

# ITUC/TUAC EVALUATION OF THE G20 LOS CABOS SUMMIT

18-19 JUNE 2012

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## Overview

**1** G20 Leaders met in Los Cabos against a background of deepening economic crisis. The Eurozone and other parts of Europe are in recession. Growth is slowing significantly in other regions and unemployment is once more rising. Panicking financial markets continue to attack many governments over their economic management. An ITUC poll released on the eve of the Summit found that only one in ten of those surveyed felt that current austerity policies were working. Half of the G20 Leaders who are elected democratically have been replaced since the Pittsburgh Summit in September 2009.

**2** Against this background, it is perhaps only to be expected that the language of the G20 Los Cabos Declaration has shifted from talk of austerity and deficit cutting to growth and job creation. This shift is particularly noticeable when compared to the language of the 2010 G20 Summit Declarations of Seoul and Toronto.

**3** The first substantive sentence of the Declaration (#2) states that “we are united in our resolve to promote growth and jobs”. This is followed up with a reference to the need “to strengthen demand and restore confidence” to create “high quality jobs” (#5). The second substantive section of the Declaration is on Employment and Social Protection (#20-25).

**4** Despite the priority given to “quality jobs” the questions remain as to whether this will lead to effective follow-up action to reduce unemployment and get people back to work.

**5** Governments appear to remain fatally entrapped in the web of financial markets. The Declaration's sections on financial markets are limited to reiterating long-standing commitments to financial regulation, without any change in the pace or depth of actions that would be commensurate with the damage that financial speculation is continuing to cause, particularly in the Eurozone.

**6** At Los Cabos, trade union leaders maintained their practice of active engagement in bilateral meetings with G20 Leaders including President Fernández de Kirchner (Argentina), Chancellor Merkel (Germany), Prime Minister Noda (Japan), Prime Minister Gillard (Australia), President Putin (Russia) and President Van Rompuy (EU). And in a significant first joint meeting, hosted by President Calderón, labour (L20) and business



(B20) leaders engaged in an informal discussion with over half the G20 Leaders, in order to discuss the social partners' priority recommendations for the G20. The B20 and L20 involvement was recognised and welcomed in the G20 Leaders' Declaration (#24).

**7** Immediately prior to that, the B20 and L20 held their own second joint meeting and reached an agreement on the need to prioritise investment in infrastructure (especially enabling green investment to create jobs), inclusion of young people by dramatically scaling-up quality apprenticeships, and working to reduce informality in the labour force.

**8** The G20 Leaders endorsed the Conclusions of the G20 Labour and Employment Ministers' Conference in Guadalajara and extended the mandate of the G20 Task Force on Employment for an additional year, although – apparently due to Russia's opposition to taking commitments six months before they assume the G20 Presidency – they did not confirm the holding of a fourth annual Labour Ministers' Meeting in 2013. A more detailed assessment of the operational outcomes of the Guadalajara Conference is attached as an annex to this evaluation.

**9** Following Los Cabos, there now exist several tracks for unions to advance their priorities in Russia next year, including through their bilateral links to G20 governments; the G20 Task Force on Employment; the B20-L20 process; and, with the FNPR, directly through the Russian Presidency. However, mixed signals have been sent by the Russian Sherpa, and clearly there will be challenges to advancing the union agenda. Unions in G20 countries will need to work intensively to formalise their gains in terms of access and to keep up the pressure for genuine collective G20 action on the global economy.

## **Introduction to G20 Leaders' Declaration (#1-9), first section on Supporting economic stabilisation and the global recovery (#10-19), Annexes and concluding sections (#81-85)**

**10** The first substantive sentence of the Los Cabos Declaration states that Leaders “are united in our resolve to promote growth and jobs” (#2) and the Declaration goes on to indicate concern at the vulnerability of the global economy. Leaders “will work collectively to strengthen demand...in order to create high quality jobs and opportunities for all of our citizens” (#5).

**11** Leaders refer to “implementing our structural and regulatory reform agenda” (#7) and adopt a “Los Cabos Growth and Jobs Action Plan” (#5 and appendix). The Los Cabos Action Plan “incorporates and extends the Cannes Action Plan” (*first paragraph of Los Cabos Plan*) and emphasises the importance of addressing the sovereign debt crisis and boosting demand. However in a worrying illustration of the tensions in the G20, at the same time as recognising the need for supporting demand, it reiterates the Toronto Commitments, which include a 50% reduction in fiscal deficits by 2013 (*page 1 of Plan, third bullet – also in Leaders' Declaration, #12*). The Los Cabos Action Plan does state that if economic conditions deteriorate further, then nine G20 members with sufficient fiscal room for action, including the US, China and Russia will “coordinate and implement additional measures to support demand” (*Plan, #5 as well as Leaders' Declaration, #12*). The question remains “why wait?” Over the medium-term, while fiscal deficits are to be reduced, emerging economies like China and Brazil will “take further actions to increase domestic consumption” (*Declaration, #16*) – in China's case, also meaning China will “allow market forces to play a larger role in determining movements in the Renminbi” (#16).

**12** The Los Cabos Action Plan goes on to list a series of national measures taken since Cannes, emphasising reform of labour markets in particular (*see penultimate page of Action Plan*), including policies to increase wage flexibility, decentralise wage setting, and lower tax wedges as well as benefits, as well as commitments made by some countries to enhance education, training and skills development. A 56-page compendium of further policy commitments by individual governments is provided, along the same lines as produced for the Seoul and Cannes G20 Summits. An annex to the Plan consists of the “Los Cabos Accountability Assessment Framework”, which is intended to provide a basis for peer review discussions informed by objective analysis from the IMF, OECD, FSB, World Bank, ILO, UNCTAD and the WTO. The Assessment states that progress with regard “to structural reforms has been uneven and [that] greater ambition is needed to implement the reforms that will have the greatest impact”.

**13** The Leaders’ Declaration concludes with G20 Leaders describing the G20 as “a new paradigm of multilateral co-operation” with a “flexible character” (#81). They welcome the “extensive outreach” to the L20 and the B20, Youth-20 and Think-20 (#83) and the input from eight international organisations including the ILO (#84) before finally look forward to meeting again in St Petersburg under the Presidency of Russia (#85). On the basis of comments made by the Russian Sherpa, it is understood that next year’s G20 Summit is scheduled to take place on 5 September 2013.

**14** It is worth noting some potentially important trends in the Los Cabos Declaration as regards its references to different institutions.

**15** The B20 is referred to in three specific contexts in addition to paragraph 24, where the B20 is referred to in conjunction with the L20: their inputs on “sustainably increasing agricultural productivity” (#56), their B20 Green Growth Alliance (#72), and the “continuing engagement from the B20 in the fight against corruption” (#78). However there is no reference to the submissions of the L20 on youth employment and on other G20 priorities.

**16** The ILO is referred to twice: regarding the ILO-OECD-IMF-World Bank report on “*Boosting Jobs and living standards in G20 countries*” (#21)<sup>1</sup>, and generally for their input into the G20 process together with “UN, IMF, World Bank, WTO, FSB, ILO, FAO, and OECD, as well as civil society” (#84). The OECD is referred to 12 times, in addition to the two places where the ILO is mentioned: trade and investment (#28), “the relevance of regional and global value chains to world trade” (#29), “development of local currency bond markets” (#35), taxation information exchange (#48), “National Strategies for Financial Education” and Financial Consumer Protection (#52), “the need for women and youth to gain access to financial services and financial education” (#53), “sustainably increasing agricultural productivity” (#56), Disaster Risk Management (#68), green growth and sustainable development (#73), and the Working Group on Bribery (#78).

**17** The Mutual Assessment Process (MAP) agreed at the Pittsburgh Summit is not referred to, not even in the Action Plan, and appears to have been superseded by the “Los Cabos Accountability Assessment Framework”, which in essence covers the same ground.

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1 The joint report, unfortunately, disregards the 2006 reassessment of the OECD’s 1994 Jobs Strategy and blames labour market duality on employment protection legislation, thus supporting the case for weakening such employment protection.

## Employment and Social Protection (#20-25)

**18** The section on Employment and Social Protection endorses the Guadalajara Conclusions (#20), calls for “jobs with labour rights, social security coverage and decent income” and extends the mandate of the G20 Task Force on Employment by one year. However, it supports “structural reforms” as a means of lifting economic growth, in which context the *Los Cabos Growth and Jobs Action Plan* needs to be taken into account (see above).

**19** G20 Leaders recognise the importance of establishing nationally-determined social protection floors, call for inter-agency cooperation to do so and for international organisations to help “identify policy options with low-income countries” to that end (#22). A full paragraph is dedicated to expanding women’s economic opportunities and achieving gender equality – including “wages and salaries, treatment in the workplace” (#23) – which is considerably more space devoted to gender than in any previous G20 statement.

**20** Labour Ministers are asked to “review progress made on this agenda” (#24), which is a phrase that may help in convincing the Russian G20 Presidency to hold a 4<sup>th</sup> Labour Ministerial. As noted above, Leaders “welcome consultations with social partners” and “appreciate the contribution of the B20 and L20 to the process of the G20” (#24).

## Trade (#26-31) and Strengthening the international financial architecture (#32-35)

**21** The paragraphs on trade (#26-31) reiterate the now familiar commitments to resisting protectionism and upholding the monitoring work of the WTO, OECD and UNCTAD. They call for “work towards concluding the Doha Round negotiations, including outcomes in specific areas where progress is possible” (#30).

**22** G20 Leaders welcome “firm commitments to increase the resources available to the IMF” (#32), to implement agreed quota reforms at the IMF and to complete the next general review of quotas by January 2014, so that dynamic developing countries are better represented (#33). There is agreement to significantly enhance the surveillance framework (#34) – this presumably refers to the new Los Cabos Accountability Assessment Framework for G20 countries, not the IMF’s regular surveillance of all its members.

## Reforming the financial sector and fostering financial inclusion (#36-54)

**23** Despite the length of the chapter covering financial reform (#36-47), tax havens (#48), money laundering (#49), financial inclusion and education (#50-54) there is not much that is new in what was agreed at Los Cabos. For most of it Leaders “welcome”, “reiterate”, “reaffirm” or “acknowledge” the implementation of measures agreed at past G20 Summits. It leaves the general impression of a lack of G20 leadership on financial issues, leaving the G20 Finance Ministers and Financial Stability Board (FSB) on “auto-pilot” mode. The coverage of the FSB Action Plan<sup>2</sup>, which was drawn up in April 2009 at the “historic” G20 London Summit, is indeed wide and its implementation is a priority. However, key issues such as financial sector taxation – be it the introduction of a Financial Transaction Tax (FTT) in Europe, or bank levies and the IMF-inspired Financial Activity Tax (FAT) – and structural measures to split large banks that are too-

2 [http://www.financialstabilityboard.org/publications/r\\_120619a.pdf](http://www.financialstabilityboard.org/publications/r_120619a.pdf)

big-to-fail, are still ignored by the G20 Finance Ministers and the FSB, and hence by the G20 Leaders.

**24** The regulation of over-the-counter (OTC) derivatives is top of the list of the FSB's Action Plan. Leaders reaffirmed their commitment to meeting the end-2012 deadline for all standardised OTC derivative contracts to be traded on exchanges, or at least cleared through central counterparties (#39). According to the most recent FSB "scoreboard status report"<sup>3</sup> "considerable further work" is needed to meet the deadline. The same can be said of the design by end-2012 of "recovery and resolution" contingency plans for each of the 29 banks identified as too-big-to-fail – the Global Systemically Important Financial Institutions (SIFIs) – (#41), the FSB scoreboard stating that "much further work is needed" also in this area.

**25** Other elements of the FSB Action Plan referred to are: "Basel II, 2.5 and III" (#40), the FSB standards on bankers' and traders' pay (#40), and the extension of the SIFIs' framework to insurance companies and "non-bank" institutions (#42). Leaders call for "accelerated progress" to enhance transparency and competition among credit rating agencies (#43), convergence of accounting standards (#43) and oversight of the shadow banking system (#42). They welcome the FSB work on the creation of a global legal entity identifier (LEI) – a "bar code" of sorts that would help trace all financial institutions and transactions worldwide (#44) – the work of the IMF and the World Bank to help alleviate the "potential unintended consequences" of the above reforms for emerging and developing economies (#45) and the reform of the governance of the FSB itself (#46).

**26** On tax evasion (#48) there is a useful reminder of the 13 jurisdictions that continue to fail to meet the "effective implementation" of the standards of the OECD-led Global Forum on Tax Transparency<sup>4</sup> ("Phase 2"). The OECD work on developing automatic information exchange between tax authorities is acknowledged<sup>5</sup>, as are the Financial Action Task Force (FATF<sup>6</sup>)'s revised standards and its new initiative to identify and monitor "high-risk jurisdictions with strategic Anti-Money Laundering/Counter-Terrorist Financing deficiencies" (#49). Various initiatives on financial inclusion are referenced. The G20 Leaders endorse the "Global Partnership for Financial Inclusion"<sup>7</sup> and its work on SMEs Finance, on consumer protection and financial literacy (#50-51), the parallel OECD-led International Network on Financial Education and its High Level Principles on National Strategies for Financial Education<sup>8</sup> and the implementation of the Action Plan of the G20/OECD Task Force on Financial Consumer Protection<sup>9</sup> (#52-54).

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3 [http://www.financialstabilityboard.org/publications/r\\_120619b.pdf](http://www.financialstabilityboard.org/publications/r_120619b.pdf)

4 [www.oecd.org/tax/transparency](http://www.oecd.org/tax/transparency) 11 jurisdictions have not moved to phase 2 (Botswana, Brunei, Costa Rica, Guatemala, Lebanon, Liberia, Panama, Trinidad and Tobago, United Arab Emirates, Uruguay and Vanuatu) ; 2 have moved to phase 2 conditionally (Switzerland and Liechtenstein). <http://www.oecd.org/dataoecd/19/8/50630814.pdf>

5 <http://www.oecd.org/dataoecd/19/9/50630916.pdf>

6 <http://www.fatf-gafi.org/>

7 <http://www.gpfi.org/>

8 <http://www.oecd.org/dataoecd/23/34/50641407.pdf>

9 <http://www.oecd.org/dataoecd/58/26/48892010.pdf>



## **Enhancing food security and addressing commodity price volatility (#55-62) and meeting the challenges of development (#63-68)**

**27** G20 Leaders express concern at the challenge of increasing agricultural production to meet the rising world population (#56) and express commitment to various global initiatives in the area. They recognise the negative effects of commodity price volatility and ask Finance Ministers to report in 2013 on measures to facilitate better functioning of commodity markets in light of their commitment to avoid abuse in financial commodity markets, including OTC, and enhance intervention powers by market regulators (#61).

**28** Leaders commit themselves to the MDGs and beyond (#63), welcome the Development Working Group's focus on food security, infrastructure and inclusive green growth (#64) and emphasise the importance of both public and private infrastructure development (#65). They welcome the Global Partnership for Effective Development Cooperation launched at Busan in December 2011 (#67).

## **Promoting longer-term prosperity through inclusive green growth (#69-76) and intensifying the fight against corruption (#77-80)**

**29** The potential synergies between economic growth, environmental protection and social inclusion are stressed (#69). Leaders "reiterate our commitment to fight climate change... are committed to the full implementation of the outcomes of Cancún and Durban and will work with Qatar... towards achieving a successful and balanced outcome at COP-18" (#71). They welcome the Development Working Group's voluntary toolkit of policy options for inclusive green growth, as well as the B20's Green Growth Action Alliance and the OECD/World Bank/UN report on green growth. Finance Ministers are told to report by the next Summit on progress to meet the G20 "commitment to rationalise and phase out inefficient fossil fuel subsidies that encourage wasteful consumption over the medium term while providing targeted support for the poorest" (#74).

**30** The mandate of the G20 Anti-Corruption Working Group is extended to the end of 2014 and the Group is told to prepare a comprehensive action plan and a second Monitoring Report for adoption by sherpas by the end of 2012. The G20 Leaders commit themselves to ratification and full implementation of the UN Convention against Corruption and to engagement with the OECD Working Group on Bribery, and welcome the work of the B20 in the fight against corruption.

# Annex: trade union assessment of operational outcomes of the Guadalajara 3<sup>rd</sup> G20 Labour and Employment Ministers' conference, 17-18 May 2012<sup>10</sup>

## *Summary and first section (paragraphs #1-7)*

**1** Overall, the conclusions of the G20 Labour Ministers' 3<sup>rd</sup> Conference are welcome. By emphasising the depth of the unemployment and growth crisis facing the G20 and the need for the creation of quality jobs, they provide a framework for action enabling the creation of quality jobs, green jobs and jobs for young people. However, their implementation requires a shift of priorities not just by Labour Ministers, but also by Finance Ministers, as well as political will from G20 Leaders. The key priority must now be for G20 governments to implement their commitments as well as to build oversight of their implementation at the G20 level.

**2** The opening section of the conclusions also emphasises the role of social dialogue (#4). Ministers commit to continued consultations with workers' and employers' organisations: "We welcome the contribution and input of worker and employer organisations to the G20 Labour and Employment process. As stated in the ILO Declaration on Social Justice for a Fair Globalisation, social dialogue within and across borders is relevant to achieving solutions and building up social cohesion and the rule of law. In this regard, we will continue holding regular consultations with our social partners as part of the process of the G20 Employment and Labour Ministers' Meetings" (#17). At the end of the conclusions Ministers state: "We acknowledge the importance of inclusive, diverse and constructive social dialogue during the Mexican Presidency of the G20. In this regard, we welcome the meetings of L20 and B20 that are taking place in 2012." (#32) ***This provides unions with a credible basis on which to strengthen the role of the L20 during the Russian G20 Presidency and beyond.***

## *I Creation of quality employment and decent work (#8-17)*

**3** The conclusions emphasise several times the importance of "quality" jobs and employment, with particular reference to addressing informality, for example calling for "the creation of more quality jobs within the formal sector, with decent wages and social security coverage" (#8). Ministers agree to "design and implement policies directed at increasing participation in the formal labour market" to "help transition from the informal to the formal sector" (#13). The conclusions of the Task Force on Employment call to: "Support a dialogue with social partners to develop tripartite solutions for reducing the prevalence of the informal sector" (TF #8). ***This will assist in the forthcoming dialogue with the B20.***

**4** G20 Ministers go on to state the importance of social protection systems, calling for "better cooperation with the G20 Development Working Group to assist developing countries in capacity building for implementing nationally determined social protection floors" (#12). Ministers welcome "coordination, cooperation and knowledge sharing among international organisations" and "the cooperation that has taken place between ILO and IMF, in collaboration with other international organisations, on sustainability of social protection floors and encourage its continuation" (#12). ***These are areas for trade union follow-up in the context of implementation of ILO Recommendation 202 (2012) on social protection floors.***

10 [www.g20mexico.org/images/stories/docs/g20/conclu/Conclusions\\_Labor\\_Meeting\\_Guadalajara\\_2012.pdf](http://www.g20mexico.org/images/stories/docs/g20/conclu/Conclusions_Labor_Meeting_Guadalajara_2012.pdf)

**5** The Labour Ministers reiterate the importance of full respect for core workers' rights and support for the 1998 and 2008 ILO Declarations (#15). Ministers "reiterate our support for the consultation of multilateral organisations with an employment and social mandate, when appropriate, to assess the social impact of economic policies advocated by other international organisations" (#16). ***This could provide an opportunity for the ILO to strengthen its voice in the design of economic recovery programmes promoted by the IMF, including those together with the European Commission.***

## ***II Promotion of youth employment (#18-20)***

**6** Ministers emphasise the need to tackle youth unemployment and acknowledged the work of the G20 Task Force on Employment whose recommendations will be taken "into account, adapted to national circumstances and needs" (#20). A series of proposals from the Task Force, notably a call to "foster sharing of experience in the design and implementation of apprenticeship programmes and explore ways to identify common principles across the G20 countries by facilitating a dialogue among our social partners who have presented us a shared sense of the importance of apprenticeships" (#20), are then highlighted; the Task Force itself had called on the "social partners to provide suggestions to develop a G20 template for quality apprenticeship systems" (TF # 8). ***This provides the basis for concrete follow-up to the L20-B20 joint letter to G20 Leaders in Los Cabos.***

**7** In a subsequent section Ministers call for the Task Force to continue its work on youth employment during the remainder of the Mexican G20 Presidency, saying "Given the contribution made by the G20 Task Force on Employment in the last semester, we instruct it to continue exploring issues related to youth employment as it finalizes its present mandate in November 2012. We also instruct it to update its findings and the forum on best practices" (#30). ***This provides a mandate to the Mexican Presidency, working with willing potential hosts such as the French Government, to sponsor further Task Force meetings and cooperation over the next months.***

## ***III Inclusive green growth (#21-25)***

**8** G20 Labour Ministers emphasise the importance of green growth, including training programmes to meet new skills requirements, and as a way to "reduce social inequalities and generate decent work" (#21). They state that "high-level cooperation among Ministries, across different levels of government and agencies and with social partners is needed to foster the creation of quality employment linked to inclusive green growth" (#21) and that "Social dialogue should contribute to promoting the greening of workplaces, work organisations and production methods" (#24).

## ***IV The way forward (#26-33)***

**9** The Ministers "recommend our Leaders strengthen the cooperation between G20 Finance and Labour and Employment Ministers on the links between growth and employment" (#27). Ministers also "welcome the upcoming report from international organisations on how the G20 Framework for Strong, Sustainable and Balanced Growth can contribute to job creation" (#27). ***In theory, such joint reports could assist to further develop links from Labour Ministers to the Finance Ministers' decision-making level of G20 processes. However, a major trade union priority remains shifting the IFIs and the OECD from an agenda of "deregulation" of labour markets to one that promotes more just and inclusive growth strategies.*** The ILO and OECD are asked "to continue their support for our work" (#31).



**10** The Ministers “recommend that our Leaders support [the Task Force’s] extension for one more year, and consider that its focus should be decided under the leadership of the Russian Presidency in order to provide input for the Ministerial meeting to be held in 2013” (#30). ***This commits the Russian Presidency to maintaining the Task Force on Employment (as G20 Leaders reconfirmed in Los Cabos), and indicates the need for unions to step up advocacy in the run-up to the Russian Presidency.***

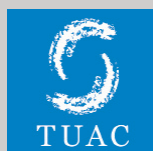
**11** Labour Ministers conclude by saying “We also agree to hold our next meeting in 2013 under the Presidency of the Russian Federation. We thank the Mexican Presidency for its leadership and guidance. We welcome this, and we look forward to working constructively with Russia” (#33). ***This appears to contradict negative indications from the Russian Sherpa concerning holding a fourth Labour Ministers’ Meeting - unmentioned in the Los Cabos Leaders’ Declaration. Unions need to ensure that the Labour Ministerial does take place.***

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International Trade Union  
Confederation (ITUC)  
International Trade Union House  
5 Boulevard du Roi Albert II, Bte 1  
1210 Brussels, Belgium  
Tel : +32 (0)2 224 0111  
[info@ituc-csi.org](mailto:info@ituc-csi.org)  
[www.ituc-csi.org](http://www.ituc-csi.org)



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Trade Union Advisory Committee (TUAC)  
to the OECD  
15, rue La Perouse  
75016 Paris, France  
Tel: +33 (0) 1 55 37 37 37  
[tuac@tuac.org](mailto:tuac@tuac.org)  
[www.tuac.org](http://www.tuac.org)