

# People First in the Global Economy

## A New Global Economy in Crisis

1. We have seen the emergence of a new global economy, through which all of us are interconnected. It is a global economy driven by financial and economic integration, global capital markets, information technology, deregulation and liberalisation. The new global economy is failing to put people first. The new global economy is more volatile; it faced financial meltdown in October 1998 and yet reached record stock market highs in January 1999. Financial deregulation has meant that global capital can now seek the highest rate of return anywhere, free of the ability of any one government to control it. Global capital can change its mind very quickly and is escaping regulatory arrangements.

2. Today one third of the world economy is in recession. The victims of the crisis are working people, the poor and especially women. The Asian financial crisis of 1997 was triggered by financial liberalisation, which in the absence of an adequate global and national framework of regulation resulted in excessive risk, speculation, mismanagement, greed and corruption. The reaction of the rich G7 countries was to try to contain the crisis to Asia. They hoped that the IMF with its 'lending with medicine' strategy would stabilise the markets and stimulate an export-led recovery. They failed and their actions have made the situation worse for millions of working people. The contagion has now spread to all parts of the world, notably Russia, Central/Eastern Europe, the Middle East, Latin America and Africa. The spreading crisis has been accompanied by:

- a decline in commodity prices,
- a massive reduction in bank lending and investment to Asia and emerging markets,
- an overall decline in world trade,
- a reduction in growth in many regions,
- a massive increase in the US current account deficit, with Japan and the developing Asian countries showing increases.

In social and human terms the crisis has had a devastating impact upon unemployment and poverty. As the number of absolute poor rises to over 1 billion, the wealth of the 225 richest people on earth is equal to the annual income of the poorest 2.5 billion people. A system that leads to such vast inequalities is unacceptable. A new global economy requires new thinking.

## Gearing Up for the Future

3. Globalisation in its current form is not sustainable either socially, environmentally or economically. New rules and thinking are required. The world is still being rocked by a series of financial and economic crises. It is apparent that no economy, country or region, no matter how strong, is immune. The consequences of the crisis are felt world-wide and the first casualties are those people who are already the most vulnerable, not the major powers and investors. Faced with dramatic social and economic changes, workers, their families and their unions have to meet great challenges. Problems of structural adjustment, mergers, re-location, down-sizing and privatisation mean unemployment and job insecurity resulting in poverty, despair and the sense of isolation and abandonment. Many families fail to cope, break up, and finish up on the margins of society, often victims of crime, drug abuse, prostitution and suffering from health problems. Marginalisation and the promotion of individualism by unbridled capitalism increase the risk of solitude and can shatter social solidarity. As MNCs "play" the global market, the jobs of workers in one country can all too often be created at the expense of workers in another both in the MNC itself and within the small or medium enterprises that form part of the supply chain. The great majority of the world's workforce are employed in small and medium enterprises. They constitute an important second or third tier around the core activities of MNCs. This enables MNCs to exploit those workers down the supply chain, particularly in developing countries. Too often these workers remain invisible and do not receive fair income or working conditions. It is important that trade unions increase their membership in small and medium enterprises and develop solidarity action. Also, as part of their drive for flexibility and efficiency, many companies operate heartless HRM policies that often go hand-in-hand with attacks on trade union and human rights. So how can FIET play its part in helping to resolve all these issues and make the world a decent place, where people come first?

4. In FIET we recognise that there will not be any one "silver bullet" to resolve the crisis and build a better future. New thinking and action is required that will involve action on several different fronts with several different actors. It must have at its heart a strong social dimension. To carry out this work effectively, FIET needs:

- a structure, organisation and strategic purpose which is geared to meet the challenges;
- adequate resources to support its work;
- to promote new and creative means, including extensive networks and new alliances and to generate the necessary skills and know-how to deliver our objectives;
- and a clear agenda of priorities for action.

## **Situating FIET for the 21st Century**

5. Global problems require global responses, which in turn need global structures backed up by integrated regional activities. So:

*Global Policies* are required for the new global economy addressed to global institutions such as the IMF, World Bank, WTO and UN family. This applies to the G7. Our aim must be to obtain a social dimension to globalisation, including regulation, respect for core labour standards, promotion of jobs and training, and the eradication of poverty.

*Regional Links* need to be reinforced. Along with globalisation, we see closer regional economic integration in all continents. Our regional organisations must ensure that the structures have a social dimension and that we have a trade union influence over them.

*Trade Section Links* need to be further developed as a tool of global and regional solidarity and action and as a means for developing solidarity between workers in both large companies and small or medium enterprises.

*Inter-Professional Links* between management staff, women and young people take on a new importance in a rapidly changing world where computer-based technologies cut across traditional working boundaries and demand an international response.

*Wider Links* must be reinforced with national and international bodies of influence. Sometimes we may want to join with them in common cause, sometimes they may help promote our policies, or perhaps they are decision-makers who we wish to influence. FIET will continue to develop the partnership and joint working with the ICFTU and other ITSS.

*Developing Organisation* by providing high quality education and training, by building up membership strength, especially in the newly-developing area of private service, by improving communications and the two-way flow of information by use of Internet and other technological systems.

## **Forward in Partnership**

6. One of the features of the global market has been the growth of the service sector. A further feature is the way by which (in this sector more than most) professional boundaries have blurred. Developments in technology and business structures have combined to link "service" workers as never before. Whether operating in Graphics or Information Technology, Banking or Commerce, Communications or the Media, workers have many shared interests. And it is this notion of shared interests which led to the idea of creating a new International for a new millennium; an International with a potential of 20 million members. By coming together FIET, Communications International, the MEI and the IGF can provide a unified membership with a combination of specialist attention and a greatly enhanced influence, both at regional and global level.

## **Five Key Action Points**

### ***Giving Trade and Investment a Social Dimension***

7. Action Points:

a) Aim for a global trading system that is fair, open, which respects trade union and human rights, and core labour standards, and with this in mind work for the adoption by the WTO of a comprehensive social clause. This should include the existing international guidelines on MNCs, which shall be regularly reviewed and universally applied, and that attempts to dilute core standards as a means to encourage inwards investment will not be tolerated. The ILO and WTO have to develop closer working relations with the aim to put people first.

b) Campaign to ensure that the 1999 WTO Ministerial Meeting includes core labour standards as a subject for negotiation in any new round of trade negotiations.

- c) Ensure that future discussions on multilateral rules governing international investments are held in a truly global forum such as UNCTAD and include not only the rights of investors but also commitments to observe core labour standards and environmental protection. Such agreements should also be subject to democratic accountability. FIET recognises the efforts of unions around the world who campaigned against the MAI initiative because of failure to achieve the above.
- d) Work for the establishment of a new framework able to govern global financial markets to reinforce regulation and supervision and protect the social dimension.
- e) Make the social dimension an integral element of regional trade agreements and other regional accords; job creation has to be the first priority in these pacts.
- f) Encourage the ILO to take a much higher profile in the global economy and to promote more aggressively labour standards, social protection, employment and the social dialogue.
- g) Support a review of the role and function of the G7 structure; new forms of global co-operation are required which are representative, better able to manage global economic affairs and better fitted to make world trade work for people.
- h) Support measures that will give developing and transitional economies fair access to markets and encourage investment in diversification in order to reduce dependency upon commodity supply.
- i) Seek the incorporation of national equality and non-discriminatory laws into trade policies and agreements.

### ***Creating an Economy based on Social Dialogue and open to Collective Bargaining***

8. Throughout the world the gap between the rich and poor has grown; the unfair distribution of income has to be addressed. Action Points:

- a) Create an environment for dialogue by supporting the building of democratic governments and institutions operating on the basis of good governance, including the respect for fundamental workers' rights.
- b) Promote in each nation structures of tripartite dialogue to review trends in labour markets, promote employment and address income inequalities.
- c) Press all governments to promote collective bargaining and participation and the development of socially responsible policies.
- d) Make the open provision of education and training a specific subject for dialogue at company and sector levels.
- e) Promote dialogue with employers on the issue of the adoption of core labour standards. The ILO should improve its supervisory mechanism with respect to core labour standards.
- f) Ensure that the social dialogue is an integral part of any regional economic agreement.
- g) Work for the repeal of anti-union legislation and for a positive framework of union rights and for effective solidarity networks to defend attacks on the freedom of association.

### ***Global Financial Markets***

9. Experience over the past two years demonstrates that we require a reconsideration of how we regulate and manage global financial markets, new financial instruments such as derivatives and institutions such as hedge funds. The status quo will not be sufficient to restore growth, facilitate long-term productive investment or avoid financial contagion. Action points include:

- a) Support the call to establish a broad-based Independent International Commission to make recommendations as to how to establish an effective regulatory framework and new financial order.
- b) Develop instruments designed to lessen volatility in financial markets, such as binding international standards on financial regulations and consideration as to new forms of capital controls to brake short-

term capital flows. We need to campaign to create a framework to bring greater currency stability to the global monetary system. This is particularly important as we see the emerging reserve currency blocks of the dollar, yen and euro.

c) Binding international standards for prudential regulation of financial institutions and markets covering minimum deposit requirements, capital reserve standards, limits to short-term currency exposure, controls and certification on derivatives trading and other forms of leveraged investment built on credit.

d) Clarify the role of the Bank of International Settlement (BIS) and its banking standards and support institutional reforms, e.g. of the World Bank and IMF, so that they have an improved capacity for regulation of financial markets and financial institutions.

e) Improve information on currency flows, private debts and reserves and extend the need for transparency, disclosure and adherence to appropriate reserve requirements.

f) Impose a tax on international currency movements that will deter casual speculation but not genuine investment.

g) Encourage stronger regional co-operation on financial and economic affairs, including initiatives such as building up regional stability funds and soundly structured and democratically acceptable regional currencies. The establishment of a single currency must not serve as an excuse to wrest control over monetary policy from our democratically elected representatives, which is what may well happen in the case of the European Union. Nobody would dispute that monetary policy, in whatever country, is always caught in the crossfire between two objectives, growth and price stability. Resolving this conflict must ultimately be left to politicians who are subject to democratic control, failing which we will end up protecting the interests of financial capital to the detriment of productive capital, growth and employment.

h) Support stronger global rules on bribery and corruption and ensure that where corruption is a cause of crisis, aid and development will be accompanied by anti-corruption measures. Campaign for new ethical standards of corporate governance.

### ***Promoting Social Dialogue in Multinationals***

10. Action Points:

a) Work for company global agreements between FIET, its affiliates and MNCs.

b) Seek global company councils, the composition of which reflects fairly the company structure and the union organisations.

c) Link the work of MNC councils with the FIET World Action Programme and sector policies and strategies.

d) Argue for the application of company-wide core standards in respect of workers' rights and representation, this to include the promotion of codes of conduct for multinational companies.

e) Promote ethical investment principles, which will create employment and include the effective monitoring of suppliers and sub-contractors and their adherence to core labour standards.

f) Insist that when operating outside their home base, MNCs must apply the best of either the laws of their own country, or a relevant internationally agreed standard, especially in respect of workers' rights, equality and non-discrimination.

g) Promote the adoption of ILO/OECD standards.

h) Seek minimum company-wide standards for health and safety.

i) Encourage MNCs to focus investment into job creating opportunities.

j) Promote the development of lifetime education and training programmes.

k) Argue for the adoption of good corporate governance with transparent and democratic accountability.

l) Facilitate the exchange of information between unions in regard to union projects and activities concerning MNCs.

## ***Developing a Sustainable Global Economy***

11. It is urgent that governments, the global international institutions, global financial institutions, the private sector and unions find new means of co-operation to deal with a volatile global economy. We require a co-ordinated strategy to support demand, restore growth and job creation. Action Points:

- a) The requirement to find new measures of support to a nation or region when there is a sudden loss of confidence or a sudden flow of capital out of the country. A transparent and democratic process, which enables containment and financial support, should be determined. Solutions should enable new funding, payments' flexibility to nations in crisis and promote a social dimension through social safety nets.
- b) Campaign for a thorough review of the role and functions of the World Bank and IMF, with the aim that their policies put people first and that any adjustment process should respect human and social values. Structural adjustment programmes should be based on dialogue with social partners, good governance and respect for human rights and core labour standards, increased employment and poverty reduction.
- c) Debt relief by cancellation or the restructuring of public and private sector debt to include the "Heavily Indebted Poorer Countries Initiative" of the IMF and World Bank. We will also support the Jubilee 2000 campaign for debt relief for the poorest developing countries.
- d) Encourage measures designed to remove poverty, injustice and economic marginalisation, including the provision of social security systems and initiatives to combat low pay. In a global economy we require a vision as to global minimum salaries as expressed in purchasing power standards. FIET should approach the ILO with the aim of including this task in future salary surveys.
- e) Campaign for social justice throughout the world by developing a world charter of basic social rights and implementation of the ILO fundamental rights' declaration
- f) Continue the campaign for the abolition of child labour.
- g) Work for the development of a social dimension by promoting a positive partnership for change at the workplace. A fundamental change is occurring to business structures and work organisation. The rapidity of change continues to increase. Our aim is to seek a positive partnership for change at the workplace through respect for union rights and social dialogue.
- h) Support measures designed to promote greater equality and to combat unfair discrimination.
- i) Help to develop policies for ageing societies.
- j) Help develop effective environmental standards that will protect the world's ecological heritage for future generations. Such standards should include the working environment.
- k) Support employment-creation policies that will produce quality jobs for people throughout the world; jobs which are sustainable and which give workers the dignified means to sustain themselves and their families.
- l) Work for active labour market policies in a digital economy. Active labour market policies must not be allowed to undermine unemployment benefit policies, nor should they aim to force people into jobs outside acceptable rules of employment. During their implementation, particular care should be taken to prevent subsidised jobs within this context from squeezing out normal jobs as a result of their lower cost. Concerted action is required to improve the provision of education to increase skills' formation over the lifetime of a worker. This will require major and on-going public investment in education, training, skilling and reskilling, and widespread access to such opportunities.
- m) Develop support for workers in the informal sector.