



ITUC/TUAC EVALUATION OF THE G20 CANNES SUMMIT 3-4 NOVEMBER 2011

Overview

1. The G20 Cannes Summit could be depicted as “a tale of two summits”. On the one hand there was a Euro-zone Summit that dominated the Leaders’ discussions as well as the press headlines. This was almost totally focused on the Greek sovereign debt crisis and its potential contagion to Italy and other countries. The policy outcomes of this Summit imply still more austerity policies and budget cuts for much of the Euro-zone.
2. On the other hand there was the background agenda of the Summit covering growth and jobs, monetary reform, food prices, social protection and development where, on some issues, significant progress was registered on paper at least. This included an “institutionalisation” of social partner participation in the G20 process. The Summit also set up a G20 Task Force on Employment with a focus on youth employment and tasked the ILO, OECD, IMF and World Bank to report to G20 Finance Ministers on the global employment outlook and the employment impact of the G20 Framework.
3. Unfortunately, these outcomes continue to be overshadowed by the events that unfolded in the days immediately following the Summit. The Greek and Italian governments resigned and have been replaced by “technocrat” administrators with the expressed aim of “reforming” public finance in order to stabilise the bond markets. However, the spreads in Euro-zone bond yields continue to grow alarmingly at the time of writing. The implications of this for working families in the crisis countries and far beyond are dire and yet to unfold. It is however clear that there is a direct contradiction between the positive language on employment, growth and social issues in the Summit outcome documents and the further announcements of austerity measures in European countries that followed the Summit.
4. The Summit issued a Leaders’ [Communiqué](#) of four pages (*henceforth referred to as C*), a longer Summit Declaration of twelve pages (*henceforth D*) and the Cannes Action Plan for Growth and Jobs (*henceforth CAP*). There were also ten appendices, including the G20 Labour and Employment Ministers’ conclusions from September 2011, which became a point of reference for future G20 meetings.

Jobs, Unemployment and the new G20 Task Force

5. References to jobs and unemployment concerns are more prominent in the G20 Leaders' texts than in past G20 communiqués. This in part reflects the trade union policy advocacy in the run-up to the Summit and at the Summit through the L20 itself. This makes the Cannes Declaration more like the Summit conclusions of London and Pittsburgh in 2009 rather than Toronto and Seoul in 2010. The first substantive paragraph of the Leaders' Communiqué (C#2) notes that *"global recovery has weakened, particularly in advanced countries, leaving unemployment at unacceptable levels."* A lengthy paragraph (C#6) in the first main section of the Communiqué takes up employment issues, essentially summarising the longer text from the start of the full Declaration. It states *"We firmly believe that employment and social inclusion must be at the heart of our actions and policies to restore growth and confidence."* In the Declaration, the G20 state *"We are committed to renew our efforts to combat unemployment and promote decent jobs, especially for youth and others who have been most affected by the economic crisis."* (D #3) The G20 *"therefore decide to set up a G20 task force which will work as a priority on youth employment"* (C#6). The Declaration states that the Task Force *"with a focus on youth employment... will provide input to the G20 Labour and Employment Ministerial Meeting to be held under the Mexican Presidency in 2012."* (D#3)

6. The G20 Leaders *"encourage the ILO to continue promoting ratification and implementation of the eight core Conventions ensuring fundamental principles and rights at work"* (C#6) and further commit themselves *"to promote and ensure full respect of the fundamental principles and rights at work"* (D#5). In what could provide an important opening to the insertion of employment issues into the Mutual Assessment Process under the G20 Framework, the Leaders state *"We have tasked international organizations (IMF, OECD, ILO, World Bank) to report to Finance Ministers on a global employment outlook and how our economic reform agenda under the G20 Framework will contribute to job creation"* (D#3). This should give an opportunity to bring forward the ILO's Jobs Pact in the economic agenda. It should also provide a process for the development of coherence in the structural policy recommendations of the international economic institutions in the labour market area. This must be on the basis of the Decent Work agenda, not one of deregulated labour markets.

7. The Leaders endorse the conclusions of the Second G20 Labour and Employment Ministers' Conference (Paris, September 2011) and *"ask our Ministers to meet again next year to review progress made on this agenda"* (D#8). The potentially vulnerable conclusions of the Ministerial meeting therefore become a point of reference for the Mexican Presidency.

The Social Protection Floor

8. The Leaders' Communiqué states *"We recognize the importance of social protection floors in each of our countries, adapted to national situations"* (C#6). The Declaration defines these according to the ILO's four-part definition: *"such as access to health care, income security for the elderly and persons with disabilities, child benefits and income security for the unemployed and assistance for the working poor"* and states that *"we note the report of the Social Protection Floor Advisory Group, chaired by Ms Michelle Bachelet."* (D#4) This should provide significant assistance towards achieving a successful international instrument at the International Labour Conference discussion in June 2012. There is no specific reference to international financing of social protection in the Cannes documents –

although the annexed Paris Labour and Employment Ministers' conclusions did include references, albeit general – so only the overall commitments to development assistance could be construed as covering international social protection funding.

Roles of Labour and Business

9. Leaders state that “*Convinced of the essential role of social dialogue, we welcome the outcomes of the B20 and L20 and their joint statement*” (C#7). This marks a significant advance both in terms of parity between labour and business, and in the importance given to social partner consultation which was only at the end of the Seoul Declaration. This represents a move forward on the labour movement's call for a “seat at the table” in the G20.

Economic Policy and “The Action Plan for Growth and Jobs”

10. The Summit met as the main international economic organisations downgraded their forecasts for growth in the G20, indicating that unemployment would begin to rise again in the OECD countries in 2012. The policy-makers are therefore caught between the austerity that many have espoused as necessary to stabilise public finances in the light of the sovereign debt crisis, especially in Europe and the need to restore growth if more and more European countries are not to fall into a debt trap of collapsing growth, rising unemployment and rising deficits. This central dilemma is reflected in the Cannes Action Plan for Growth and Jobs that seeks to differentiate between groups of G20 members according to their deficit/surplus situation. The Action Plan has been drawn up on the basis of analysis by IMF staff.

11. Macroeconomic policy recommendations are covered, with a considerable degree of overlap, in all three major Summit documents – the Communiqué, the final Declaration and the “*Cannes Action Plan (CAP) for Growth and Jobs*”. The latter document that was prepared by the G20 Finance Ministers contains a number of specific recommendations for different groups of G20 members and speaks briefly of labour markets, advocating “*active, flexible labour market policies and effective labour institutions that provide incentives for increasing formal and quality jobs*” with commitments “*to promote mobility and encourage participation, including tax and benefit reforms to reduce long-term unemployment and encourage the participation of older workers and women where appropriate*” (CAP p. 3, #3a).

12. The Action Plan sets out a “*mix of measures to secure the recovery*” (CAP#2). The Euro area governments commit to “*take all necessary measures to ensure the stability of the Euro area*”. The governments announced a trillion Euro “fire wall” for the European Financial Stability Fund, but failed to reach agreement on how this was to be funded. Greece was to be submitted to a “*rigorous adjustment programme*”. Italy was submitted to IMF quarterly surveillance. In sum, the Euro area recommendations look rather like deflationary policies in order to try to win the confidence of the international bond markets.

13. The US commitment is to implement, in the short term, public investments, tax reforms and targeted jobs measures and medium-term fiscal consolidation. Argentina, Brazil, Canada, China, Germany, Korea and Indonesia agreed to let “*automatic fiscal stabilisers work*” and “*should global economic conditions materially worsen*” to take measures to “*support domestic demand*”. The surplus emerging market economies agreed “*to move towards more domestic-led growth*” (CAP p.2, #2g).

14. The medium-term recommendations repeat the Toronto recommendation for deficit halving by 2013. For China, the commitment is to “*rebalance demand towards domestic consumption by implementing measures to strengthen social safety nets, increase household income and transform the economic growth pattern*” and “*to promote greater exchange rate flexibility*” (CAP p. 3, #2c).

15. In sum, the Action Plan falls significantly short of the Global Unions’ call for coordinated action to “kick-start” the global economy but it is more differentiated than the Toronto G20 call for deficit reduction. Nevertheless, the positive language on employment set out in the Summit Declaration it is hard to see how this is to be achieved against a background of further austerity in much of the Euro-zone, and politically blocked stimulus measures in the US. The calls for possible short-term demand stimulus in a number of other G20 countries including Germany require urgent action.

Financial Transactions Tax (FTT)

16. This is covered under the references to the report that President Sarkozy commissioned from Bill Gates on development funding, in which context the Leaders state “*We acknowledge the initiatives in some of our countries to tax the financial sector for various purposes, including a financial transaction tax, inter alia to support development.*” (C#28 – identical wording in D#82) It is understood that at the end of the Summit, this was the final sentence to be negotiated for inclusion in the Communiqué and that France was pushing for stronger language, and had been intending to announce some kind of “pioneer initiative” with other countries in favour of an FTT – but that this was one of the casualties of the lack of time due to the Greek crisis. During the Summit, a number of countries hitherto silent on an FTT, or opposed, moved to a more positive appraisal, including South Africa, Brazil and Argentina. In a concluding press conference, President Sarkozy announced that several countries had agreed to work with France towards jointly implementing an FTT in 2012. The G20 annex on “*Innovative Financing for Development and the Climate*” states with regard to the FTT that “*several reports have already confirmed the technical feasibility (IMF, High-Level Advisory Group on Climate Change Financing (AGF), Gates report, Leading Group on Innovative Financing for Development)*”.

Financial Regulation

17. G20 Leaders endorsed, but did not give new impetus to the implementation of the Action Plan by the Financial Stability Board (FSB). Considering the delays in the implementation¹ and the very measured ambition of the Plan there are good reasons to be sceptical when G20 Leaders declare that they “*will not allow a return to pre-crisis behaviours*” (C#15). The G20 endorsed a list of banks to be considered as Global Systemically Important Financial Institutions (G-SIFIs), the regulation and supervision of which are top priorities in the FSB Action Plan (C#13). The list of the 29 G-SIFIs made public on the FSB website² (including a majority of US and European banks) is to be reviewed every year and should be completed by separate lists respectively for insurance companies and for “*non-bank*” institutions (i.e. hedge funds) (D#29). The G20 believes that the FSB measures will be enough to prevent any financial firm to “*be deemed “too big to fail” and to protect taxpayers from bearing the costs of resolution*” (C#13 & D#28). Here

¹ See “Status report” prepared by the FSB Secretariat
http://www.financialstabilityboard.org/publications/r_111104hh.pdf

² http://www.financialstabilityboard.org/publications/r_111104bb.pdf

too, there are reasons to be doubtful. Measures that would effectively downsize large financial conglomerates are not addressed in the Cannes statements. Nothing is said on structural measures, such as mandating separation of commercial and investment banking activities, nor on stability-oriented taxation - while the FTT is mentioned, it is located in the section on development, not in the paragraphs on financial regulation.

18. The G20 reiterates past commitments to shift all standardised derivatives traded “*over-the-counter*” (OTC) to organised exchanges and to tighten regulation of the remaining non-standardised OTC derivatives (D#24). It concedes that “*impediments*” remain in the implementation of the FSB Principles on bankers’ and traders’ pay and instructs the FSB to develop “*additional guidance*” on the definition of “*material risk takers*” (i.e. traders) (D#25). FSB proposals to regulate the shadow banking system – bank’s off-balance sheet transactions and private pools of capital – are highlighted (C#14 & D#30). Beyond that the G20 commits to address “*the risks posed by high frequency trading*” and “*to assess the functioning of Credit Default Swaps markets*” (C#14 & D#31). All these measures are welcome. Nevertheless, the G20 falls short of any recognition of the dangers of short-term financial speculation. This contrasts with the language on agriculture and food security where it is said that commodities market regulators are to be granted the right to set “*position limits*” on the amount of money that traders can engage at any time (C#18 & D#32) – a measure that clearly is intended to curb market short termism.

19. G20 Leaders welcome the OECD/FSB High Level Principles on Consumer Finance Protection and suggest developing further guidelines “*if appropriate*” (D#33) - which might well be the case considering the weak requirements contained in the OECD Principles. The G20 also calls for implementation of the FSB Principles on “*reducing reliance*” on credit rating agencies (D#26) but does not elaborate further. Finally the G20 agrees to reform the FSB, including giving it legal personality and greater financial autonomy (C#16 & D#37-39); nothing is said however on the desirability to engage with trade unions or other civil society organisations.

Tackling Tax Havens

20. Regarding tax havens (C#15 & D#35), the G20 Leaders do not mention the “grey list” of uncooperative jurisdictions of the OECD-led Global Forum that was first disclosed at the London Summit in April 2009. And with good reason: the OECD requirements allow any tax haven to escape the list as long as 12 bilateral information exchange agreements are contracted with other jurisdictions (including with other tax havens). As a result only four jurisdictions are currently on the grey list. The G20 text is also disappointing with regard to moving toward automatic exchange of information (current OECD standards requires exchange “*upon request*” only): the text says such move shall be considered “*on a voluntary basis*” and “*as appropriate*”. On the other hand the Declaration singles out 11 jurisdictions in which even implementation of the current OECD standards (i.e. exchange upon request) is lagging behind. The G20 endorses the FATF list of jurisdictions in which anti-money laundering framework shows “*strategic deficiencies*” (D#36). The OECD concluded a multilateral convention on tax cooperation in Cannes. This puts national tax agreements in a multilateral context. Clearly, its impact will have to be assessed.

Climate Change and Sustainable Development

21. The language in Cannes is slightly weaker than at the G20 Summits prior to the Copenhagen and Cancún conferences; there is a call for the “*success*” of COP17 and for “*further progress in all areas of negotiation, including the operationalisation of the Green Climate Fund, as part of a balanced outcome in Durban*” (C#21). There is reference to phasing out “*inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest*” (C#20).

22. The Declaration – though not the Communiqué – refers also to the Rio+20 Conference (20-22 June 2012, Rio de Janeiro). Of importance is that job creation and poverty reduction are specifically mentioned among the key issues for Rio+20 (D#60).

Trade and Development Issues

23. The Communiqué reflects the stalemate in current multilateral trade negotiations. The G20 states plainly that “*we will not complete the DDA if we continue to conduct negotiations as we have in the past.*” (C#23) It calls for the 8th WTO Ministerial Conference in December 2012 to seek to make progress on LDCs and on the remaining elements of the DDA mandate “*where they can bear fruit*” (a somewhat lukewarm phrase), for a report back by the time of the Mexico Summit.

24. On development, apart from the FTT issues raised above, the G20 state “*Aid commitments made by developed countries should be met*” (C#28), refer specifically to the importance of Infrastructure (C#27) and say that “*over time, new sources of funding need to be found to address development needs and climate change*”, referring to the Gates report (C#28) as mentioned above. They support various measures to improve agricultural productivity and reduce food price volatility (C#19). Leaders “*welcome the upcoming 4th High-Level Forum on aid effectiveness to be held in Busan*” which they consider “*will be an opportunity to establish a more inclusive partnership to address development effectiveness*” (D#83).

Governance Issues

25. G20 Leaders state that “*We call on international organisations, especially the UN, WTO, the ILO, the WB, the IMF and the OECD, to enhance their dialogue and cooperation, including on the social impact of economic policies, and to intensify their coordination*” (C#31, with similar language in D#6). The reference to the social impact of economic policies should provide the ILO with an opening to examine the policies of the IMF and the European Commission in crisis-hit countries, and to provide its assessment.

26. A low-key report by the UK Prime Minister David Cameron on global governance is welcomed (C#30) and G20 work against corruption is referenced (C#29).

27. The next G20 Summit hosts are confirmed as Mexico in 2012, Russia in 2013, Australia in 2014 and Turkey in 2015, following which the G20 presidencies will rotate on a regional basis starting with Asia (C#31).