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**ITUC/TUAC EVALUATION**
**OF THE G20 SEOUL LEADERS' DECLARATION AND SUMMIT OUTCOME**

**SEOUL, 11-12 NOVEMBER 2010**

## Overview

1. The G20 Seoul Summit was marked by a much publicised failure of governments to agree quantitative limits to the size of trade imbalances together with a stalling of momentum for international financial regulation and reform. Moreover the shift continues in G20 priorities to cutting public deficits, away from coordinated action to support demand and employment in the global economy. Despite this, as a result of trade union advocacy with governments and international institutions in Seoul the Leaders' Declaration includes positive language on employment. The Leaders state: "*We recognise the importance of addressing the concerns of the most vulnerable. To this end, we are determined to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low income countries (LIC's)*" (#5). However the "Seoul Action Plan" on country measures adopted by the Summit refers to employment objectives only in the context of structural policies that are much the same as those advocated before the crisis broke in 2008.

2. The Summit adopted "the Seoul Development Consensus for Shared Growth" reflecting the transfer of the development agenda from the G8 to the G20; there are lengthy annexes on achieving development and commitments to make progress on climate change and related issues such as eliminating fossil fuel subsidies, however there is no reference to new ways of raising revenue such as a financial transactions tax. It is therefore unclear how adequate resources are to be mobilised for urgent social, developmental and environmental goals.

3. On institutional matters the "reformed" IMF remains the main servicing institution for the G20. The ILO remains one of the few UN agencies mandated to implement G20 work and is referred to in the follow-up of the structural reform agenda alongside the IMF, OECD and World Bank. One significant development in the Seoul Summit document is the reference to engaging trade unions and other groups in the G20 process for the first time, even if more attention is given to the B-20 business sector consultations - an asymmetry needing to be remedied by future G20 meetings.

4. It is urgent that as France assumes the G20 Presidency for 2011 the G20 rediscover its collective sense of purpose, before stagnant growth and a return to rising unemployment delivers them a jarring wake-up call. The French President has stated that priorities should include action on the Financial Transactions Tax and international financial sector regulation. Over coming months against the background of faltering recovery, the trade union movement

will need to pressure G20 Leaders to return to a spirit of cooperation on action to deliver employment and recovery instead of a slide to paralysis in the face of financial market panic. A G20 Labour Ministers' meeting must be held early in 2011 and a G20 working group established to track the delivery of employment commitments.

**Imbalances, Fiscal Deficits and Trade Negotiations**

5. The opening paragraphs (#1-4 of the Leaders' Declaration) depict the G20's actions over 2008-10 as having in effect resolved the crisis (also see #1 in the accompanying Seoul Summit Document, *"stimulus worked to bring back the global economy from the edge of a depression"*), such that the G20 must now focus on how to prevent future crises (#4). Although the G20 do emphasise the necessity to maintain coordination and state that "*uncoordinated policy actions will only lead to worse outcomes for all"* (#7), the frailty of the current recovery is generally played down. This means that while the up-front commitments on jobs and on providing social protection and decent work (#5) are important they risk being essentially of rhetorical value if there is no continuation of stimulus measures to raise aggregate demand and ensure continued economic recovery. Unlike, say, the G20 London Declaration, there is nothing on the importance of government-led counter-cyclical growth measures, including in IMF programmes.

6. The Seoul Summit Document (SSD), which constitutes the lengthiest of the documents adopted by the G20, opens with a reference to the current exchange rate debate, stating that "*We will move toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals and refrain from competitive devaluation of currencies*" (SSD #6). There is presumably an allusion to China in the mention of "*emerging market economies with adequate reserves and increasingly overvalued flexible exchange rates*" (SSD #7) but the US proposal to see automatic measures implemented once current account imbalances exceed 4% has not been retained. There is, though, a sentence in the structural reform section on the need "*to reduce the reliance on external demand and focus more on domestic sources of growth in surplus countries while promoting higher national savings and enhancing export competitiveness in deficit countries*" (SSD, #10).

7. The Seoul Declaration does commit to "*enhance the Mutual Assessment Process (MAP) to promote external sustainability"* (#9 and SSD #11) with a view to adopting "*indicative guidelines composed of a range of indicators [that] would serve as a mechanism to facilitate timely identification of large imbalances that require preventive and corrective measures to be taken*" (#9, first bullet, third indent), which is the closest the SSD comes to the US proposal. The job of finalising such "guidelines" falls to the G20 Finance Ministers who are to draw them up in the first half of 2011, following which the first such assessment is to be "*initiated and undertaken in due course under the French Presidency*" (#9, *ibid*). The self congratulation for the accomplishments of the MAP to date (SSD #2) bears little resemblance to the lacklustre exchange of documents between the IMF and G20 Finance Ministries of which it is actually constituted.

8. In addition to trade imbalances, the Seoul Declaration indicates five policy areas envisaged for enhanced policy cooperation through the MAP: fiscal, financial, structural reform, development, and monetary/exchange rates. Details of the specific commitments from the 19 members of the G20, as well as the European Union and Spain, are provided in the "Seoul Supporting Document" Annex; the "structural reform" sections include summaries

of specific labour market measures envisaged in each G20 member, sub-dividing according to the three categories of "*Strong*", "*Sustainable*" and "*Balanced*". The emphasis at the G20 St Andrews Finance Ministers Meeting (November 2009) on employment and social protection as two of the five key elements of the G20 Framework for Strong, Sustainable and Balanced Growth has therefore been subsumed into the sole area of "Structural Reform Policies", which hardly sends the same message.

9. The most worrying part of the G20 Seoul Declaration is contained in its recommitment (SSD #8) to the G20 Toronto decisions to cut fiscal deficits by 50% by 2013, irrespective of the context of growth other than an ambiguous reference to "*national circumstances*". The national details of the implementation are provided in tabular form in the "Seoul Supporting Document". The only recognition of the dangers of the current approach is that the paragraph concludes by stating "*We are mindful of the risk of synchronised adjustment on the global recovery"* but the impact of this assertion is weakened by following it directly by the "*risk that failure to implement consolidation, where immediately necessary, would undermine confidence and growth."* (SSD #8)

10. Trade issues receive greater coverage than at Toronto, including the regularly repeated commitments to avoid protectionism (SSD #7) and to bring the Doha Round to "*a successful, ambitious, comprehensive and balanced conclusion….built on the progress already achieved*" (#9, last bullet). There is an effort to sound aware of the political obstacles to its completion, notably that "*We recognise that 2011 is a critical window of opportunity, albeit narrow, and that engagement among our representatives must intensify and expand. We now need to complete the end game*." (#9, last bullet) In support of freer trade and investment the G20 emphasise the joint report they asked the OECD, ILO, World Bank and WTO to draw up on the benefits of trade liberalisation for employment and growth, as launched in Seoul on 11 November (#SSD 42). Finally the G20 "*commit to support the regional integration efforts of African leaders, including by helping to realise their vision of a free trade area, through the promotion of trade facilitation and regional infrastructure*." (SSD #45)

**Employment and Structural Reforms**

11. The section on "*Structural Reforms*" (SSD #10), which are intended inter alia to "*foster job creation*" begins by speaking of "*product market reforms to simplify regulation and reduce regulatory barriers in order to promote competition and enhance productivity in key sectors*" and then "*labour market and human resource development reforms, including better targeted benefits schemes to increase participation; education and training to increase employment in quality jobs, boost productivity and thereby enhance potential growth*" (SSD #10 – second bullet). The reference to "better targeted benefits schemes" can only be understood as a veiled reference to cutting benefits, i.e. a supply-side concept of labour markets. The references to education and training are welcome but the ILO's G20 Training Strategy submitted to the Toronto Summit appears forgotten together with its recommendations on equal access for all, on ensuring adequate financing mechanisms and on social partner participation. Indeed the ILO Training Strategy is only mentioned in an annex with specific regard to developing countries (Annex II, Multi-Year Action Plan on Development)**.**

12. The G20 sends a mixed, if not contradictory message on tax reform. Within the "Seoul Action Plan" the G20 commit to undertake *tax reform to enhance productivity by*

*removing distortions and improving the incentives to work, invest and innovate*" (SSD #10, third bullet point). This can be read as an implicit call for regressive tax systems – including lowering corporate and capital gains taxation as advocated by the OECD "Going for Growth" model. However the "Seoul Development Consensus" and its "Multi-Year Action Plan on Development" suggest a more progressive direction for tax reform insofar as it calls for building "sustainable revenue bases for inclusive growth and social equity" (SSD #51h). A clear and univocal support for progressive tax systems would have constituted a response to the widening income disparities identified in the G20 Washington Labour Ministers' Declaration as needing to be addressed.

13. The subsequent bullets refer to green growth (see "Environment" below) and imbalances (mentioned above). The sixth bullet covers "*reforms to strengthen social safety nets such as public health care and pension plans, corporate governance and financial market development*". While this is positive, however the sole purpose indicated is "*to help reduce precautionary savings in emerging surplus countries*" which neglects the issue of addressing insecurity and poverty more broadly. It should be noted that social protection in developing countries is treated elsewhere in the Seoul Declaration in the context of support to "*improve income security and resilience to adverse shocks by assisting developing countries enhance social protection programmes*" (SSD #51(f)) and Annex II – section on "Growth with Resilience"). In that annex though, regrettably, the opportunity to introduce interlinkages with the ILO's campaign for a global social protection floor is missed. Furthermore, the lead role on implementation of work on social protection is given to the UNDP rather than the ILO, although at least the UNDP's work is to be carried out "*in consultation with the ILO, MDBs and other relevant international organisations*" (Annex II – section on "Growth with Resilience).

14. The last bullet concerns "*investment in infrastructure to address bottlenecks and enhance growth potential*" (SSD #10 – seventh bullet). All the above reforms are to be pursued drawing "*on the expertise of the OECD, IMF, World Bank, ILO and other international organisations*".

15. Overall, some of the above measures could be positive, particularly those concerning education and training and social protection. Others return to the pre-crisis agenda of deregulation, restricting benefits and removing "distortions". This represents a step backwards from the G20 Pittsburgh Declaration's iteration of the necessary employment policies required to achieve recovery including respect for labour standards, broadening the benefits of growth, supporting the unemployed, implementing the ILO Global Jobs Pact and sharing best practices. Nor is there any reference to the Merkel proposal for a Charter on Sustainable Economic Activity. There is no reference anywhere either to the Oslo Conference of the ILO and IMF on employment, growth and social cohesion, or to following up its conclusions on the importance of wage-led growth, or of addressing the role of inequality in triggering the crisis.

**Reform of the International Financial Institutions**

16. G20 Leaders welcome the quota reforms at the IMF to increase the voting share of emerging developing countries at the expense of Europe, and call for further reforms by January 2013 "*aimed at enhancing the voice and representation of emerging market and developing countries, including the poorest*" (SSD #16, third bullet). Finance Ministers and Central Bank Governors are called upon "*to continue to pursue all outstanding governance*

*reform issues at the World Bank and the IMF*" (SSD #18) which is welcome, although it should be noted that this is presumably confined to ensuring balance between industrialised and developing countries and would not respond to trade unions' demands for trade unions and civil society to have improved opportunities for representation at the IMF and World Bank.

17. A number of instruments to help countries to cope with financial volatility and to overcome sudden reversals of international capital flows are welcomed in the Seoul Declaration (# 9, 3rd bullet point). The creation of a new IMF Precautionary Credit Line to provide lending to countries facing potential financial difficulties – a proposal devised by the Korean chair of the G20 – is welcomed (SSD #24), as is enhanced collaboration between the IMF and regional financing arrangements (RFAs) (#24 and #25). An increased role of the IMF in anticipating systemic financial risks is underlined, particularly the recent IMF decision "*to make financial stability assessments under the Financial Sector Assessment Program (FSAP) a regular and mandatory part of Article IV consultation for members with systemically important financial sectors*" (SSD #20).

**Financial regulation**

18. According to the G20 "*core elements of a new financial regulatory framework*" were delivered at the Seoul Summit (# 9, 4th bullet point) which, we are told, will ensure "*a level playing field, a race to the top and avoids fragmentation of markets, protectionism and regulatory arbitrage*" (SSD #9). The text agreed upon however is largely based on the rather low ambition G20 Finance Ministers' meeting in Korea that took place a month ago. The G20 Summit endorses the new Basel III bank capital and liquidity framework published in September as well as principles – but not specific agreement – on additional regulatory and supervisory rules for large banks that are "too-big-to-fail". Compared with previous G20 summits, the novelty of the Seoul agreement is its emphasis on emerging and developing economies as seen in new initiatives on regulatory capacities, financial inclusion and market volatility.

19. There is an "emperor's new clothes" feel to the Declaration's welcome for the new Basel III bank capital and liquidity framework that fall far short of what is required to make a fundamental difference to irresponsible banking sector behaviour. Presented as a "*landmark agreement*" (SSD#29) the new Basel III framework, which will only come into effect in 2019, will raise capital and liquidity ratios for banks and include buffers to be drawn upon during market turmoil, as well as a group leverage ratio.

20. The G20 endorses the policy and "work processes" by the FSB as agreed beforehand by the G20 Finance Ministers to develop additional prudential and supervisory requirements for "*systemically important financial institutions (SIFIs)*" that are too-big-to-fail in the year to come (SSD #30-31). The initial focus will be on a group of 20 to 30 global banks – so called "Global SIFIs" – which in a year's time should be subject to a specific "*resolution framework*"[1], higher capital ratios than those set by Basel III, and "*rigorous risk assessment*" by the (still secretive) "*international supervisory colleges*" (SSD #31). The creation of a financial stability tax (or levy) on banks, which was a much publicised recommendation of the Pittsburgh Summit is mentioned in passing in the list of "other supplementary prudential"

[1] i.e. procedures for authorities to intervene preemptively in case of failure so as to avoid "exposing the taxpayers to the risk of loss", as was the case with LBI and AIG in September 2008.

requirements that are at hand for national authorities. The composition of the group is yet to be determined, although it is understood that selection will be limited to OECD-based banking groups. There is also uncertainty as to whether non-banking groups, including global insurance companies and, importantly, global hedge funds and private equity groups will be covered. On that and more positively the G20 agreed to develop new recommendations "to strengthen the regulation and oversight of the shadow banking system by mid-2011" as part of its "future work" (SSD #41, 3rd bullet point).

21. The G20 "*reaffirmed*", "*reiterated*", "*re-emphasised*" or "*recommitted*" to other initiatives contained in the FSB Action Plan agreed to at previous Summits, including "*non-discriminatory*" regulation of hedge funds, supervision of OTC derivatives, convergence of global accounting standards, tax havens and FSB's "*principles*" on bankers' pay (SSD #37-38). The G20 endorses the FSB's new principles on credit rating agencies (CRA), stressing that "*market participants, supervisors and central banks should not rely mechanistically*" on CRAs (SSD #37). As in previous summits, the accounting standards body the IASB is called upon "*to further improve the involvement of stakeholders*" (SSD #38). Regarding tax havens, the G20 tasks the FSB to determine by spring 2011 "*those jurisdictions that are not cooperating fully*" with the OECD-led Global Forum on Tax Transparency and Exchange of Information (SSD #39 and Annex II - section on "Domestic Resource Mobilisation"). The OECD is requested to develop guidance on "options to advance consumer finance protection", "transparency" and "protection from fraud and abuse" (SSD #41, 6th bullet point).

22. The FSB's "*outreach*" is welcomed by the G20, despite the FSB's failure to respond to union proposals for consultative structures or even to engage in correspondence with trade unions. (SSD #39)

23. Importantly, *"issues pertaining specifically to emerging market and developing economies"* are given priority including management of foreign exchange risks (see above section) and regulatory and supervisory capacity and financial inclusion (SSD #41, 2nd bullet point). The G20 agrees to a "Financial Inclusion Action Plan" principally for small and medium sized enterprises, based on Principles for Innovative Financial Inclusion (# 9, 6th bullet point and SSD #55-57). As mentioned below, the G20 also commits to new initiatives to tackle market volatility on food markets (#12) and fossil fuel prices (#13 and SSD #61), while the IOSCO is tasked to strengthen regulation of commodity derivative markets (SSD #41).

## Environment and Climate Change

24. The G20 express "*our resolute commitment to fight climate change*" and state that "*We will spare no effort to reach a balanced and successful outcome in Cancún*" (#14). A clear commitment is provided to continuing to seek agreement in the UN's multilateral processes, including the principles of *"common but differentiated responsibilities and respective capabilities"* as well as "*the delivery of fast-start finance commitments"* (SSD #66). This is positive, even if the lack of reference to the need for a fair, ambitious and binding deal or to a time objective for the negotiations to reach a conclusion is regrettable.

25. The G20 emphasise the positive growth potential of investment in sustainable technologies, in effect endorsing the growth of "green jobs" in their commitment to "*support country-led green growth policies that promote environmentally sustainable global growth*

*along with employment creation while ensuring energy access for the poor*" (SSD #68). Elsewhere in the documents, commitments are provided to "*rationalise and phase-out over the medium term inefficient fossil fuel subsidies" (#13")* – but only, importantly, *"while providing targeted support for the poorest" (SSD #58)* – and to *"mitigate excessive fossil fuel price volatility*; *safeguard the global marine environment*" (#13).

**Development**

26. As noted the Seoul Development Consensus appears to mark a shift of development from the G8 to the G20 agenda. Early in the document, reference is made to "*fulfilling the Official Development Assistance (ODA) commitments by advanced countries*" (SSD #7) but no timetable is provided, making this highly imaginative given that Italy and various other industrialised countries are currently engaged in large-scale cutbacks in their ODA provision. The G20 reaffirm their commitment to achieving the Millennium Development Goals (MDGs) (SSD #53). There are no references to HIV/AIDS or to the Muskoka Initiative to accelerate progress towards MDG5 on improving maternal health and MDG4 on reducing child mortality – all agreed in the G8 context.

27. Development is further discussed at length in the documents prepared by the G20 working group on development set up by the Korean G20 hosts and endorsed by G20 Leaders, notably the "Seoul Development Consensus for Shared Growth" (*Annex I*) and the "Multi-Year Action Plan on Development" (*Annex II*), which are based on nine key pillars: "*infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilisation and knowledge sharing*" (SSD #51).

28. Positively, decent work is referred to in the elaboration of the content of the above pillars, as an objective to be attained through human resource development (SSD #51(b)). It is further referred to among the "*overarching objectives*" provided in Annex I itself, which refers specifically to "*reducing poverty, improving human rights and creating decent jobs*".

29. The food crisis is addressed regarding a call for enhanced "*food security policy coherence and coordination*" (SSD #51(e)) Speculation in food prices is presumably the target in part of the call for "*further work on regulation and supervision of commodity derivative markets*" in the financial regulation section (SSD #41, fourth bullet) as well as in the request for "*relevant international organisations to develop, for our 2011 Summit in France, proposals to better manage and mitigate risks of food price volatility*" (however a somewhat contradictory sub-clause says that this is to be accomplished "*without distorting market behaviour*") (SSD #51(e)). The work of the World Bank-managed Global Agriculture and Food Security Programme and of the UN Committee on World Food Security is welcomed (SSD #51(e)).

30. With regard to the role of education the Seoul Declaration falls far short of the G20 Toronto Declaration or the 2009 G8 communiqué from L'Aquila. The Declaration places the emphasis on low income countries, in which regard there are two points: to "*create internationally comparable skills indicators"* and to *"enhance national employable skills strategies"* (Annex II - section on "Human Resource Development"). One positive element is the inclusion of UNESCO to work on these two action points, together with the ILO, OECD, World Bank and multilateral development banks. However the policy prescriptions fail to recognise the role of education as an investment with an importance beyond a narrow concept

of skills for employability. The omission of education as a key factor in growth, prosperity and social justice does not measure up to trade union demands.

**Private Investment and Development**

31. Several references to private investment as related to employment as well as economic outcomes are provided in the Seoul Declaration's Annex II on development. The G20 state their intent to "*identify, enhance as needed, and promote the best existing standards (developmental, social and environmental) for responsible investment in value chains and voluntary investor compliance with these standards*" with such work to be completed by June 2011 (Annex II, section on "Private Investment and Job Creation", first bullet). The ILO, UNCTAD, the UNDP, the OECD and the World Bank are to work together in order to "*review and, consistent with best practice of responsible investment, develop key quantifiable economic and financial indicators for measuring and maximising economic value-added and job creation arising from private sector investment in value chains*" also by June 2011, following which by the summer of 2012, "*based on these indicators, these international organisations should make recommendations to assist developing countries to attract and negotiate the most value-adding investment to their economies*" (*ibid*, second bullet). Based on the outcomes of this and other work, developing countries are to be assisted to develop action plans to maximise investment and "*support the regulatory framework for foreign and domestic investment*" (*ibid*, last bullet).

32. The above provisions could result in a diversionary promotion of CSR as a low-cost alternative to more serious intergovernmental cooperation. Alternatively, should unions be able to ensure the use of the foremost authoritative instruments with regard to the social impact of investment, i.e. the OECD Guidelines on Multinational Enterprises (MNEs) and the ILO Tripartite Declaration of Principles concerning MNEs and Social Policy, these could provide an important means to embed the principles incorporated in those instruments into the future work of the G20 on private investment. It will be essential for unions to interact closely with the development of this work, which at this stage is not clearly allocated to any one of the five intergovernmental organisations mentioned above.

33. Other decisions include the setting up of a High-Level Panel for Infrastructure Investment (HLP) (SSD #51a and Annex II, section on "Infrastructure") – an initiative that risks promoting public-private partnerships (PPPs) irrespective of their real economic or social value; a call for progress on reducing the cost of remittances by migrant workers through implementation of the General Principles for International Remittance Services managed by the World Bank and the Bank for International Settlements (BIS) (Annex II – section on "Growth with Resilience"); and action to identify "*ways to help developing countries tax multinational enterprises (MNEs) through effective transfer pricing*" (Annex II - section on "Domestic Resource Mobilisation").

34. An additional Annex consists of an Anti-Corruption Action Plan, as part of the G20's work "*to prevent and tackle corruption*" (#13, elaborated upon in SSD #69-71 and in Annex III). This would include illegal capital flight (Annex III, #3-6).

**Consultative Mechanisms and Forthcoming Meetings**

35. The G20's support for the G20 Business Summit is highlighted both in the opening document (#16) and in the longer one where G20 Leaders "*look forward to continuing the*

*G20 Business Summit in upcoming Summits*" (SSD #72). This is to some extent remedied in the subsequent paragraph that recognises the necessity for consultation and commits to "*increase our efforts to conduct G20 consultation activities in a more systematic way, building on constructive partnerships with international organisations, in particular the UN, regional bodies, civil society, trade unions and academia*" (SSD #73). While there is an evident disequilibrium by comparison with the treatment business is accorded, nonetheless the opening towards improved and systematic consultation for trade unions is significant and should provide new opportunities for unions next year.

36. The G20 is to meet again in Cannes, France (3-4 November, 2011) and in Mexico (2012) (#18). Participation of additional countries is formalised in their consensus to invite "*no more than five non-member invitees, of which at least two will be countries in Africa*" (SSD #74).

Web links:

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Declaration
http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf

Annex
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