

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Trade and Development Board, fifty-ninth session
Geneva, 17–28 September 2012

Opening Plenary
General statements by the International Trade Union
Confederation (ITUC)

Monday, 17 September 2012

*Not checked against delivery **

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International Trade Union Confederation (ITUC)

Statement

Trade and Development Board, 17-28 September 2012



On behalf of the ITUC, I would like to thank UNCTAD for the opportunity to deliver this statement today at the opening session of the Trade and Development Board.

The global economic picture is bleak. Multiple crises are impacting on our economic, social and environmental sustainability and have alerted us to the grim future of our generation and the ones to come. This bleak picture is not going to change with the current policies of austerity, low quality growth, exploitation of workers and rising inequalities. Only a change in policy direction can bring sustainable growth and development.

In our intervention we would therefore like to focus on policy choice and policy space.

We welcome the 2012 trade and development report which focuses on the links between income distribution, growth and development. We have seen an enormous increase in income inequality and reduced wage shares in the pre-crisis period, which is often pictured as the natural outcome of globalization. The report clearly shows that it is not a natural outcome but an outcome of policy choice. In other words, we do have the choice to better distribute income through policies such as progressive taxation, social protection floors, minimum wage setting, collective bargaining and employment policies. The ILO for example has shown that strong national and sectoral collective bargaining lowers income and wage inequality and can at the same time contribute to productivity and competitiveness. It is also a policy choice that pays off in terms of growth and development as it creates greater demand in the economy, something that is greatly lacking right now. Finally, fighting inequalities is a policy choice that continues to exist in a globalized world, and many countries show this, but it requires the right policies.

Another area that shows the importance of policy choices is economic growth. There is lack of national ownership of growth. The belief seems to be that growth is determined by export markets and foreign investment that can be attracted and without governments having much control over it. Again, this is a matter of policy choices. Putting industrial development high on the priority list together with an industrial policy is a choice. This is an area of work that is gaining importance in the ILO, given its high potential for employment and decent work, and an area where UNCTAD has done important work. Industrial policy has also gained growing global interest. Pursuing such a policy however also requires some policy coherence at national level and within UNCTAD itself. A critical approach is needed towards trade and investment agreements that have reduced policy space of governments that are necessary for industrialisation and redistribution. We would welcome a closer cooperation in this area between UNCTAD and ILO.

And thus policy choices require policy space. Quite some policy space has been lost. The opening of trade and finances has given more tools in the hands of the few -who gained enormously- to avoid and evade their responsibilities to the society. Profits can be repatriated with no tax because bilateral investment agreements provide for this. Similarly, corporations can sue governments in private courts when the governments fulfil their role: legislate, regulate, put policies in place that

might decrease the margins of profit for the corporations for the wider good. Taxes are claimed to be indirect expropriation, an increase in minimum wages is an unexpected drop in business expectations or even a worsening of the business environment. Moreover, much of the gains of this process are kept in tax havens and secrecy jurisdictions. Governments are losing the ability to impose taxes, to regulate, and exercise powers in the name of their people. In Europe, countries are forced to give up power to creditors, just like it was happening for decades in other parts of the world.

It is interesting to mention here that an ITUC Global Poll¹ showed that people from countries that maintained their national policy space feel that their country is moving in the right direction. Whereas people in other more 'globalised', 'open' countries have a bleak prospect of their future and feel that their country is not moving in the right direction. So reclaiming policy space is important and possible. Again there is a role for UNCTAD here to show this space and help countries use it or regain it.

And last but not least, UNCTAD has an advocacy role to play at the global level in global policy responses. The world economy is missing the redistributive mechanisms that would help the world society to develop with equality, such as social protection floors, global tax floors, progressive taxation systems, global regulation of the banking sector, universal core labour standards, universal access to education and health care. However, in order to implement such global institutions, the state needs to prevail against the conglomerates of private interests. It is increasingly becoming a matter of good governance and democracy. Corporations, that represent the interests of the few and the haves, try to diminish the role of the state that should represent the interests of the many and the have-nots.

Finally, it is of crucial importance that UNCTAD continues to highlight the limits of current policies and outline alternative policies to its member states. In relation to the recently issued agreed conclusions on the JIU (Joint Inspection Unit) report by the TDB, we call on member States to exercise their oversight prerogatives in such a manner as to ensure the full and comprehensive implementation of the Doha work programme. In fulfilling its duty to guarantee such full and comprehensive implementation the Secretariat should enjoy full independence and adequate funding support. Individual member States should not seek, under the guise of oversight or guidance, a selective approach to the implementation of the work programme or a renegotiation of aspects of the programme they do not support. It is further of utmost importance that UNCTAD delivers work that provides inclusive solutions that show the macroeconomic benefits of bold steps to eradicate poverty and reduce income inequalities.

Thank you

¹ [http://www.ituc-csi.org/IMG/pdf/120604 - ituc_poll.pdf](http://www.ituc-csi.org/IMG/pdf/120604_-_ituc_poll.pdf)