

Trade and Development Board, sixtieth session

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Statement International Trade Union Confederation (ITUC)

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

Let me start by congratulating H.E. Ambassador Triyono Wibowo on his election of President to the Board and let me warmly welcome and congratulate Dr. Mukhisa Kituyi as the new Secretary General of UNCTAD. We wish you success and look forward to a fruitful collaboration.

The global economic picture remains bleak. Unemployment remains high, underemployment is widespread and there is a lack of productive and decent jobs that allow people to make a living. There continues to be a lack of confidence. The ITUC global poll for 2013 shows that almost 60% of people claim that their income has not kept pace with the cost of living in the last two years. One in two working families have been directly impacted by the loss of jobs or a reduction in working hours. People feel abandoned by their governments with 80% of people indicating their government has failed to tackle unemployment and only 13% feel that they are governing in the interest of working people.

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, development and a decent life for all.

We therefore welcome the 2013 trade and development report which focuses on adjusting to the changing dynamics in the world economy and on addressing the fundamental causes of the crisis. The global economy needs an increase in aggregate demand, through the right macro-economic policies away from austerity. At the same time we need to see more balanced growth, development of domestic markets and less dependence on exports for growth. This requires strategies for increasing domestic and regional demand through sustainable and productive investment and job creation, a wage led growth and the establishment of social protection floors in developing countries.

Let me briefly turn to these three areas.

First of all, job creation in itself is not sufficient. Many jobs are created that barely provide for a living, keep families in poverty and are performed under abject conditions, while fundamental rights of workers are suppressed. That is why the promotion of decent work is so important: to create productive jobs that provide a decent living and that increase demand in the economy. Governments need to retake their role as developmental state and design industrial policy that directs research and investment into higher value added production thus increasing the number of productive and decent

jobs. Such an industrial policy should be accompanied by setting employment targets that effectively create jobs on a sectoral basis. It should also be “green” to ensure that industrial development is sustainable. Designing an industrial policy will also require a renewed look at trade policy by using some of the policy space available in a smart way or by regaining some of the policy space that has been lost, as also mentioned in the report.

Secondly, a wage led growth, aimed at increasing wages, will contribute to an increase in demand as a high percentage of wages will be consumed and spend locally. Wages should therefore be relinked to productivity and collective bargaining needs to be promoted. We very much welcome the analysis in the report on the need for rebalancing of the external and domestic forces of growth and the role for increasing domestic consumption through fostering the purchasing power of wage earners as labour income tends to be the most important source of household consumption and aggregate demand. We welcome the exposure in the report of the current practice in the export led strategies of countries which consider wages as a cost. Instead, the report argues, wages should be considered as important for increasing demand in a domestic demand led strategy. Indeed, in the current situation, where aggregate demand is lacking and a rebalancing of growth towards a strengthening of domestic market growth would be most successful, the role of wages is crucial. The ITUC has promoted a wage led growth for many years, which should focus on the promotion of collective bargaining and minimum wages. This requires a different approach by governments away from suppressing wages and trade unions towards empowering workers and their unions, promoting collective bargaining, especially at sectoral level, and establishing minimum wages, including sectoral minimum wages.

Thirdly, in addition to a wage led growth and diversified production structures, demand can also be increased by putting in place social protection floors which would allow for a minimum of social security and thus a minimum of spending by poor households, while at the same time reducing families’ vulnerability. We hope that the campaign for social protection floors will be widely supported.

Finally a few words on global value chains and FDI, which will also be addressed at this session of the TDB and are often presented as the panacea to development. I would like to highlight two problems concerning value chains. The first one is the continuous violations of workers’ rights, appalling working conditions, extremely long working hours and repression of trade unions in companies that are part of these chains. The value chain approach very much reflects this “keeping costs low” mantra that is exposed in the report. Secondly, value chains can actually hamper development if countries stay in the low value added production segment of the chain and are not able to upgrade and move into higher value added production. In other words, it is often the FDI that determines a country’s production structure whereas it should be the other way around. A country’s development strategy should determine the production structure and thus define what role FDI or value chains should actually play.

FDI and value chains are part of the profit maximizing strategy of multinationals, and their aim is not to increase domestic demand, improve the well-being of workers or the development of an industrial base. Value chains should therefore be looked at in a critical way, both through a lens of whether they contribute to increasing domestic demand through higher wages and the use of local inputs as well as whether they actually contribute to the industrial development of the country.