



**ITUC/TUAC EVALUATION
OF THE G20 TORONTO SUMMIT DECLARATION
AND THE G8 MUSKOKA SUMMIT DECLARATION**

ONTARIO, CANADA, 25-27 JUNE 2010

Overview of Outcome on Jobs and Growth

1. The outcome of the Toronto G20 Summit stalls progress in the G20 collective action to tackle the jobs crisis resulting from the economic and financial crisis. Meeting in Pittsburgh in September 2009, the G20 Leaders committed to “*putting quality employment at the heart of the recovery*” and mandated the ILO, working with other relevant organisations, to achieve this goal. In April 2010, the G20 Employment and Labour Ministers’ Meeting in Washington formally submitted a series of recommendations to the leaders on measures to “*Accelerate Job Creation to Ensure a Sustained Recovery and Future Growth*” and “*Prepare our Workforces for Future Challenges and Opportunities*”. Yet, the issue of jobs was not on the initial agenda of the Toronto Summit and was not treated in the body of the leaked draft Summit Declaration - it was instead relegated to the Annex on the “*Framework for Strong, Sustainable and Balanced Growth*”.

2. As a result of the representations made by the trade union delegation to several of the leaders and heads of international organisations present in Toronto, the preamble of the Final Declaration does now refer to jobs, as well as to the recommendations of the Washington Employment and Labour Ministers’ Meeting and the training strategy. The Declaration states “*we have agreed on the next steps we should take to ensure a full return to growth with quality jobs ...* (§2) and that “[*R*]ecognizing the importance of achieving strong job growth and providing social protection to our citizens, particularly our most vulnerable, we welcome the recommendations of our Labour and Employment Ministers, who met in April 2010, and the training strategy prepared by the International Labour Organization (ILO) in collaboration with the Organisation for Economic Co-operation and Development (OECD)” (§5). It also states that “[*W*]e are determined to be accountable for the commitments we have made, and have instructed our Ministers and officials to take all necessary steps to implement them fully within agreed timelines” (§6). However, the messages given on ensuring strong job growth sharply contrast with the calls for early reduction in public deficits and the actions already underway in a number of G20 countries. In order to reduce deficits, a number of governments have started to implement measures to scale back spending on public works schemes, labour market policy and benefits, as well as wider cuts in public expenditure.

3. Leaders agreed to establish G20 Working Groups on Corruption and Development respectively. While these are important, their creation highlights the failure of G20 governments to respond to trade union demands to establish a G20 Working Group on Employment, along with regular trade union consultations. There was similarly no commitment in the Declaration to holding further Labour Ministers' Meetings, although the German Chancellor Angela Merkel, in a meeting with a trade union delegation in Toronto on 26 June 2010, said that Germany would work to ensure this would happen. It is now understood that France intends to hold a second G20 Labour Ministerial in 2011.

4. It is clear from the letters of different Heads of State sent and published before the Summit that governments are divided on the question of whether to give priority to recovery and jobs or the early reduction of public deficits. Germany, the UK and Canada have lobbied for what would amount to premature "exit" from economic stimulus measures, whilst the U.S. together with some emerging economies have called for continuing support for growth. This split was intensified by the explosion of the sovereign bond market crisis in May 2010.

5. Trade unions had called on the G20 to stand up to bond markets and avoid being pushed into premature contraction that could tip the world back into a double-dip recession. The Declaration points in both directions at the same time. As a concession to the "deficit hawks", such as the Canadian Prime Minister, the Declaration notes that "*advanced economies have committed to fiscal plans that will at least halve deficits by 2013 and stabilise or reduce government debt-to-GDP ratios by 2016*" (§10). In Annex I it adds that "*consolidation will need to begin in advanced economies in 2011, and earlier for countries experiencing significant fiscal challenges at present*". This excludes Japan. Yet, at the same time, the Declaration notes that "*the recovery is uneven and fragile, unemployment in many countries remains at unacceptable levels, and the social impact of the crisis is still widely felt. Strengthening the recovery is key ... we need to follow through on delivering existing stimulus plans, while working to create the conditions for robust private demand.*" (§4). While it underlines the need for a differentiated approach between countries, the austerity measures now on the table in many European economies risk tipping Europe into a sustained period of low growth. No link is drawn between deficit cutting and the potential use of new taxes such as a Financial Transactions Tax (FTT), or more progressive taxation to meet those fiscal needs.

6. Regrettably, G20 Leaders did not engage in a serious debate on the training strategy developed by the ILO. In response to a request made by the G20 Leaders at the Pittsburgh Summit, the ILO had proposed a training strategy for "*A Skilled Workforce for Strong, Sustainable and Balanced Growth.*" The ILO report comprises three parts: the motivation for a skills strategy, a conceptual framework, and recommendations for effective implementation. It rightly notes that skills by themselves do not automatically lead to more and better jobs and thus calls for skills policies to be part of a broad set of policies. Taking into account the huge diversity of national education and training systems, the report identified a number of common building blocks for a training strategy: the anticipation of skill needs; the need to maintain and strengthen training quality and relevance; providing equal training opportunities for all; ensuring that financing mechanisms facilitate training; continuous evaluation of the economic and social outcomes of training. Moreover, the report called upon the G20 to ensure the engagement of employers' and workers' representatives in decisions about the provision of training, including in economic sectors.

7. Global Unions' welcome the mandate given to the ILO to draw up a skills strategy. Nevertheless, they have repeatedly expressed concerns regarding a key objective of national skills policies, to increase the responsiveness of vocational education and training (VET) systems to labour market requirements and to redesign VET systems in order to make them more 'demand-driven' and 'employer-led'. Global Unions have repeatedly called for the implementation of a mechanism balancing student preference and employer needs. Such a mechanism can be provided by a meaningful participation of trade unions in the governance of VET systems.

The Framework for Strong, Sustainable and Balanced Growth

8. In the Annex for Strong Sustainable and Balanced Growth, only one paragraph (Annex I, §14) is devoted to the G20 Washington Labour Ministers' Meeting of April 2010. There is no reference at all to specific recommendations, such as the need to implement the Global Jobs Pact of the ILO, despite its clear endorsement by Labour Ministers, the role of wages in ensuring economic recovery and the importance of respecting international labour standards.

9. The ILO's role in the G20 Framework's Mutual Assessment Process (MAP) is, however, mentioned and - potentially more importantly - the ILO is given a role in a list of organisations to be consulted (although only "as necessary") in the next stage of the process (Annex I, §17), in which "*each G20 member will identify the measures it is taking to implement the policies we have agreed upon today to ensure stronger, more sustainable and balanced growth*" to "*form the basis of our comprehensive action plan that will be announced in the Seoul Summit*".

10. Based on the completion of the first stage of the *Mutual Assessment Process*, the Framework calls for the implementation of structural reform policies in order to "*enhance the growth potential*" of G20 economies. Particular attention is given to "*product, service and labour market reforms in advanced economies*" and on "*reducing restrictions on labour mobility (...) in emerging market economies*" (in Annex I, §13, first and second bullet). Although the Framework refrains from openly calling for a further deregulation of labour markets, it is informed by a vision which assumes that deregulated labour markets would improve both economic and employment outcomes. A report by the International Monetary Fund (IMF) claiming to provide an analysis of alternative policy scenarios to achieve strong, sustainable and balanced growth, based on G20 frameworks submitted for the Mutual Assessment Process (MAP), is particularly telling. It returns to the old agenda of labour market deregulation as a magic bullet. By combining findings of previous OECD analysis with recommendations by the IMF, the report allegedly identified structural reform priorities for *advanced deficit* economies, as well as for *advanced surplus* economies.

11. According to the IMF, labour market reform priorities for the group of *advanced deficit* economies should comprise such measures as "*reforming disability benefit schemes; maintaining a flexible wage bargaining system; improving fiscal incentives for work force participation; reducing wage indexation, and reforming the employment insurance system*". Labour market reform priorities for the group of *advanced surplus* economies should include "*reforming the employment insurance system; reducing the minimum cost of labour; lowering hiring costs; reducing implicit taxes on continued work at older ages; reducing average tax wedges on labour income; reducing fiscal impediments to fulltime female labour force participation; decentralizing wage bargaining; raising labor mobility within the EU*;

*reforming disability benefit schemes; removing financial disincentives to work, and, limiting the extent of administrative extension of collective agreements”*¹.

12. There is no call for more ambitious governance reforms nor reference to collaboration with the United Nations, other than by reference to a very few specific agencies such as the ILO or UNCAC (§40), and specific meetings such as the UN High-Level MDG Summit in September 2010 (§43) and the 4th UN Conference on the LDCs in 2011 (§44).

13. There are various veiled references to the need for China’s currency appreciation: §4 refers to “*efforts to rebalance global demand*”, §12 states that “*surplus countries will undertake reforms to reduce their reliance on external demand and focus more on domestic sources of growth*”, and Annex I, §13 (final bullet).

Financial Sector Reform

14. The Toronto Summit did not make progress on financial reform. If anything the outcome shows that the G20, at least temporarily, have left leadership to their finance ministers and the Financial Stability Board (FSB) and its members. In the Declaration, the G20 Leaders repeat the Communiqué that their finance ministers agreed to earlier in June and the most recent progress reports by the FSB. In Toronto, G20 governments were divided on the much awaited discussion on taxing the financial sector. The acceptance that “*some countries*” may pursue a financial levy and/or a financial transaction tax, while others would not (§21) is an example of the failure of coordination. Reading the G20 Declaration, the much needed global “*level playing field*” will have to accommodate “*individual countries’ circumstances and options*” (Annex 2, §22). Meeting in London in April 2009, the G20 agreed to “*establish the much greater consistency and systematic cooperation between countries, and the framework of internationally agreed high standards, that a global financial system requires*”. In Toronto this commitment was weakened seriously.

15. The sections of the Declaration on “financial sector regulation” (§15-22) open with the statement “*we have strengthened the global financial system*” and a welcoming of initiatives as diverse as the Europeans’ €500Bn emergency fund for Greece and the US Financial Reform Bill, which was agreed at the Congress a day before the Summit (§15). The low ambition of the Toronto Summit is exemplified in the text where it reads that the G20 “*pledge to act together to achieve the commitments*” that they themselves made at previous G20 Summits (§16). The text repeats the Communiqué of the G20 Finance Meeting in Busan Korea on 5 June 2010², including agreement on a watered down version of the review of the prudential regulation Basel II, the terms of which were disclosed by the Bank for International Settlement (BIS) a week before Toronto³ (§18). Brief references are made to other work by the FSB and its members: accounting standards, bankers’ remuneration, credit rating agencies, derivatives and hedge funds (§19), which should be conducted in a “*non-discriminatory way*” (a reference to the transatlantic clash over the European Draft Directive on hedge funds). Reference is also made to financial supervision (§20) and to IMF-led financial peer review processes (FASP), money laundering (FATF) and tax havens (§22). All of the above is developed further in Annex 2 of the Declaration, which in turn replicates the main elements of FSB written contributions to the Summit on 27 June: an “*Overview of*

¹ IMF Staff Report: G-20 Mutual Assessment Process—Alternative Policy Scenarios. Submitted to the G20 Toronto Summit; June 26-27, 2010, p. 25. [<http://www.imf.org/external/np/g20/pdf/062710a.pdf>]

² http://g20.org/Documents/201006_Communique_Busan.pdf

³ <http://www.bis.org/press/p100618.htm>

progress in implementing the G20 recommendations”⁴ and the “FSB Chairman’s letter to G20”⁵.

16. The key section however is in paragraph 21 where the G20 addresses the follow-up to the G20 Pittsburgh Summit commitment to new “resolution” mechanisms for systemically important institutions that are “*too big to fail*” and to developing policy options for “*a fair and substantial contribution*” by the financial sector⁶. Here too the text of Toronto repeats the G20 Finance Ministers’ meeting in Busan. It welcomes the interim report prepared for the summit by the FSB on “*reducing the moral hazard posed by systemically important financial institutions*”⁷, and calls for “*concrete policy recommendations*” to be delivered before the next Summit in Seoul in November 2010 - a commitment already made in Pittsburgh last year.

17. Regarding the creation of a financial stability tax on banks, the text in fact back-tracks from what the G20 Finance Ministers agreed in Busan. The broad principle of a “*fair and substantial contribution*” remains, but “*a range of policy approaches*” are proposed. “*Some countries are pursuing a financial levy*”, the Declaration reads, while others are pursuing “*different approaches*”. Annex 2 restates principles agreed by the Finance Ministers in Busan, namely: to “*protect taxpayers*”, “*reduce risks from the financial system*”, “*protect the flow of credit in good times and bad times*”, while taking into account “*individual countries’ circumstances and options*” and yet at the same time helping “*promote a level playing field*” (Annex 2, §22). The G20 countries, it seems, have agreed to disagree. By contrast, the concrete proposals made by the IMF in its final report on “*A Fair and Substantial Contribution by the Financial Sector*”⁸ are not mentioned in either the Declaration or any of the FSB reports prepared for the Summit. No reference is made to the creation of a FTT despite the calls by Germany, France⁹ and the European Council¹⁰. Consideration of any globally-implemented action regarding the FTT or other taxes appears to be absent from the G20 agenda.

18. It should be noted that while the Financial Stability Board (FSB) receives many references - now typical for a G20 Declaration - nothing is said about its accountability. The FSB is mandated to undertake “*transparent peer review*”, which is somewhat risible given that the FSB held a plenary session just before the Summit (Toronto, 14 June 2010), which was not even mentioned on its own website – hardly an object lesson in transparency.

International Financial Institutions and Development Issues

19. The main new elements regarding the International Financial Institutions (IFIs) and the Multilateral Development Banks (MDBs) concern a call for an acceleration of quota reforms at the IMF (§28 and 29) and World Bank (§27). This is signalled to be important for the “legitimacy” of the institutions (§24 and Annex III, §23). Similarly, it is clarified that the

⁴ http://www.financialstabilityboard.org/publications/r_100627c.pdf

⁵ http://www.financialstabilityboard.org/publications/r_100627a.pdf

⁶ <http://www.pittsburghsummit.gov/mediacenter/129639.htm>

⁷ http://www.financialstabilityboard.org/publications/r_100627b.pdf

⁸ <http://www.imf.org/external/np/g20/pdf/062710b.pdf>. The IMF proposal consists in the creation of a Financial Stability Contribution (FSC) backed up by a Financial Activities Tax (FAT) which would apply to all financial institutions, banks, insurance companies, hedge funds, etc.

⁹ <http://www.elysee.fr/president/root/bank/print/P9202.htm>

¹⁰ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/115346.pdf

process for selecting the leadership of the IFIs should no longer be nationality-based, but must become “*open, transparent and merit-based*” (§30).

20. The need for increased resources for the MDBs is specified, with particular reference to the African Development Fund (§26).

21. There is reference to the establishment of a G20 “Working Group on Development” (§46) (perhaps linked to the President of Korea’s previously stated intention to make development a lead theme of the G20 Seoul Summit), which will elaborate “*a development agenda and multi-year action plans to be adopted at the Seoul Summit*”.

Climate Change

22. On climate change the G8 Declaration of 26 June recalls past commitments, including an 80% reduction of global emissions by 2050 for OECD countries (§21), ahead of the UNFCCC Conference in Mexico in December (§22). Regarding transition to a low-carbon economy, the G8 recognises the opportunities provided by renewable energies for job creation (§24), call for the “*elimination or reduction of tariff and non-tariff barriers to trade in environmental goods and services*” and stresses the “important role” that carbon capture and storage could play (§24). G8 countries also reaffirm their commitments on “*fast-start finance*” (§22). However, no mention is made of short or medium-term emission reduction targets, or to the need for ensuring a just transition for workers and communities.

23. The G20 commit to “a green recovery” (§41) although make no specific reference to green jobs. They state carefully that “[T]hose of us who have associated with the Copenhagen Accord reaffirm our support for it and its implementation and call on others to associate with it” and say they are committed to negotiations under the UNFCCC and are “*determined to ensure a successful outcome through an inclusive process at the Cancun Conferences [COP16 in November 2010]*” – implying support for multilateral UN negotiations rather than the G20-related Major Economies Forum (MEF). However, they are studiously vague concerning what a “*successful outcome*” at COP16 would consist of. Finally, they look forward to the outcome of the UN High-Level Advisory Group on Climate Change Financing – which is considering uses of an FTT for climate financing, among others. The G20 Declaration “*encourages*” implementation of national strategies for reducing fossil fuel subsidies, recalling previous decisions, but this implies acknowledging that no real progress has been made since the first decision on this issue, in Pittsburgh.

G8 Muskoka Declaration on Development and G8/G20 references to Trade

24. While the G20 Declaration makes only brief references to development (§44), it is dealt at length in the Declaration of the G8 Summit in Muskoka, which was held back-to-back with the G20 Summit. The Muskoka Declaration, titled “*Recovery and New Beginnings*”¹¹, begins with a plea on the relevance of the G8 which “*has demonstrated the capacity to design credible approaches to meet the challenges of our times*” (§3).

25. On development, the main new feature of this year’s G8 Summit was the release of the first “*Accountability Report*”¹² measuring G8 members’ effective progress in meeting their

¹¹ <http://g8.gc.ca/wp-content/uploads/2010/06/declaration-eng.pdf>

¹² http://g8.gc.ca/wp-content/uploads/2010/06/muskoka_accountability_report.pdf

own development-related commitments (§4). Based on OECD estimates, the report shows that there is a shortfall of USD10bn (current dollars) and of USD18 (constant) on the 2005 Gleneagles Summit commitment to increase Official Development Assistance (ODA) by \$50bn by 2010 to meet the Millennium Development Goals (MDGs) in 2015. Despite these disturbing figures, G8 Leaders are convinced that “*significant progress*” has been achieved towards the MDGs. They concede however that “*more needs to be done*” (§4) and “*reaffirm*” their past commitments to ODA and enhancing aid effectiveness (§6). In doing so, G8 Leaders are keen to share responsibility with others: developing countries “*must do more*” (§3) and meet “*their primary responsibilities for social and economic development and good governance*” (§6), “the crisis” is singled out for jeopardizing “*advancement toward the 2015 targets*” (§3), while actions should come “*not only from governments, but also from the private sector, foundations, non-governmental organizations and civil society*” (§7).

26. The much publicised achievement of the Summit is the so-called “*Muskoka Initiative*” (§8-14) to “*accelerate progress towards*” MDG 5 on improving maternal health and MDG 4 on reducing child mortality. G8 Leaders have committed USD5bn in new funding over the next five years (§10), of which USD1.1bn would be financed by Canada alone, the G8 being confident enough that total mobilization in the year to come would reach USD10 billion (§11). Other development-related commitments made by the G8 are being re-affirmed in the Declaration such as the Global Fund to Fight AIDS, TB and Malaria and “*the control or elimination of high-burden Neglected Tropical Diseases (NTDs)*” (§15), the USD22bn L’Aquila Food Security Initiative to be disbursed by 2012 (§16), illicit exploitation of and trade in natural resources, notably in the Democratic Republic of the Congo, and the Extractive Industries Transparency Initiative (§18) and Africa (§19-20). Food security is further referenced in the G20 Declaration (§34 and Annex III). The G20 Declaration welcomes the full cancellation of all Haiti’s IFI debt (§32).

27. A renewed, but not too convincing commitment is made by the G8 to a “*successful conclusion*” of the Doha Development Agenda (§26). The G20 reiterate this but not in any specified time-frame: - rather just “*as soon as possible*” (§38). A further review is to take place at the November 2010 Seoul G20. The G8 Declaration also acknowledged the growing importance of regional trade negotiations for the first time, stating that “[W]e will continue to resist protectionist pressures, and to promote liberalization of trade and investment under the WTO, through the national reduction of barriers, as well as through bilateral and regional negotiations” (G8, §26).

28. Paragraph 37 of the G20 Declaration asks “*the OECD, the ILO, World Bank and the WTO to report on the benefits of trade liberalisation for employment and growth at the Seoul Summit*”. Of note is the apparent leadership role on trade issues accorded not to the WTO but rather to the OECD, especially significant given the recent approval at the OECD Ministerial Council for a two-year OECD project on precisely this issue. It will be essential to ensure full ILO involvement in the process – which hopefully will be able to report on the costs of trade liberalisation as well as any benefits, and to take into account issues such as the likely impact of the Doha Round on developing countries’ capacities to develop their industries and promote decent work, and the potential transfer of production to jurisdictions where core labour standards are not observed.

29. Other than development and environment-related issues, the G8 Declaration also addressed at length current “*international peace and security*” situation “*proliferation of weapons of mass destruction, terrorism, international organized crime (including drug*

trafficking), piracy and political and ethnic conflict” (§27-42). Specific paragraphs refer to the war in Afghanistan (§36) and the role of Pakistan (§37-38), the blockade of Gaza by Israel (§39), as well as to Myanmar, Kyrgyz Republic, Sudan and Haiti.

Other Issues

30. There is no reference to broader consultation with trade unions or other civil society organisations. Meanwhile business is increasing its influence on the G20, as shown by the Canadian hosts’ meeting with the “B-20” group of business leaders and the anticipated organisation of a meeting with 100 business leaders at the Seoul G20 Summit in November 2010.

31. The G20 Summit subsequent to the one to be held in Seoul in 2010 will take place in France in November 2011, to be followed by a G20 in Mexico in 2012 (§47). This is, firstly, a leisurely timetable when compared to the G20’s frenetic initial pace of 3 Summit meetings within 10 months - a further indication of G20 complacency about the recovery process. Secondly, it is rather unclear what the interrelationship with possible G8 meetings in 2011 will be, other than that the first paragraph states again that the G20 is “*the premier forum for international economic cooperation*” – perhaps meaning that the G8 will, as in Muskoka, focus on development, security and climate change issues.