



## **THE TRADE UNION MOVEMENT OF THE AMERICAS VISION ON THE WORLD CRISIS**

### **Supporting Document for the Forum of the Workers of the Americas V Summit of the Americas Port of Spain, April 15-16, 2009**

#### **Introduction**

At present our region and the world face the worst crisis since the 30s. It is called the “perfect crisis” because it encompasses several dimensions, all impacting directly on the life of workers worldwide and in the Americas in particular.

This crisis constitutes the end of the concept of development as a linear and infinite process of appropriation and transformation of natural resources, as well as the end of the neoliberal model of economic globalization which insisted that the open market and its different forms would self-regulate and organize the planet’s production and consumption.

The expression “perfect crisis” –defined below– has already claimed its victims: millions of workers have lost their jobs and millions are about to lose them if the crisis has not yet touched bottom, as everything seems to indicate. As well as unemployment and its repercussions on poverty, deregulation and increasing precariousness of employment, our societies are paying for climate change and difficult access to food, especially affecting the most vulnerable group, i.e. the poorest of the poor.

With the establishment of the TUCA/ITUC we believe that the main responsibility for this crisis is and was of the governments of many of our countries. The governments of world powers, through their political and economic clout and that of international institutions that they have utilized or neutralized, modeled the world that cracked at the end of last year. Only blaming irresponsible bankers is to deny the responsibility of those that were responsible of the regulation of financial markets. Blaming only the industrial sector and consumers for exceeding the planet’s capacity is to deny the responsibility of those who should have limited one kind of production and consumption long ago, and should have invested in advancing towards another development model for the global economy.

Therefore, we demand the governments of our countries to respond with efficiency, innovation and commitment to safeguard the destiny of humanity and the wellbeing of workers.

We believe that this crisis also involves a “crisis of distributive justice”, i.e. the disconnect between salary increase and productivity increase; the privatization of public utilities that neglects the supply of world public resources, such as the environment, social protection, food security; increasing job precariousness, increasing informality in labor relations and



the deregulation of the labor market; in short, the disconnect between wealth, development and solidarity.

From the perspective of the trade union movement, the way out of the crisis will only redound in greater justice and equity for workers if it is based on accomplishing sustainable wellbeing for each of our countries, and at the national, regional and world levels. As this crisis is global, it cannot be overcome with national measures alone.

At the multilateral level we demand that governments stop making promises and start acting. It is necessary to address the reform of the multilateral system of world governance with determination, not simply imposing certain impediments to financial activity.

We need economic administration mechanisms to efficiently regulate financial flows and also force trade to be linked to the development of our peoples. This refers to WTO and, in particular, the Doha Round.

Effective cooperation for development and the fight against poverty, the production of renewable energy and the control of the environment call for a more active role on the part of the State in representation of public interests.

The true multilateralism that is required will not survive without social dialogue involving social actors in general and the trade union movement in particular. Trade unions are part of the solution, we are not the problem. We have been raising the red flag on the non-viability of this model for decades and for this we have been repressed in different and atrocious ways.

It is also necessary to coordinate ways-out at the national level because it is evident that isolation within borders, when the problem is overreaching, will only lead to partial or simply reactive responses.

Therefore, we believe that Regional Integration offers our peoples and countries the best opportunity, with the principle of solidarity prevailing over savage competition which, as we already know, does not generate equilibrium or justice. This integration will have to be based on the principles of complementariness and solidarity, aiming at more just and equitable societies, both economically and socially. The trade union movement of the Americas is already fighting to achieve this.

The objective of this thesis is to become part of the discussion on the development model for the world of tomorrow. We have organized the text in the following manner: 1- Our characterization of the crisis and some third party opinions (in bold), 2- The impact on workers and on society in our region, and 3- Our proposals (in bold italics).

We look forward to critiques, contributions and inputs from the entire trade union movement of the Americas.

São Paulo, March 2009

**Víctor Báez Mosqueira**  
**Secretary General**



## PART ONE: GLOBAL APPROACH

### Which crisis?

1. During the first months of 2009 there were no more doubts about the seriousness of the global economic crisis. The first reduction in the world GDP since post-WW II has been forecast for 2009 (0.5%) and will reach all regions, even the growth of the Chinese locomotive will decelerate considerably (to less than 7%).

2. This crisis can also be considered “perfect” because the economic-financial crisis coincided with food and energy/environmental crises<sup>1</sup> (focused on climate change) creating – according to some observers – a global systemic risk based on the interaction between different elements heading to a vicious cycle.<sup>2</sup>

Furthermore, now there is talk about an “employment crisis” and a “poverty crisis” as an effect and cause due to its impact on the contraction of demand. The ITUC also calls it a “distributive justice crisis”, “inequality crisis” and even a potential “political crisis”.

3. This economic crisis might be greater than the Great Depression. Volker (former president of the Federal Reserve and now advisor to the US President) stated that “there has always been a crisis but this one is different because it includes the highest rise in the value of assets and the greatest boom in prices in history. There has never been a quicker and more uniform downfall all over the world”. The IMF has stated that this is “uncharted territory”. This crisis is considered non-cyclical in the sense that it is a crisis of trust in a form of capitalism based on financial appreciation, i.e. on the “neo-capitalism of financial hegemony” due to poor regulation. The crisis stems from a correlation of forces and interests in a given cultural context.

4. Looking back, the announcement of this crisis started several years ago, but perhaps without realizing how close it actually was. In 2006-7 the rise in the price of raw materials was a clear indication of the excess of global demand combined with speculation. There was a limit to the installed capacity. Subprime credits were the short fuse and solid credits ended up being weak credits due to the breakdown of borrowers’ situation. The brakes were jammed because of the rise in interest rates and the prices of housing, oil and food.

5. The IMF believes that the expansion of the financial systems in recent decades by far exceeded the growth of the real economy, while banking supervision and regulation were not prepared for such challenges. It is positive that the financial system is smaller and more compatible with the real economy in a more controlled way.

### Background of the crisis and its characteristics

6. There are different positions on the origin and characteristics of this crisis:

<sup>1</sup> An example of cumulative effects of the crises concerns poverty: according to the World Bank, the food crisis affected 100 million people, and in 2009 the economic crisis will affect 40 million more.

<sup>2</sup> It has also been considered the perfect crisis because “companies do not invest, banks do not lend, States do not have funds and consumers do not buy” (Enrique Iglesias, SEGIB). Concepts also begin to be intertwined: the IMF now uses the term “global financial warming”.



On a purely descriptive basis, the onset of the crisis can be tracked to the 2005 crisis when the US hardened its monetary policy, raising interest rates while the demand and prices of commodities were on the rise. In September 2008 the insolvency of the first companies began.

Looking further back in time, the Bush Administration is considered as the trigger of crisis since the beginning of the decade. The interest rate cut in 2001 from 6% to 1%, aimed at resolving the North American economic recession, confronted a scenario of abundance of capital, scarce regulation of the movement of speculative capital, watchdogs colonized by banks and the incentive for financial expansion through low cost “trash mortgages” and high risk subprime loans without guarantees.

The “beneficiaries” of this situation were the sectors of the population that, with nothing with which to raise debt in the traditional way to purchase their house, built up their hopes of acquiring a house “that paid for itself” based on a rise in its value which would by far surpass the cost of the credit received to purchase it with a mortgage. The key to the process was that, instead of ensuring that debtors reimbursed the loan to the bank, the loan was guaranteed to become a permanently profitable asset (from the bank’s perspective). For this mechanism to be feasible, the intermediaries (investment banks, credit corporations, insurance companies and risk funds) used e-commerce to infinitely multiply transactions and materialize them in a matter of seconds. The virtual world led to the belief that the multiplication of transactions actually reduced risk.

But the opposite happened because investors were forced to act as addicted gamblers: the higher the bet, the greater the amount of money that was required on the table. The same logic applied to other businesses, through purchases without money, through indebtedness and expecting the multiplication of the original investment to pay off the debt and keeping the acquired capital.

During these times, the speculation of financial markets offered many more opportunities for short term benefits than contributing to liquidity to companies that were seeking to innovate, gain new markets or create decent jobs. The direct operators of the financial system were not the only beneficiaries, but the traders too.

After the E-commerce and Enron crises, investment declined and companies became cautious. The construction sector filled the void in the demand for business investments.

7. To explain this phase it is necessary to go back to the 90s when financial deregulation and the unlimited creation of new financial instruments advanced in the US in the framework of authorization to banks to acquire realty, insurance, credit companies, brokerage firms and other banks. Easy use of futures markets was allowed, fees charged to customer accounts tripled and the rise in credit card interest rates was authorized.<sup>3</sup>

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<sup>3</sup> The reforms that promoted subprime loans are linked to the Republican Party referring to them as “the American dream in action” (their main promoter was Senator Phil Grimm) with the promotion of legislation of separation between the bodies of supervision and control over Wall Street, elimination of barriers established since the Great Depression to limit the growth and concentration of the financial groups. This was the result of Wall Street elite lobby (Bank of America, Goldman Sachs, Citi, Fidelity, Chase) with congress members of said party with congressional majority. To a certain extent this approach was accompanied by the



Private indebtedness was the mechanism to maintain the standard of living associated with a high consumption society. The US built a financial system for itself and for the world based on a mechanism of multiplication of monies for whoever could profit. However, a wealth similar to this accumulation was not being created and consequently there was a huge transfer of wealth in favor of the “most fortunate players” and fictitious capital was being created made up of instruments and assets that were not worth what they claimed to be worth.

8. A more profound perspective on the crisis needs to go back to the medium term and combine different approaches. A first approach is the post World War II process related to the creation of Welfare States enjoying a positive dynamics in terms of salaries and trade unions. In this way, two essential principles of capitalism would have been questioned: business surplus and the social climate favorable to companies. In this framework, the Reagan and Thatcher administrations “took advantage” of the 1973 and 1977 oil crises and the fall of the Berlin Wall in 1989 to move towards the neo-conservative approach of deregulation at different levels, which brought about the rapid advance of financial globalization (based on the dissemination of virtual technologies), i.e. the environment for the “financialization” of the economy.

In the 80s companies started to get organized as speculative assets based on indebtedness to which the role of persons is then added with the expansion of private pension funds. Insolvent persons raising mortgage debts, then securitizing these debts and commercializing them based on indebtedness at the peak of the financial circuit.

9. Another medium term approach emphasizes that the cause of the crisis is the “dollar crisis” at the beginning of the 70s (1971-3) and the subsequent wave of liberalization of capital markets which fostered the volatility of exchange and interest rates, escalating the opportunity to gamble financially. This was the result of exchange rate variations which forced companies to hedge against adverse exchange rate movements. This stimulated speculation on the future value of currencies.

10. Another explanation is rooted on the economic cycle theory, when what happens is a consequence of the functioning itself of the system (Wallerstein). According to this approach “the glorious 30s” of post-WWII (the “Keynesian Pact” or the “Social Democrat Pact”) combined the greatest expansion in production with business earnings and general wellbeing in the history of capitalist economics. The problem when competition grows is a business sector with less profit, whereby companies move their money to financial and speculative activities. Individuals and States also start borrowing and living beyond their means. The problem with debt is that at some point it has to be paid back.

In other words, the theory of the economic cycle of capital focuses on its predatory component: attaining extraordinary earnings in a short period of time. This determines the duration of the prosperity cycle and the short duration of economic booms. The drop in earnings leads to the need to raise further debt, reduce investment, increase prices and

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management of the Executive in charge of the Democrat Party. A fact, among others on this period, is that family credit card indebtedness in the US rose to over 60% from the end of the 90s to the middle of the first decade of the new millennium.



distribute dividends to shareholders. This prepares the stage for the new adjustment (devaluation, salary reduction), to then start all over again. It has also been said that long periods of economic stability make investors assume greater risks, leveraging in excess and paying high prices for assets.

11. North America is at the core of the generation of this crisis; however similar behaviors related to overstimulation of the financial sector in other economies are evident. Firstly, the 1997-98 Asian crisis had characteristics similar to the present crisis, except that it was rapidly controlled by the countries involved.

This approach also gained strength in the “euro zone” with banks repeating the same pattern of excessive indebtedness (such as France equal to 120% of the GDP), with excessive expansion of the realty market and the construction industry (as in Spain and the United Kingdom) and the extreme case of Iceland (now bankrupt) that specialized in financial services and guaranteeing all bank deposits. These problems also emerged in Eastern European countries, Greece and Italy. The more general phenomena of deregulation and decline of the Welfare State are also present in the “Global Europe” approach to “compete in the world”.

12. It is important to underscore the ITUC approach on the **crisis of distributive justice**. For the ITUC this crisis is about:

- The disconnect between the rise in salaries and the rise in productivity;
- The privatization of public utilities overlooking the supply of global public assets, such as the environment, health, social protection and food security;
- The increasing precariousness of conditions at work, greater informality of work relations and deregulation of the labor market;
- The cuts in the Welfare State;
- The disconnect between wealth and solidarity.

This crisis renders the economic system (not only the social system) unsustainable with impoverished workers unable to consume enough to maintain the economy. An aspect linked to this dimension of the crisis refers to the policies of repression and discrimination against trade unionists directly impacting the balance in the negotiating power between salary-earners and their employers, benefiting the latter. Paul Krugman clearly states that Bush accelerated the loss of the negotiating power of salary-earners, strongly reducing any possibility of trade union organization ([www.viva.org.co](http://www.viva.org.co)).

13. On the **environmental crisis**, the ITUC has provided evidence that the planet’s natural resources do not allow the consumption modality of industrialized countries to be extended to the entire population. Additional to the above are the effects of climate change that call for collective measures to reduce greenhouse gas emissions. Inequalities are evident in this regard because the poor suffer the negative effects of climate change much



more, leading to the need to adopt measures that are both ecologically efficacious and socially just.<sup>4</sup>

14. The **food crisis** combines two elements: the actual increase of demand in large emerging countries that add population to the market (China) and the phenomenon of food overconsumption in the North (see below). This relates to WTO negotiations because support to agribusiness exports goes hand-in-hand with the absence of guarantees for survival in poor countries.

IMF and FAO have warned that the short-term factors of the food crisis will not fade away. It is important not to raise false hopes that the crisis has passed. The credit crunch leaves farmers without access to financing for fertilizers, seeds, etc. Food prices will continue to rise in 2009. The depreciation of nearly all currencies, except for China and Japan, does not allow the drop in the commodity prices in dollar terms to translate into price reductions.

**15. The concept of global imbalance and its perception as the “basis” of the crisis is present in many of the analyses performed on the issue, including the analysis of the international trade union movement. It concerns global imbalances between countries of the North and the South in savings-consumption-investment.**

**On the demand-side, as of 1992 the US began to run a significant current account deficit, which increased as of 1997 and reached its peak (6% of the GDP) in 2006. On the supply-side, emerging, developing and recently industrialized economies had a deficit of US\$ 78,000 million in 1996, while in the following decade (2007), said deficit had become a surplus of US\$ 265,000 million (year 2000 is the first year that China and India record a current account surplus). China in particular has accumulated huge reserves (almost US\$ 1 trillion). The same goes for India, Arab oil-producing countries, Russia, Korea and Singapore.**

**These resources have been invested in reserves, “sovereign (state) funds” and government instruments and bonds of countries of the North, mostly the US, to hedge their deficits, thus playing the role of “bankers of the planet”. It is worth mentioning the extreme case of China that transformed the US into its “financial hostage” by placing US\$ 650,000 million to hedge its deficit.**

This option, which is counter to investment in domestic production, has been justified in terms of: 1. A cautious behavior vis-à-vis the new crises (following the Asian one) since government bonds are extremely liquid in the event of having to sell (this is also the reason given for the conversion of an important part of said surplus into reserves); 2. A domestic structural problem in which sufficient and reliable forms of savings cannot be created due to the immaturity of their own financial markets; 3. An economic approach

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<sup>4</sup> Some authors -like Brazilian Leonardo Boff- relate this crisis to the classical interpretation of the cycles of capitalism, but with a crescendo that leads to a more somber scenario: the condition of the Earth has changed so much lately that sustainability is experiencing a global crisis. The system's logic runs directly counter to the logic of life, producing purely material growth. The former logic is linear, while the other is complex, stimulates diversity, interdependence and complementariness, and reinforces cooperation. It is a systemic issue because it pertains to the capitalist dynamics of accumulation, endangering its very foundations (nature), with a suicidal drive of exploding endlessly on a limited planet. The limit of capital is the limit of Earth. It was not like this in the 1929 crisis. After making employment precarious, now capitalism is destroying nature.



focused on exports establishing favorable currency policies through the weakening of their own currencies by purchasing dollars.

In this context, to a certain extent the conservative approach (in terms of profitability) of investments in government instruments and bonds is counterbalanced by sovereign funds (US\$ 650,000 million in 2007), where the highest returns are gained and headway is made in the participation within the multinationals spectrum, through state-owned companies.

Asian savings may have provided the rope; but America hanged itself. The macroeconomic forces that drove the capital flows were hard to reverse. But what made them so devastating was that they were met by microeconomic failures. The interaction between the two was fatal." (The Economist, Jan 22nd 2009)

At the global macroeconomic level, the gaps in the ratio financial flows-world output widened vastly from 8% in the mid-80s to 35% in the mid-90s.

In turn, the deficit of the US (and other countries) can be explained by the bias towards consumption rather than to investment in production, leading to overconsumption (and lack of domestic savings.)<sup>5</sup>

### **Which are the consequences and reactions?**

16. Looking ahead, a first answer to this question refers to the immediate impacts of the crisis that began at the end of last year, the prolongation of which over time will depend on the magnitude and efficacy of anti-cyclical measures adopted in each country. The cumulative cycle is less credit, consumption, exports, trade, investment causing greater employment precariousness and unemployment. At the macrosocial level, inequality of wealth and poverty are also expected to increase and even the Millennium Goals might be affected.<sup>6</sup>

17. A few months after the crisis showed its head, all the industrialized economies reacted with different types of anti-cyclical measures: bank deposit guarantees (including forms of nationalization of the most insolvent companies), debt financing with close-to-zero interest, different forms of stimulating demand, i.e. through government investment (with a special place assigned to the construction sector), limitation of imports (including "buy national"), tax exemptions, cheaper consumer goods. This is a combination of original Keynesian tradition with experiences that do not go so far back in history, such as Sweden and Malaysia in the 90s.

The bail-out plans have been criticized from the traditional approach, and from the business and neo-conservative approach too for many reasons: firstly, the negative impact in terms of the reversal to free trade and the advance of protectionism, in view of

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<sup>5</sup> Therefore it is about excessive consumption: even when aggregate consumption is the most powerful driving force of economic growth, a distorting consumption has grown in the last decades, "instrumental, of exchange and identity, existential and addictive". (Montanat).

<sup>6</sup> The red flag has been raised about the crisis leading to greater school desertion with children needing to contribute to their families' livelihood (UNICEF). A reduction in public and private efforts to improve the environmental situation is to be expected, as these expenditures are considered expendable in the short term.



the “buy national” measures observed in North America and Europe, to the extent in which a “financial nationalism” emerges with loans to banks including a requirement of “staying at home”, i.e. future credits will be mostly for local companies. Likewise, a red flag has been raised about a “new form of nationalization”: the cost of the bail-out plans has been underscored as they will be financed by taxes or new debt.<sup>7</sup> In this context, the new state share in banks (as well as deposit guarantees) is transforming taxpayers into shareholders, leading to the issue of the risks incurred as well as the State’s matching funds regarding them. Furthermore, the SME business sector is raising the red flag about the plans privileging large corporations of the exporting sector.

From a non-business approach, the plans do not incorporate the perspective of the average taxpayer and are even advancing towards “socialism for the wealthy”, not addressing the real problem but making it worse: instead of taking the machine apart, they are oiling the parts, backing the entities that played heavily and lost. The United Nations has pointed out that the reduction in the interest rate could be negative given the context of lack of trust of investors and banks’ reluctance to invest.

On a more general note, and based on previous crises, an increase in economic concentration is to be expected given that the groups with most capacity take advantage to purchase other companies that have not been able to overcome their present situation.

18. Another important issue is the acceleration of the redistribution of global power from the West to the East. This recognition lies behind the statement made by the World Bank president in October 2008 about the financial crisis raising the red flag on the need for greater cooperation between more countries, whereby the G-7 “is no longer functioning” and “we need a broader group for difficult times”, referring to emerging powers such as China, India and Brazil.

In principle this is positive (in comparison with the prior unipolar world), but it refers to important crises exacerbating old tensions and generating new disputes. Therefore, multilateralism is not tantamount to stability and peace as it can be unstable and conflictive (Tokatlian).

## **PART TWO: THE LATIN AMERICAN-CARIBBEAN REGION AND THE CRISIS**

### **What is the impact on the Latin American-Caribbean region?**

19. Evaluations suggest that the impact of the crisis will be greatest in the periphery (including LAC) than in the center, confronting the naïve initial approach (even of some Latin American presidents) stating the opposite. In general a decline in development aid is to be expected, but this is made worse by a variety of “contagions” of the general process at the national level.

In the Latin American-Caribbean case, up to 2008 the countries of the region enjoyed a six year “summer” with an average economic growth of 5% in the 2002-2007 period and still

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<sup>7</sup> It is important to bear in mind that net wealth of US homes dropped by over two trillion US dollars last year. Another aggravating circumstance is that in upcoming years the US will also suffer the additional pressure on government funds of the postwar baby-boom generation that will be reaching retirement age.



4% in 2008)<sup>8</sup> - only comparable to growth in the 70s which were part and parcel of the prolonged cycle initiated in after World War II. By the time that LAC summer set in, the “lost decade” of the 80s and the neoliberalism and structural adjustments of the 90s were part of the past. Comparatively speaking, this period is better because this growth has extended to all countries and not only to the most powerful ones that determine the average (Brazil and Mexico), which grew less than the 8-9% of Argentina, Venezuela and Dominican Republic, and than the 7-8% of Costa Rica, Panama, Peru and Uruguay.

Several countries developed pro-cyclical policies of public expenditure, mostly in the social and anti-poverty areas (in Argentina in the Southern Cone commodities were subsidized) reinforcing the general tendency to improve living conditions.

As a result, all labor indicators improved (unemployment, quantity and quality of employment, purchasing power of salaries), as well as the poverty indicators to which the these concur (See box below)

**Changes in labor variables during 2002-2008. Source: based on ECLAC.**

**Unemployment.** Open unemployment, that had greatly increased in the 90s and which was greater than 11% in 2003, dropped to 8% in 2007 and nearly reached 7% in 2008, like in 1990. Frequently a relatively automatic ratio is estimated between the GDP and unemployment whereby a 4% growth of the former leads to a one percentage point drop in the latter. The reduction in unemployment relates to the increase in the rate of participation in economic activities. This occurred in spite of the most prolonged permanence of youth in the education system. Most especially, youth unemployment –which is still higher than the average – showed more striking reductions whereby progress was made in the absorption of young people into the working world. But unemployment also declined among adults (40+ years) whereby people out-of-work were reincorporated into the labor market. There is also a relationship between the reduction in unemployment and poverty because the former occurs mostly among families with the lowest income (the bottom 10% in the distribution scale). The reduction in urban unemployment did not change the gaps between men and women: unemployment rates continued to be higher among women and the reductions observed during said period favored men who already showed lower unemployment rates at the beginning of the last period of economic recovery and growth.

**Employment.** During this period, total employed persons in urban areas increased to over 5 million per year, many more than the 3.3 million of the 1990-2002 period. Differentiation per sex shows that the most dynamic factor continues to be the

<sup>8</sup> From a South-South perspective, it is possible to state that even without the two “locomotives” (China and India with almost 10% per year), the annual average growth of LAC (4.8% based on data up to 2007) is quite far from Southeast Asia’s (7.7%) and West Asia’s (5.7%) and is even less than Africa’s (5.2%).



incorporation of women into the labor market (2.8 million more women per year in comparison to 2.2 million in the 1990-02 period, in comparison to 2.5 million men versus 2.0 million men respectively). Therefore the domestic rate is 58%, which continues to be a far cry from the 83% for men. The persistence of the tendency of female employment to increase suggests that, as well as the incentives driving women today (greater education, search for greater autonomy), the greater number of work positions, the increase in the supply of jobs with flexible or part-time schedules are also encouraging women to enter the labor market. Salary-earners and autonomous workers are among the first to have contributed a higher quota to the increase in total employment, representing 77%, going from 2 million annually in the previous cycle to 4 million in the present one. Taking the aforementioned total annual growth into account means that non-salary-earning employment simply maintained its growth (somewhat higher than 1 million annually). This also helped salary-earning employment to recover in relation to the employment structure, reaching 70% and approaching the 71% of 1990. Since then, the weight of salary-earners has dropped to 68%.

**Quality of employment.** The quality of the new employments also improved in this new cycle. One main aspect of the analysis of this variable relates to the so-called “informal sector” of the region (ILO) or the “low productivity sector” (ECLAC), i.e. the universe of workers in micro-enterprises (as employers, salary-earners and family aid), and autonomous low-skilled workers, as well as employment in domestic service. In the new cycle only 10% of the persons employed in urban areas were employed for this set of activities, reducing the above proportion to a great extent (but never below 60%). Consequently these sectors decreased from 40% to 36% in total urban employment. A second element to consider in terms of quality of employment is the evolution of the precariousness of salary-earners: the indicator of social security coverage offers a good summary. In this case the new cycle has also been positive because the new employments were precarious in 25% of cases in the regional average, i.e. less than in the previous period (although with significant differences depending on the country).

**Salaries.** Mean salaries gathered by home surveys recorded a slight increase: they increased to a mean rate close to 1% per year in the new cycle, which does not coincide with the abovementioned expansion of the product per inhabitant. In this case too, evolution is different depending on the country. In most cases the salary of workers with social security (at the very least) are twice the salary of workers without social security. This gap has tended to grow in recent years due to the increase in salaries.

**Poverty.** According to ECLAC, regional poverty dropped from 44 to 34% from 2003 to 2008, although towards the end there is a negative tendency at the domestic level in poor as a whole (see below).

20. This positive evolution was based on the abovementioned international cycle which drove demand for commodities (mining, oil, food), allowed easy indebtedness, ensured a flow of exports and supported other income favoring these economies and increasing



current account surpluses, something new in LAC. Now the situation has reverted as follows:

- Lower price of raw materials, with oil at one end (150 US dollar the barrel to less than 50 US dollars per barrel), but extended to copper, soybean, wheat, sunflower; plus lower demand in volume with evident repercussions on specialized countries such as Venezuela, Mexico, Ecuador, Chile, Bolivia, Peru, Argentina and Uruguay.
- The drop in the demand for industrial products, such as the automotive sector in Mexico and Brazil.
- Reduction in the flow of direct foreign investment and in general of low interest bank loans. Countries of origination are evaluating the benefit of remaining where the credit risk is easier to manage, and credits will be subjected to the abovementioned conditionalities. If money leaves those countries, safe investments will be sought, such as the US treasury bonds (and gold). This has an impact on countries, such as Brazil, which have converted capital income into a core macroeconomic element. The same occurs when local investment funds stem from assets with the same destination (or even savings accounts), in this way contributing to the downfall of stock exchanges and pension savings of the individual capitalization system which is very strong in Chile, Mexico and Argentina).
- **Although the banking system of LAC was not so directly exposed to financial derivatives, naturally credits decline and become more expensive and with the foreign component of the sector playing an important role, it will have to abide by the defensive policies of the main offices and might even have to settle assets abroad.**
- **There may be a flight of local capital. In fact this tendency has already shown its head in Argentina and Brazil during the last months of 2008 and figures are considerable: in the Brazilian case US\$ 13,000 million and in the Argentinean case US\$ 23,000 million, much more than the US\$ 19,000 of the 2001 crisis.<sup>9</sup>**
- **The direct impact of the downfall of the financial bubble among Latin American companies that had invested can be observed in Brazil (Sadia, Aracruz, Votorantim) and Mexico (Comercial Mexicana, Vitro, Cemex)**
- **The advance in combating tax evasion in during the new phase.**
- **In countries where foreign tourism is important (9% of the regional GDP), flows will decline as another consequence of lower consumption, also bringing down the negotiation of construction and real estate.**
- **In countries where remittances from abroad are considerable (almost 20% of the GDP in Central American countries), the crisis will reduce this source of income, plus a return reflux may be predicted. Mexico has estimated a decline of 15% of total remittances in 2009. In the same way, 35% of migrant workers in the US wish to return to their countries of origin due to their negative expectations in relation to Hispano employment in that country.**
- **As well as unemployment, the unemployment rate is expected to increase due to the increase in the labor force stemming in part from the incorporation of women – who up until now had worked at home - seeking employment.**

<sup>9</sup> In the case of Argentina, the problems include a continual drop in profits of foreign companies from 1 to 2% of the GDP in the 2004-8 period. The flight of capital was already high in 2007 (US\$ 9,000 million).



21. There is also an intra-Latin American dimension of “contagion” in relation to subregional integration processes: the tendency will be towards less reciprocal trade and the appearance of measures of exception of the protectionist type (already happening in Mercosur). Likewise, potential advances in terms of the treatment of asymmetries could be left aside once again (for example the case of Paraguay and Uruguay in Mercosur).

22. Furthermore, in the labor sphere, pressure has begun on some countries to adopt certain measures or to revert those seeking greater labor flexibility and the curbing of the dismissal policy.<sup>10</sup>

23. In some countries of the region the tendency of industrialized countries had been followed and this also led to the financial crisis. A notorious example is Mexico where -during this entire decade- traditional banks and other new ones (such as those linked to the hypersupermarkets) over-expanded accounts-based consumption (mostly through plastic cards for a total of US\$ 52 million) granted with to medium-low social classes at extremely high interest rates with no guarantee whatsoever, which by 2008 already saw a high percentage of default (10%). Most of this phenomenon is attributable to the branches of North American and European mega-banks. Another clear example is Chile where recently members of private insurance companies had been encouraged to change from traditional placements to high risk innovative ones (“A Funds”) which, upon reaching over 90% of total placements, explain the huge loss of savings in recent months (20% of total savings, equal to nine years, US\$ 20,000 million, notably the precise amount of the accumulated anti-crisis fund). In Brazil the “special check” has been considered to have encouraged consumption based on interest rates that were even higher than the highest ones overall. The magnitude of the impact is even greater than that observed in the US (15% of savings) and equal to estimates for Mexico.

24. It is necessary to point out that the region was also affected by the increase in the price of food immediately before the financial crisis, generating domestic inflation of about 10% per year. According to ECLAC, there were two million less persons in a situation of poverty in the region in 2008 (from 184 to 182) but this was based on the drop in relative poverty because the number of destitute had increased by 3 million (from 68 to 71) due to the rise in food prices, the main component of the basic consumption basket.

25. With the exception of Chile and to a lesser extent Peru, another negative characteristic of these economies has been the non-construction of anti-cyclical funds during the period in which it was possible to set them up based on high foreign demand. Argentina is a specific case: in 2006 it approved a fiscal fund of this kind although the government made no contribution to it whatsoever in the following two years.

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<sup>10</sup> The Mexican government has proposed the advisability of including the long-overdue labor reform among anti-cyclical measures, which has important flexibilization elements. In Chile there is pressure to postpone the decision for payment of Sundays to workers who were not entitled to such payment. In Brazil President Lula has adopted a stance on this dilemma when he qualified the idea of wishing to increase rotation, which is already extremely high, as “absurd”.



26. This period shows a reversal in the structural development of the countries of the region to the extent in which, to meet global demand, there has been a “reprimerization” of production which runs against the requirements of full industrialization. In this regard, ECLAC has indicated that, unlike the Asian case, the recent positive cycle in LAC does not reflect high competitiveness.<sup>11</sup>

27. In view of the complex scenario, it is obvious that the policy of debt burden reduction and accumulation of reserves, followed by several of these economies during the boom, provides a margin to buffer the crisis. However, in dynamic terms, twice less availability of fiscal funds, from abroad and from domestic tax revenues, disqualifies this possibility in the immediate future.

### **PART THREE: TRADE UNION PROPOSALS TO ADDRESS THE CRISIS**

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#### **The global approach**

28. Based on its critique of the globalization model and of global governance in force, the international trade union has resumed its proposals for transformation considering that the time has come to put them into practice via a “global new deal” to generate more inclusive, just and democratic results. ***The objective is comprehensive in that it goes beyond re-regulation of global financial markets and monetary systems to address the imbalances of growth and capital flows. The international trade union movement seeks to set up an ecologically sustainable, socially equitable and geopolitically balanced economic system, and to solve the crisis of distributive justice.***

***In this context, undoubtedly the present plans are necessary but insufficient. Injecting liquidity into the economy is not enough, it is necessary to change the basic principles too.***

29. ***The agenda at the international level focuses on a reform of global governance, including “social governance”, which encompasses:***

- ***A defense of multilateralism and establishing fair standards for international trade to contribute to the development of countries and the reduction of inequality. Limitations to speculative behaviors in commercial exchanges, including of commodities and energy markets. This multilateralism must encompass employment as a core element.***
- ***Advances in a global cooperation for development towards the historic goal of 0.7% of the GDP in industrialized countries, including binding commitments and changes in the conditionalities.***

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<sup>11</sup> In relation to the issue of the foreign sector, the Brazilian case has been monitored by ECLAC in relation to the effects of exchange rate overvaluation, warning on going from current account surplus to deficit due to the growth of imports over exports. In 2008, the former rose to 43% versus 23% for the latter, generating a 38% trade surplus decline, the worst result since 2002. In 2008 the flow of foreign investments also dropped by 60%. Brazil obtained “Investment Grade” in April 2008, meaning ‘country recommended for foreign investment’.

- ***The construction of a new global financial and economic architecture as existing institutions in this field do not have the standing or the credibility required for this task. The participation of other countries (other than the G-8), with vote, changes in voting power; regulations of foreign investments and capital flows, including a “Tobin rate”; expansion of IMF emergency loans and increase of World Bank and UN aid to developing and emerging countries with balance of payments affected by the financial and food crisis, with “positive conditionalities”; control of the monetary and financial movements, as well as of the market of by-products, limiting speculation and concentrating the role of markets in corporate finances; public rendering of accounts by central banks; an end to financial off-shore centers and other tax havens; greater regulation of foreign investment, including international instruments (OECD Directives and ILO Tripartite Declaration), creation of a global social protection fund; creation of new financial services for a solidary economy; regulation of the remuneration of high income executives of the financial system.***

***30. At the national level, the international trade union movement indicates that the State needs to recover its role: only government intervention can ensure social cohesion with socially equitable and sustainable results. At the economic level, recommendations are similar to those for the global level, with the addition of a public and private investment policy in infrastructure to stimulate demand and increase productivity in the medium term. In the social and labor chapter (highlighted in the London Declaration in face of the growing evidence of a global unemployment crisis), the need for “decent social security” will be underscored, including a protective policy for retirement and pension systems, increase of the salary of low and middle segments (to increase expenditures), application of minimum salaries to establish a remuneration floor; work policies aimed at reducing the risk of unemployment; policies focusing on the most affected groups: youth, women, immigrants, the elderly, disabled persons, temporary and part-time workers.***

***Social dialogue is also underscored*** (based on recommendations of the ILO Forum on the financial crisis, February 2009), in order to reach agreements with governments and trade unions for the development programs to re-organize companies, with training components. Regarding workers’ rights, it is indispensable to respect the establishment of trade unions and collective bargaining on redistribution of earnings.

31. In relation to the G-20 Declaration in Washington DC last November, for the first time the international trade union movement acknowledges the existence of “voids” in the regulation of the global financial system and the need to reform Bretton Woods institutions, including greater representation of developing countries in these institutions. It also criticizes that the Declaration barely calls for greater international macroeconomic cooperation and it does not acknowledge the role of the trade union movement and ILO in this process.

**Trade union approach - Latin America and the Caribbean**



32. The above proposals of the international trade union movement reflect the basics required by LAC societies; however the TUCA has its own input as the actor directly linked to trade union internationalism.

Regional ITUC organizations are in charge of advancing issues that are specific to this region as a whole, fully aware that broad national heterogeneity recommends advancing in respect of the differentiation of domestic levels of development.

Hence differentiated elements emerge that help interpret the global ITUC proposal: for example if demand in developed countries is based on the recovery of the greater equality that existed there decades ago. In other countries, this formulation must consider, rather than a “return”, the “arrival” of greater social equality is still pending. Likewise, regarding the role of the State, it is necessary to observe that during the neoliberal cycle the State has been pushed into the periphery by extreme versions of the deregulation and “minimum State” approaches.

33. In this period of crisis, based on the Americas, the TUCA has accompanied the expressions of its affiliates and allies (put together in the publication presented to this Summit). This includes records of the first reactions of North American organizations (AFL-CIO and CLC) in respect of the impact of the crisis on workers and their families in those countries, as well as a programmatic document presented to the main US and Canadian authorities in February 2009 describing a platform of public policies for this period, including their projection to Mexico in the framework of the NAFTA.

34. In relation to the specific issue of LAC societies, to which most TUCA affiliates belong, in recent years the TUCA has advanced to a general scheme, i.e. the Labor Platform of the Americas (LPA) prepared by ORIT and other trade union organizations on occasion of the IV Summit of the Americas in Mar del Plata, November 2005. The PLA has been incorporated into the action plan that emerged from the TUCA Foundational Congress (Panama, March 2008). ***The approach presented here is based on the agenda of the required structural transformations with a “menu” type of format that recognizes the diversity of national situations but, due to the impossibility of looking into each reality in detail, we begin by providing general guidelines for broader progressive public policies.***

***35. The structural proposal made by the TUCA focuses on sustainable development, assuming the concept that has been internationally recognized for twenty years, which underscores the economic, the social and the environmental pillars. What characterizes the TUCA proposal is the importance assigned to the economic chapter, which is not frequently observed in other usages of the concept (particularly in industrialized countries where the focus turns to quickly to the environmental and social pillars). However, the TUCA considers that a “new type” of development is required first and foremost in which the countries of the region advance towards fairer and more balanced economies in terms of their domestic and foreign components (as well as within each country), that generate more and better jobs, including remuneration levels, complemented with social protection policies which take into account the expectations of workers of the middle and low income segments (the “base of the pyramid”), in terms of the so-called “mass consumption”.***



The focus is placed on the fact that the recurrent problems of economic underdevelopment in the countries of the region have not changed, keeping the goal of accomplishing true long term accumulation processes, with components of autonomy so as to reduce the impact of foreign factors to the minimum, whether a financial crisis or the policies of transnational corporations.

***Many factors are involved in the achievement of this different economy, such as the progressive fiscal policy between rich and poor (and between different segments of the former), government policies that contribute to making public assets really accessible to the popular classes in terms of health, transport, education, housing and consumption of food, clothes and other elements of daily life. In addition to social protection, the above factors increase the consumption and capacity of workers contributing to the economic virtuous cycle.***

***36. The domestic factor must be developed in conjunction with the foreign factor on based on fair trade within multilateralism, with projections for regional integration. For almost twenty years, the trade union movement has fought in favor of this form of international economic relations, especially between countries close by in terms of productive development and cultural factors. This is the way to foster trade interrelations and join forces to face other blocks and economically powerful countries. In this way these countries gain more clout to impose their conditions on the “market jungle”. Through their integration, member countries are expected to accomplish a high degree economic coordination, and through agreements the respective national States will become stronger.***

37. Does the magnitude and extension of the crisis create a different context for said proposals? Four years ago the LPA, as all other observers, did not envisage the onset of this imminent phenomenon. Therefore, as an active reaction to the crisis, the TUCA needs to propose the specific enforcement of LPA content in the short term.

Therefore it is necessary to take advantage of these times to succeed in establishing anti-cyclical public policies that include elements of the structural approach of the Labor Platform of the Americas.

38. As a general principle it is clear that a double policy movement is required to combine the reform of international institutions with the application of programs of the new type in the countries of the South.

The main themes of the TUCA proposal for the domestic/foreign policies of LAC countries (and other countries of the economic South) are described in the box below, starting with the national and concluding with the international.

<b>TUCA proposal for public policies in LAC countries during the crisis</b>
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**1. Development of expansive national programs in the countries of the South that pay attention to present, as well as structural, issues.**

***These times have set up a positive approach to the adoption of expansive national plans in all countries to face the recessive consequences of the crisis. In the North, these plans are also “bail-outs” of bankrupt companies, but plans for the South should have a broader profile so as to simultaneously advance towards the solution of structural issues.***

***As indicated above, production-wise the boom of international commodity trade immediately prior to the crisis (in and of itself a contributor to the crisis), has led to the “re-primerization” of the Latin American economies involved. This needs to be a core element at the time of promoting economic sectors once again.***

***At the social level, the TUCA has coined the term “social armoring” (in contrast to financial armoring) to show that, as well as the recovery of the affected businesses, it is necessary to pay attention to people. The global debate has highlighted the significance of the Asian crisis as the precursor of the present one, in which various countries (Korea, Taiwan, Thailand) focused on increasing social protection networks and facilitating access to health, education and unemployment benefits, while the others (Singapore, Malaysia, Indonesia, Philippines) emphasized economic growth.***

***In the Americas the existence of pension systems based on savings placed in the stock exchange entails the dilemma of public or private systems. Argentina displayed an early reaction (September 2008) when AFJPs (Administrators of Retirement and Pension Funds) were nationalized, and there are projects heading in the same direction in Mexico and Chile with the creation of a government AFP (Pension Funds Administrator).***

***As the present global debate includes frequent criticism to the neoliberal approach, it is possible now to make a contrast between approaches in terms of social policy. Neoliberalism did away with the logic that economic and social matters were inseparable with the economic sphere taking care of growth (via privileged groups) to then pass growth on to the rest of society. In this context, social policy has to subsidize those who have not benefited through a focalized approach.***

***The application of the present and positive emphasis on a “new green deal” and “green growth” lies in the combination of production and social matters. This enjoys widespread consensus at the global level (even greater than that of many Latin American countries taken individually) establishing the need for measures aimed at recovery through public and private investment in infrastructure, collective transport and renewable energy linked to the reduction in emissions and gas production to foster environmental preservation. This approach also fosters the stability of energy prices. It also offers vast opportunities for job creation.***

***Production and social plans must also encompass immigrant workers, who could be particularly affected by the crisis.***

## **2. Taking advantage of the present scenario to reduce the crisis of distributive justice**

*The ITUC indicated that this notion could be used to promote changes in this area. From the global perspective, it is important to bear in mind that LAC is the region that suffers most inequality worldwide, with presence of vast middle-low segments in conjunction with poles of concentrated economic power, generating widespread heterogeneity.*

***The tax chapter is essential in respect of the gap in income while increasing the financial feasibility of the plans based on domestic resources. An increase in income tax should not be deemed incompatible with the crisis, especially in formats (as the one proposed by Stiglitz for LAC countries) in which a progressive corporate tax is levied on industries with 50-60% levels of concentration. Responses to proposals of this kind call for the return to the neoconservative approach of stimulating supply and reducing such taxes.***

***It is also possible to improve the distributive situation on the basis of the value added tax itself, in the sense that a good part of potential revenues (up to half) is neutralized by the application of exceptions to certain sectors, an issue which also needs to be reconsidered.***

*Furthermore, the aforementioned social policies are other ways of addressing this issue.*

## **3. Maintaining the North-South differentiating approach in the Doha Round negotiation**

*The G-20 has proposed the resumption of multilateral trade negotiations in the new context, as a way of neutralizing the potential protectionism that the crisis might entail, and calls for a swift conclusion of the Round. However, the lack of a unified perspective among countries with different degrees of development that led to its suspension in July 2008 continues. Hence the same trade union stand continues as well and has been further developed and strengthened by the WTO Union Group of the TUCA, in conjunction with its participation in the NAMA-11 Group of the ITUC.*

## **4. Benefiting from the crisis to open new long-term roads for regional integration**

***As indicated above, the crisis could lead to a new wave of protectionism based on the contraction of national economies within their borders. Even where regional integration processes are underway, unilateral measures might be adopted within member countries (in fact this has already begun).***

*Running in the opposite direction, the AFL-CIO and CLC have called on the presidents of United States and Canada to review the NAFTA as part of the binational agenda to address the crisis, including the proposal of a social fund for Mexico.*

***In this context it is best to look at what happened in Asia in December 2008 when China, Japan and South Korea started to establish intergovernmental coordination.***



***In the previous Asian crisis, the idea of creating an “Asian monetary fund” was vetoed by the US.***

*In and of themselves regional integration processes are ideal scenarios to address reactivation plans with supranational format. This approach has been frequent in recent years in certain sectors, such as physical infrastructure.*

***5. Creating a global monetary mass to provide short-term liquidity to countries of the South to fund their national programs.***

***The Special Drawing Rights (SDRs), created in 1967, have been proposed <sup>12</sup> as forms of credit and international payment, but their expansion was blocked by the US in the 80s for fear of the inflation they might generate. Large long-term, low interest rate issuances could be made (at levels similar to those used by the US administration to finance their own program), with governments (and not with central banks) as the beneficiaries of the credit, as it is not simply a matter of reinforcing international reserves.***

*As the activation of the SDRs requires 85% of favorable votes, this proposal is directly linked to the increase in voting power in the IMF of countries that would be the beneficiaries.*

***Another way is for countries with current account surpluses to finance, based on their “sovereign funds”, government instruments in countries of the South, instead of focusing on industrialized countries.***

***6. Reducing global economic imbalances***

*This issue is at the heart of the reform of the present model of global capitalism. On the one hand, countries with a foreign current account deficit (starting by the US) should maintain a cautious macroeconomic attitude in the medium term aimed at balancing said account, at the time of designing fiscal and monetary policies and their policies for consumption and imports so as to moderate both factors. This is not contradictory with the adoption of temporary short-term measures to address the crisis (specific tax cuts or public investment projects).*

*Furthermore, economies with excess savings need to progressively reduce their current account surpluses through “self-investment”, reinforcing domestic demand instead of placing funds abroad. **Said funds could be assigned to the development of production and social infrastructures, favoring economic growth and promoting social development so as to raise the standard of living of the population, an aspect that has frequently been overlooked in the past.***

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<sup>12</sup> This proposal is explicitly described in the articles of financier George Soros and the Argentinean neo-structuralist economist Roberto Frenkel who has frequently worked with the regional ILO. During high level meetings with financial institutions (January 2009) the World Bank president underscored the promotion of fiscal expansion programs in the countries “that could take them on”. The ITUC Secretary General has argued that the conditions requested “are not unlike the usual ones”.



*An important instrument to correct imbalances would be for countries with surpluses to reevaluate their currencies after years of exchange rate manipulation to affect the ratio domestic demand-foreign demand in favor of the latter.<sup>13</sup>*

*In this context the "Bretton Woods that never was" comes to mind<sup>14</sup>, i.e. the approach sometimes referred to the "Global Keynesianism" proposed by Keynes himself UK negotiator.*

## FINAL

1. As indicated above, in view of the evident crisis, the core issue is whether it will be an opportunity or a deterioration of the problems suffered by working classes, their families and other excluded social sectors. This is valid for all countries, but especially for countries of the South.
2. As expressed by Erick Hobsbawn, the same incentives might be present today as those that fostered the policy change in developed countries in the 30s in order to control the profound political and social danger that the crisis entailed. In this regard, this crisis is different to the 1997-8 Asian crisis, in which countries of the North did not display much of a reaction and continued with their same policies as if nothing had happened.
3. This historic perspective contributes another element which runs in the opposite direction. The same author recalls that the 30s crisis teaches that, except for the US and Scandinavia, in other Western countries the right that came into power as a result of social discontent, displayed rudimentary nationalist approaches and other complementary elements such as xenophobia.
4. No doubt it will be more difficult to argue in support of market fundamentalism in upcoming years. This should reduce the insistence of free market approaches. As expressed by AFL-CIO and CLC, this is "an opportunity to re-evaluate economic doctrines, agreements and institutions".

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<sup>13</sup> ECLAC has recommended that the region employ a mobile and floating currency system to compensate the asymmetry experienced by developing countries in international capital markets, i.e. broad access in times of boom and insufficient access in times of crisis. Additionally, the reserves accumulated during the boom would allow intervention in currency markets during the crisis.

<sup>14</sup> The phrase "return to Bretton Woods" is often coined and needs to be understood as going beyond what was agreed at that time. The "Global Keynesianism" that was on the negotiating table at the time has been the most daring proposal in terms of redesigning the international economic order: the new world organizations to be created (IMF and World Bank) had to ensure the coexistence between free trade and a protection system based on a credit adjustment device, according to which countries with trade surplus would be sanctioned. These countries had to accept a discrimination against their foreign sales or expand their domestic markets to absorb the imports originating in countries with trade deficit. Each debtor country would be entitled to a credit line in an international payment system supported on a compensation mechanism and the 'bancor' (an international currency). No agreement was reached in practice and the actual postwar tendency was towards a "creditor economy" (i.e. of rich countries) rather than towards a "debtor economy". In this context the Bretton Woods structure was based on a power with a large reserve and fiscal and financial capacity, however, now that same power is part of the problem.



However, upon reviewing public statements of important observers and players, different perceptions can be observed in the apparent convergence of approaches: in view of the “betrayal” to capitalism, it is necessary to “set it up once again” to “correct its mistakes” (Sarkosy); “capitalism is not dead; it needs limits, rules, ethical standards; only the financial system has failed; it would be a mistake to resort to more state interventionism” (Tony Blair). A “new sheriff” is required to solve “the obscure side of globalization”. Capitalism in and of itself is not to blame, but the loss of a minimum set of rules, capitalism needs to be regulated once again. The presence of the State is a temporary measure for emergencies” (Soros)<sup>15</sup>

6. It is also interesting to note that in developed countries the proposals for change or to cover up the crisis once again stem from the right, giving way to the so-called “political centripetalization”, consisting of the right and the left being more in the center, mostly concerned about financial and economic issues and with the left disregarding social and labor issues. (Moulián-Chile, Anatomy of a Myth)

Indeed, the ITUC has pointed out the contradiction that the very Ministers of Finance who failed in their predictions will be those leading the reform in global governance.

7. Within the international trade union movement, the TUCA will respond affirmatively to the invitation of the ITUC (past February) to collaborate with the entry of information into the Center for Exchange of Responses of national and international trade unions to the crisis (with TUAC and ITUF).

8. One of the elements to be used in national public policies to address the crisis is the potentiality of social dialogue with employers, particularly at the level of bilateral collective bargaining. The TUCA has recorded conceptual and strategic differences in the region which confirm the difficulty of applying such a criterion, so it needs to be tested.<sup>16</sup>

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<sup>15</sup> Only Bill Gates is different to a certain degree in that he focuses on the need for “creative capitalism”, for the aspects of capitalism that serve the wealthy to also serve the poor. There is a huge market at the basis of the pyramid. There is a double mission: generate profit and improve the lives of those who do not fully benefit from market forces.

<sup>16</sup> At a tripartite regional ILO meeting on the crisis, in which TUCA and another four affiliates participated, at which some elements of the document “Dialogue of Social Interlocutors: responding to the crisis: growth, work and stability”, Lima, February 24, 2009 were presented, the Latin American business statement very clearly defined that: 1. The measures of the credit, regulatory, fiscal and administrative spheres are those that “enable companies to maintain the levels of employment and create conditions to reach agreements with workers on the application of effective mechanisms to retain workers, without undermining company survival”; 2. The measures that buffer the effect of the crisis “should be clearly enshrined in G-20 principles: free market economy, respect for rule of law and private property”; 3. Freedom of trade and investment and maintenance of competitive markets”; 4. The crisis as an immediate factor “need not presuppose diversions in respect of structural matters: improvement in legal security conditions and of adequate functioning of institutions in democratic systems and based on freedom in all its dimensions”; 5. There needs to be a “restoration of the climate of trust that allows the retrieval of stability and the possibility of planning for the future of transactions and products of individuals and companies”. 5. It is important to “avoid the displacement of the private sector by mass public investment programs in tax incentive packages”. The instrument of voluntary social responsibility is also valued, it is recognized in the 1998 ILO Declaration (without quoting other conventions) and the importance of the concept of “sustainable business” is made clear (ILO Resolution in 2007), to “improve conditions for dignified employment it is necessary to strengthen the sustainability of one’s own company”.



9. During this process some policy and business actors will state that the trade unions are part of the problem, when actually they are part of the solution, to quote the new US President.

## **DOCUMENTS**

*This document has taken contents from:*

1. ITUF: *“Ha llegado el momento”* (September 2008; and, *“Fin de la Economía Casino”* (to the Social Forum, Belem, January 2009); *“Cuando la casa gana: capital privado, fondos especulativos y el nuevo capitalismo casino”* (June 2007).

2. Global Unions *“Washington Declaration”* (to the G-20 Summit, November 2008) and *“Joint Evaluation of the Results of the G-20 Summit”* (Washington, November 2008). The content of the preliminary version of the *“Trade Union London Declaration to the G-20”* (April 2009) has also been included.

3. ETUC: *“Este es el momento para el capitalismo de casino”* (October 2008):

4. TUCA and national LAC organizations: NAMA-11 Trade Unions: *“Declaración sobre la crisis financiera internacional y la OMC”* (October 2008); *“Salvador Charter”* (Trade Union LAC Meeting, VIII MERCOSUR Trade Union Summit, José Olivio de Miranda (Salvador, December 2008)

5. Latin American and European organizations: the *“Montevideo Declaration”* (with Spanish, Italian and French centrals), promoted by PIC-CNT, Montevideo, November 2008);

6. North American trade union organizations according to the trade agreement between their countries: *“Una nueva agenda de prosperidad para Norteamérica”*, AFL-CIO and CLC (note to President Obama, February 2009)

7. TUCA presented to Spanish trade unions: *“Trabajo y producción en ALyC: un doble ciclo entre extremos de la década”* (to ISCOD-UGT, December 2008) and *“Sindicalismo sociopolítico: capacidad de propuesta del sindicato en las políticas públicas”* (CCOO, December 2008);

8. TUCA presented by the Secretary General: Management Report presented to the ITUC-ORIT Dissolution Congress (Panama, March 2008), the report *“La Crisis global y las Américas”* (October 7, 2008), the article *“Crisis y cambio de era”* (October 17, 2008), the stand before the High Level Meeting with IMF Executive Directors, Washington, January 13, 2009), and the participation in the committee on Regional Integration (World Social Forum, Belem, January 2009).