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In reply please quote:  
Circular N° 8(2009)

**To all affiliated organisations  
To all Global Union Federations and TUAC**

*For information:*

**To all General Council Members  
To all Women's Committee Members  
To all Youth Committee Members**

ESP/JH

3 February, 2009

## **Global Financial and Economic Crisis**

Dear Friends,

Further to ITUC Circulars No. 41 and No. 49 (2008), a major discussion of the deepening world financial and economic crisis was held at the last meeting of the ITUC General Council (Brussels, 16-18 December 2008). The General Council endorsed the action proposals contained in paragraph 27 (i) to (x) of the document (4GC/E/8, attached for easy reference) and in addition:

- Mandated the ITUC working with TUAC and the Global Union Federations, and building on the trade union Washington Declaration, to prepare a further comprehensive statement, representing the views of all ITUC affiliates from G20 and non-G20 countries alike for discussion with governments at the time of the next G20 Summit (London, 2 April 2009);
- Decided that the ITUC should designate a specific date when all affiliates worldwide would present the aforementioned statement to their governments, ahead of the London G20 Summit;
- Agreed that a clearing house of national and international trade union responses to the crisis should be developed, working in close coordination with TUAC and other Global Unions partners.

I am writing now: to provide you with a short review of the most recent economic developments; to report on the ITUC's follow-up actions to the decisions of the General Council, with particular reference to the discussions of the crisis at high-level meetings with the International Monetary Fund (IMF) and World Bank on 14-16 January 2009; and to update you on anticipated trade union actions over the coming months.

**In particular, I would like to draw your attention to the date when all affiliates are asked to present a new statement – to be entitled the “Trade Union G-20 London Declaration” - on the crisis to their governments, which is Monday 23 March, 2009.**

### **1) Economic Prospects around the world**

Since the General Council meeting, the economic situation has continued to deteriorate sharply in virtually all regions. On 28 January 2009, the IMF issued revised forecasts for 2009 and announced that overall global economic growth, measured by market exchange rates, will be negative for the first time since the second world war (or if using purchasing power parity exchange rates, + 0.5 per cent). Specifically, growth rates are expected to be strongly negative in all the industrialised economies, the newly industrialised Asian economies, Central and Eastern Europe, and Mexico. Other developing regions will still have positive but much slower growth. Several years of strong growth in Africa and other commodity-exporting regions have now ended because of commodity price declines. The strongest growth for 2009 is forecast for China, at 6.7 per cent, but that is half of the country's 2007 growth rate and threatens to cause large scale displacement of internal migrant workers in particular. The Fund predicts that inflation will be close to zero in industrialised countries and says that there is now a risk of deflation in several of them.

The IMF's latest growth forecast is down almost two percentage points from the one it issued in November 2008 just prior to the G20 summit, and is the sharpest downward revision since the crisis began. Importantly, the new projections incorporate the assumption that governments will implement a substantial fiscal expansion, of the order of 1.5 per cent of GDP of the G20 countries. In other words, the IMF expects that the situation will be far worse if governments do not follow through on their commitments to implement large scale recovery programmes.

The IMF warns that the outlook is highly uncertain, and that any delays in taking action are likely to worsen growth prospects further. It calls on a broad range of advanced and emerging economies to adopt fiscal stimulus policies, which could at best result in some improvement by early 2010. However the Fund states that the global economy is in uncharted waters and that there is a serious risk that a feedback loop between real activity and financial markets will intensify, leading to even more negative effects on global growth. The IMF update is available in English, French, Spanish, Arabic, Russian, Japanese and Chinese at: <http://www.imf.org/external/pubs/ft/weo/2009/update/01/index.htm>

On the same day the IMF report came out, the ILO issued its annual Global Employment Trends (GET) report stating that global unemployment in 2009 could increase by a range of 18 million to 30 million workers due to the crisis, and more than 50 million if the economic situation continues to deteriorate (bringing the global unemployment rate to over 7.1 per cent). Some 200 million more workers, mostly in developing economies, could be pushed into extreme poverty. The number of working poor - people who are unable to earn enough to lift themselves and their families above the US\$2 per person, per day, poverty line – could rise to 1.4 billion, or 45 per cent of all the world's employed. It must be noted that these figures were prepared on the basis of earlier, higher economic growth forecasts and consequently do not indicate the full scale of the probable increase in unemployment. The ILO report is available at:

[http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_101461.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_101461.pdf)

On 15 January, the UN's annual report on the World Economic Situation and Prospects also predicted far lower growth rates, down to an average growth level of 1.0 per cent in 2009, compared to 2.5 per cent last year. This would translate into a fall in world income per capita in 2009. Furthermore, given the great uncertainty prevailing, the report warned

that a more pessimistic scenario is entirely possible in which both the sell-off of financial assets and the credit crunch would last longer, while monetary stimulus would prove ineffective in the short run and fiscal stimulus would turn out to be too little, too late. This would then lead to worldwide recession in 2009, with global output falling by 0.4 per cent. The UN report is available at: <http://www.un.org/esa/policy/wess/wesp2009files/wesp2009.pdf>

The UN's Food and Agriculture Organisation (FAO) has added a warning that although food prices have fallen somewhat since September 2008, there can be no false sense of security that last year's food crisis has gone away because the factors that caused it have not been addressed. For one thing, the credit crunch is leaving farmers with a lack of finance for fertilisers, seeds and planting that is causing a reduction in food cultivation. The crisis has already caused severe problems in developing countries, which had to spend an additional US \$680 billion on food in 2008, with the number of malnourished people in the world increasing by 40 million in 2008 to reach a total of 963 million. The FAO report is available at: <http://www.fao.org/docrep/011/i0291e/i0291e00.htm>

## **2) ITUC high-level meetings with the IMF and World Bank**

An early opportunity to advance the positions on the crisis agreed at the General Council came when an 80-strong high-level delegation of trade union representatives from around the world met with the IMF Managing Director Dominique Strauss-Kahn and World Bank President Robert Zoellick, as well as Board members and several other top officials of the two bodies, in Washington on 14-16 January 2009. A full report on the parts of the meeting concerning the economic and financial crisis is attached (Annex II).

In the discussions, the trade union delegation pushed for the institutions' active support for further immediate anti-recession measures and effective global regulation to ensure future global economic stability, on the basis of the trade union Washington Declaration. They stated that the IMF should be doing more to call on those countries not taking on their full share of fiscal efforts to support a global economic recovery, including some wealthy G20 members, to do so. The delegation emphasised that trade unions should be brought in as partners in the processes at the G20 and elsewhere for establishing a new regulatory framework for the global financial system and, indeed, for multilateral governance in general.

At the same time, the union delegation stressed the negative impact of traditional deflationary policies being implemented by the IMF in some crisis-hit countries, including interest rate and utility price hikes, restrictions and even reductions in wages, particularly in the public sector, and reductions of pension payments and other public spending cuts. Furthermore by continuing to encourage most developing countries to practice 'fiscal discipline', the Fund was deterring them from participating in the stimulus effort.

In response, Zoellick and Strauss-Kahn made commitments to strengthen social programmes for workers hit by the economic crisis. Zoellick stated that the World Bank did not share the views of those who saw labour market deregulation as part of the solution to the crisis. Strauss-Kahn and senior Fund officials told the delegation that the Fund had not foreseen the amplitude of the current crisis, nor its impact on working people, and appreciated the experience and expertise of the labour movement, which for some years has been warning about the dangers for the global economy posed by unregulated financial instruments. IMF officials said that they were encouraging the

countries to which they provide emergency financial assistance to give a priority to preserving social safety nets, but members of the union delegation gave examples in their countries where some of the conditions or required “prior actions” for recent IMF loans had had serious negative impacts on working people.

The international trade union delegation also put forward its “green jobs” agenda and urged the World Bank to support their strategy for meeting the combined challenges of climate change and global recession through employment-intensive carbon reduction projects. Bank officials expressed interest in this approach and suggested further consultations on a country level and internationally.

Overall, the meetings demonstrated an unusual degree of consensus regarding the current economic situation. In particular, the IMF’s continuing emphasis on the need for worldwide fiscal expansion constitutes a welcome and essential break with its past practice of emphasising wholly deflationary approaches to economic imbalances. At the same time, much remains to be done to translate the goodwill expressed at the meeting into concrete advances. In particular, although Strauss-Kahn indicated his support for trade unions’ participation in the four working groups set up to prepare comprehensive proposals to implement the G20 governments’ 15 November statement on governance and financial sector reform, initial indications at the end of January 2009 were that unions had not been given a place in the working groups, despite the presence of business representatives. The ITUC will be undertaking various follow-up actions both directly with the IMF and World Bank and, with affiliates around the world, to convince governments to involve trade unions fully in such working groups and other bodies set up in response to the crisis.

### **3) Monday 23 March 2009: Day to deliver the Trade Union G20 London Declaration to governments across the globe**

As noted above, the ITUC General Council requested the Secretariat and TUAC, working with other Global Unions partners to prepare a further statement for discussion with governments at the time of the next G20 Summit (London, 2 April 2009). That statement, to be called the Trade Union G20 London Declaration will be prepared close to the time of the G20 Summit, in order to ensure maximum topicality in light of the economic and financial situation prevailing at that time. The holding of the TUAC Economic Policy Working Group, which will be enlarged to include representation of a number of non-OECD G20 member country affiliates, in Paris on 9-11 March 2009 will provide a practical venue for discussion of the London Declaration. It will be circulated to all ITUC affiliates shortly thereafter, so affiliates can expect to be receiving it during the week of 16 March 2009.

Subsequently, as agreed by the General Council, **ITUC affiliates are requested to present the Trade Union G20 London Declaration to their governments on Monday 23 March 2009**, with a view to making an impact on the London G20 Summit. Such action should be implemented by all affiliates worldwide, not only those in the G20 countries, with the message that the G20 governments must take into account the views of non-G20 members in their discussions.

When meeting their governments on 23 March, affiliates should use the opportunity to draw maximum attention to the trade union position on the crisis. Activities will vary from country to country but could include media events and press conferences; meetings

and seminars; special trade union governing council discussions and resolutions; and so forth. In all cases, it is essential to keep the ITUC informed of the activities planned and to send us reports once they are undertaken, so that it can serve as a forum for information exchange on trade union actions against the crisis.

Shortly before the G20 meeting trade union demands will be presented to the G8 and G14 Labour Ministers' meeting in Rome on 29 March, at a consultation session between Ministers and the Social Partners that will focus on the employment impact of the crisis. TUAC is working with our Italian affiliates to prepare this meeting.

Following the Rome meeting, the ITUC and TUAC in conjunction with the TUC are organising a G20 Trade Union Leaders' Meeting in London on 31 March and 1 April 2009. The TUC is seeking a meeting with the host of the G20 Summit. Further meetings to discuss the response to the crisis would be arranged with other G20 Heads of State who are in London for the Summit as well as with the leadership of the International Financial Institutions who are present.

#### **4) Further action to tackle the crisis**

Trade union actions at national level have contributed importantly in getting a number of governments to increase spending and to undertake measures to address the impact of the crisis on the most vulnerable. Yet the amplitude of the crisis is such that more and better coordinated measures are required. Your national actions will remain essential to achieving the impact on governments that is essential.

At international level, as the General Council was informed there will be a number of opportunities to move forward the trade union crisis agenda over the coming months, and these are enumerated below with updated information, where relevant :

- the ILO is scheduled to hold a high-level discussion of the economic and financial crisis on 23 March 2009, as part of its next Governing Body session. This should form part of a number of efforts to give full effect to ILO 2008 Declaration on Social Justice for a Fair Globalisation and in particular to those clauses that emphasise the role of ILO interaction and cooperation with other international agencies, by insisting on a place for the ILO in discussions of refashioning the multilateral architecture in order to achieve far greater coherence between different actors;
- the United Nations is scheduled to hold a conference in 2009 “at the highest level” on the world financial and economic crisis and its impact on development. The modalities and timeline for the conference are to be agreed by April 2009. In the meantime, the ITUC is seeking input into the high-level UN task force on the crisis chaired by Nobel prize winner Joseph Stiglitz;
- the next meetings of the decision-making bodies of the IMF and the World Bank (25-26 April 2009, Washington D.C.) will require focused trade union attention after the conclusion of the G20 London Summit, and a further trade union policy statement will be submitted;
- the whole year will require an intensified effort from trade unions to make the case for a “Green New Deal” so that measures to achieve economic recovery are linked to efforts to reduce the carbon-intensity of current production processes at the same time as decent jobs are created, in the run-up to the 15<sup>th</sup> UN Conference of the Parties (Copenhagen, 30 November – 11 December 2009) on combating climate change;

- the ETUC will work to influence discussions in the EU and the European Central Bank, in part through a major ETUC conference on “the Financial Crisis and the European Employment Strategy” that will take place in Brussels on 5-6 March 2009;
- TUAC, working in close coordination with our affiliates in Italy, will be coordinating interventions to follow up the G8 Labour Ministers meeting of 29-31 March and make an impact on the G8/G14 Leaders’ Summit (La Maddalena, Sardinia, 8-10 July). They will also be ensuring trade union demands are raised at the OECD Ministerial Council Meeting in Paris on 24-25 June. If necessary a further meeting of the TUAC Economic Policy Working Group will be held in May/June to prepare this;
- the ITUC working with TUAC and UNI will seek input to the Financial Stability Forum. TUAC has prepared a position paper on “Reregulation in the Aftermath of the Financial Crisis that can be found at: <http://tinyurl.com/TUACrereg2008>

A discussion of trade union responses to the crisis at sectoral level is scheduled at the annual meeting of the Council of Global Unions (CGU) on 9-10 February.

The General Council further agreed that a clearing house of national and international trade union responses to the crisis should be developed. In this regard, affiliates are invited to write to the ITUC to submit their organisations’ positions, actions and recommendations on the crisis. A compendium of many trade union statements issued so far is available on the TUAC website at:

[http://www.tuac.org/en/public/e-docs/00/00/03/CF/document\\_doc.phtml](http://www.tuac.org/en/public/e-docs/00/00/03/CF/document_doc.phtml)

2009 stands to be one of the most difficult years on record for employment around the world, and the ITUC will intensify its actions over the course of the year. We will continue to provide you with regular updates and reports on economic developments and trade union actions over the coming months.

Yours sincerely,

General Secretary

Encl.