the creation of the still undisclosed group-specific "colleges of supervisors" established under the aegis of the FSB, the G20 leaders set a deadline (end-2010) to achieve cross-border supervision of large complex financial groups – including a "legal framework" for crisis intervention (#13, 4th bullet). As such, the case for global finance to be downsized, and hence for global groups that cumulate different businesses (e.g. in retail, trading, asset management, investment banking, etc) to be restructured if not dismantled, has yet to be made at the G20. Unions' demand for a more diversified financial service landscape including promotion of social finance (e.g. mutual insurance schemes, cooperatives) and of public financial services are not reflected in the statement.

23. In the following paragraphs, the G20 invite accounting standard authorities to "redouble their efforts" for "high quality, global accounting standards" (#14) and support the decision by the OECD Global Forum on Transparency and Exchange of Information to accelerate further international cooperation on tax havens and to implement "countermeasures" for non-complying jurisdictions from March 2010, as well as the publication of a list of "high risk jurisdictions" by the OECD-based Financial Action Task Force (FATF) in the fight against money laundering and terrorist financing by February 2010 (#15).

24. Last but not least, the G20 leaders task the IMF to prepare a report on "how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system". While not explicit, this new mandate is being interpreted as a first opening of the G20 to consider a global tax on financial transactions (#16) as advocated by the outgoing German Finance Minister, among others.

25. The flow of illegal capital from developing countries is addressed by reference to the World Bank's Stolen Assets Recovery Programme (#42). The FATF is asked "to help detect and deter the proceeds of corruption by prioritising work to strengthen standards."

G20 ACTIONS ON DEVELOPMENT AND TRADE

26. Generally the G20 Pittsburgh Statement is weak for developing countries. References to increased resources for low income countries can at best be called vague, amounting to a best-endeavour pledge (#26), with some reference to the possibility to "explore the benefits of a new crisis facility" to be implemented by the World Bank (#36). There are no references to new resources for the IMF; proposals for recycling SDR resources from countries without need of them are noted, but not by reallocating them without conditionality, as a number of groups including the ITUC have proposed. Rather, the G20 Statement states that they could be used "to support the IMF's lending to the poorest countries", presumably meaning that traditional economic policy loan conditions would be attached (#36). The G20 state they "will help [sic] ensure the World Bank and the regional development banks have sufficient resources" (#26), but no firm commitments with specific targets were made for providing the additional concessionary loans and grants which the IFIs have announced that they intend to make available for low-income countries. This stands in contrast to the additional $500 billion in credit lines for middle-income developing countries in the form of interest-bearing loans that were promised at the London G20 in April and have been substantially delivered. There is nothing on counter-cyclicality in IMF programmes, unlike the London Statement which at least carried one (albeit contradictory) reference. As noted above, one longer-term governance improvement is that "emerging market" developing countries are to receive more seats on the boards of the IMF and World Bank (#21, #27); and, also as noted above, the World Bank's new Stolen Assets programme (#42) stands to be of potential importance for a number of developing countries.

27. Food supply concerns are dealt with by reference to a new World Bank Food Security Initiative (#P23) that will include a multilateral trust fund to enable low income countries to scale up development of "sustainable agricultural systems" (#39). The

World Bank is asked to coordinate its efforts with the African Development Bank, the various relevant UN agencies and other stakeholders to tackle food insecurity (#39). There is a rather brief reference to the need to strengthen transparency and "functioning" of commodity markets, despite the serious impact their price volatility has had on developing countries' trade balance and food security (#12).

28. Commitment is made to attaining the Millennium Development Goals (MDGs) and G20 countries' respective official developing assistance (ODA) pledges, especially to sub-Saharan Africa (#37). There is no follow up on the potentially important statements about the role of education that were adopted at the G8 held in July. There is a call to adopt and enforce laws against bribery including the OECD Anti-Bribery Convention and the UN Convention against Corruption. G20 Leaders further "note the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action and will work to increase the transparency of international aid flows by 2010."

29. Trade is dealt with remarkably briefly in just two paragraphs (#48-49) that amount to a commitment to take no protectionist measures and to conclude the World Trade Organisation's Doha Round in 2010, with no details of any new ideas on how that is to be achieved.

CLIMATE CHANGE AND THE GREEN ECONOMY

30. The G20 Leaders' statement is extremely weak on climate issues, despite the fact that the Pittsburgh Summit took place only 10 weeks before the start of the UN Copenhagen Conference of the Parties (COP15). All that is provided is an exhortation to "spare no effort to reach agreement in Copenhagen" at COP15 in December 2009 (#P29) by reaching an agreement that "must include mitigation, adaptation, technology and financing" on the basis of the principle of common but differentiated responsibilities (#32). The G20 Finance Ministers' meeting in Scotland in early November 2009 is designated as a venue for discussion of respective financial commitments (#33) but there was no commitment in Pittsburgh itself to new transfers to developing countries, nor any reference to specific targets that must be attained in Copenhagen. Neither is there reference to the social costs of climate change, just transition or green jobs. However the World Bank and other multilateral development banks are called on to contribute "to financing the transition to a green economy", though this comes directly after they are mandated to strengthen "support for private-sector led growth and infrastructure" (#24), indicating some grounds for concern about their support for necessary public investments.

31. Several paragraphs consider energy security issues (#28-31) and make a commitment "to phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption….[while] providing those in need with essential energy services, including through the use of targeted cash transfers and other appropriate mechanisms" (#29).

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