WCL RELATIONS WITH THE IMF AND WBG

EVALUATION AND RECOMMENDATIONS

INTRODUCTION

This paper examines the relations between the World Confederation of Labor (WCL) (1) and the International Monetary Fund (IMF) and the World Bank Group (WBG). I will argue that the relations with the IMF-WBG are necessary and useful for workers and their unions. Trade unions also seek the reform of the IMF-WBG. Both institutions have not made any loans to developed countries over the last 25 years. As such, their clients are from the Global South while the creditors are from the Global North. Trade unions engage these institutions not only over industrial relations and labor market policies. Most of the WCL affiliates are from developing and transition economy countries. As such, the labor movement's contribution to nation building, governance and development continues to be a priority. Trade unions engage these global institutions because they design and implement labor market, governance and development policies that impact on their members and nation-states.

In the opinion of trade unions, the IMF and the WBG champion a neo-liberal model of globalization that has generated very few benefits to workers and has contributed to the expansion of the informal economy. Trade unions contest the validity and effectiveness of the economic model in creating jobs and reducing poverty. They accuse these institutions of formulating and implementing policies that ignore International Labor Organization (ILO) conventions. Consequently, workers, trade unions and human rights are frequently violated.. Trade unions also recognize the democracy deficits in the governance of the institutions. They advocate the reform of the IMF and the WBG and call for new economic, social, environmental and governance policies.

The relations between trade unions and the IMF-WBG (International Financial Institutions - IFIs) are very challenging. The IFIs have corporate structures while the trade unions have democratic structures with 85 years experience working within the tripartite system of the ILO that is based on social dialogue. The trade unions as institutions have been in existence for over 150 years. Their mission at birth was defined as a commitment to end the poverty of working families, at first in Europe, and then globally.

Unions in recognition of the impact of global capitalism voiced "workers of the world unite." Additionally, unions throughout the world celebrated "May Day," as an activity of solidarity with international dimensions. Trade unions in the global north contributed significantly to the development of trade unionism in the global south.

In spite of the differences with the IFIs, trade unions have sought relations based on exchange of information, technical policy meetings/workshops, policy debate and dialogue. The WCL leadership received a mandate to engage the IFIs at its Global Congresses.

EVOLUTION OF THE RELATIONS

The ACV-CSC (Christian Trade Union) of Belgium and the NAPFE of the USA, affiliates of the WCL, play a very important role in facilitating relations between the WCL and the IFSs. A former President of ACV-CSC, Jef Houthys, maintained contacts with the Belgian Executive Director at the IMF-WBG since the 1970s. His focus was on the role of multinational corporations and their impact on workers and unions. With the advent of structural adjustment programs and the debt crisis, WCL interest in the IFSs became more intense. Willy Peirens, President of WCL, who at the same time was the President of the ACV-CSC, visited Michel Camdessus, IMF Managing Director and recommended that relations with trade unions be established and requested a trade union economist be seconded to the IMF. Later, ACV-CSC was able to obtain an annual fund /subsidy from the National Bank of Belgium to support trade union dialogue with the IFIs. This was possible because the President of ACV-CSC was a member of the Council of Regency (2). Carlos Custer, Secretary General of the WCL and Willy Peirens had meetings in Washington DC with officials of the IMF and WBG. They lobbied that IMF staff consult trade unions in the countries when they carried out their Article 4 and Program missions.

In November 1992, the IMF and WBG organized a seminar for labor union officials at the IMF headquarters in Washington DC. IMF Survey reported that it was part of ongoing efforts to improve contacts with the labor unions. Forty five (45) trade unionists were in attendance from 23 countries. They were affiliates of both the WCL and the International Confederation of Free Trade Unions (ICFTU) (3). The subjects addressed were structural adjustment programs, external debt, roles of the public and private sectors in the economy, labor market and various social issues, trade and foreign aid, environmental, regional and development issues. Michel Camdessus, in his opening remarks at the seminar quoted article 1 of IMF Charter that included emphasis on the employment issue. Labor has championed the policy of full employment consistently. The Article 1 reads that the purpose of the IMF is: "to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy." The labor leaders were very critical of structural adjustment programs and requested that they be consulted when IMF-WBG staff and their governments formulate structural adjustment and "social safety-nets" programs. Subsequently, regional seminars were organized in Vienna and Harare. The focus was on the transition economy countries and the CFA devaluation in Africa. Both the WCL and the ICFTU participated. Funds were available for a CLAT/ORIT seminar in the Americas, but neither CLAT (WCL-LAC Affiliate) nor ORIT (ICFTU-Inter-Hemispheric Affiliates could agree on the conditions for organizing the event.

It was reported that after the regional seminars, IMF staff on country missions consulted some unions. Roberto Brauning, Deputy Division Chief in IMF Public Affairs Department, played an important role in promoting the seminars. He was fully supported by his superiors particularly Michel Camdessus. Officials within the IFIs who are committed to dialogue with unions advocate such a policy within the institutions with difficulties. However, support from the top leadership has been very important for Trade Union/IFIs relations to advance. In December 1997, Michel Camdessus in a speech entitled: " Making Globalization Work for Workers" addressed the 24th Congress of the WCL that was held in Bangkok, Thailand. He again engaged 50 leaders of the WCL in a three hours debate at its Confederal Board Meeting in Washington DC in 1999.

In the latter part of the 1990s the IFIs interest in labor unions intensified especially around the time of the Asian crisis. In the opinion of WBG officials the 1995 World Bank Development Report entitled: "Workers in an Integrating World," placed labor issues "centrally on the World Bank's agenda than before." In one of the Bank's Press Backgrounder, it was reported "the World Bank supports labor standards, such as health and safety at work, the elimination of forced labor, the ending of discrimination, and the avoidance of harmful child labor. These are human development objectives, which the Bank addresses within its mandate of sustainable development and poverty reduction."

On initial contacts with the IFIs, it was difficult for trade union leaders to meet James Wolfenshon, President of the WBG. He was more focused on NGOs. However, that changed around the time of the Asian Crisis. At a meeting with Trade union leaders, James Wolfenshon discovered that there was no one on his staff dealing with the labor unions. He advised the trade unions that the Social Protection Unit within the World Bank should be the gateway to the Bank. Subsequently, Robert Holzman, Director of Social Protection in the Human Development Network, was mandated to develop the relations with the unions. A Senior Economist, Gordon Betcherman, was contracted and among his responsibilities he was asked to liaise with trade unions. Amy Luinstra was also recruited as a Labor Policy Specialist. The IMF had named Roberto Brauning as the point person to liaise with labor. Later, he was replaced by Bassirou Sarr, followed by David Bell and Sofia Soromenho-Ramos.

The WCL elected a new Secretary General, Willy Thys in 1996, and in 1998 Luc Corteebeeck was elected President of the ACV-CSC and Vice President of the WCL. The new leadership intensified relations with the IFIs. At WCL's 1997 Congress in Bangkok, a resolution was approved to establish an office in Washington DC to liaise on a permanent basis with the IFIs. The WCL Washington Liaison Office(WCL-WLO) was formally established in June 1998 at the national headquarters of its US affiliate, the National Alliance of Postal and Federal Employees (NAPFE) in Washington DC. NAPFE and WCL shared the cost of the Liaison Office. Until 1998, Ronald Janssen, Head of ACV-CSC Research Department, based in Brussels liaised with the IFIs, on behalf of the WCL. Between 1998 and 2001, the WCL-WLO coordinated missions of trade union leaders to the IMF and the WBG from Asia, Africa, Latin American and the Caribbean and Eastern, Western and Central Europe. The WCL organized workshops before each mission to prepare the delegations for engagement with the IFSs. At the end of each mission, agreements were made to engage in seminars and workshops on policy issues. The delegates since 1998, had access to the

Heads of the IFIs, Executive Directors and Senior Management and Staff. The WCL also participated as a member of TUAC (Trade Union Advisory Committee to the OECD) on their missions to the IFIs. In 2001, the IFIs recommended to the WCL and the ICFTU/Global Union Federations that there be joint (WCL-ICFTU/GUF) biannual missions and agreement on a work program of their respective staff on policy issues in the intervening years. Both trade union internationals agreed and since 2002 there has been joint missions and work program.

ILO AND THE IFIs

The ILO and the IFIs embrace opposing philosophies. In 1944, the ILO in Philadelphia, affirmed the following basic principles that are enshrined in its Constitution: labor is not a commodity; freedom of expression and association are essential to sustained progress; poverty anywhere is a danger to prosperity everywhere; the war against want requires to be carried on with unrelenting vigor within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare. It also uphold the principle of the primacy of the social over economic policy goals. In expanding the ILO's mandate it reaffirmed " all national and international policies and measures, in particular those of an economic and financial character, should be judged in this light and accepted only in so far as they may be held to promote and not to hinder the achievement of this fundamental objective. (International Labor Standards at the service of social justice/WCL Publication 2002)."

In spite of this fundamental difference with the IFIs, the former Director General of the ILO, Michel Hansenne took initiatives to establish working relations with the Bank and the Fund. That relationship has been given continuity under the present Director General , Juan Somavia. The ongoing relationship with the ILO sensitized the IFIs' leadership and staff to labor issues and trade unions. In 1987 the IFIs participated for the first time in a High Level Meeting on Employment and Structural Adjustment with government, trade union and employers as part of ILO Governing Body. It was not until 1995, however, that the ILO Director General was invited to the IMF Interim Committee Meeting. That said year, the World Bank and the ILO undertook a joint study on reforms in vocational education and training policy in developing and transition countries. Joint research was also done on export processing zones. There was an agreement to cooperate on child labor. Operationally, there was cooperation in War-to-Peace-Transition in Mozambique, Angola, Cambodia and Namibia. Both institutions shared data. The 1997 WBG/World Economic Indicators used ILO data. ILO staff also participated in a Bank sponsored training workshop on post-conflict reconstruction and social funds with a range of other donors and client country nationals.

The Asian crisis to an extent influenced a more consistent relationship with both the ILO and the trade unions. In 1998, the IFIs invited Michel Hansenne to make a presentation at their headquarters entitled: “ Globalization, Liberalization and Social Justice.” In publicizing the event, the invitation highlighted the following “the international financial crisis has dramatically demonstrated the importance of social dialogue and basic social justice as essential foundations for national and international economic liberalization. ILO Director General, Michel Hansenne, will describe the relevance of the new ILO Declaration on Fundamental Principles and Rights at work as a benchmark and framework to advance social stability and economic development.” Hansenne emphasized in his speech the social costs of the Asian crisis and the loss of millions of jobs. He insisted that a commitment to social dialogue was key to deeper cooperation with the IFIs. He supported the inclusion of workers’ and employers’ organizations in formulating economic and social policies which he said “will bear rich dividends in terms of avoiding social unrest, especially in the context of economic crises and adapting to structural change.” He argued that the ILO and IFIs have a “common interest” in supporting workers right to collective bargaining and in “the formulation of economic and social policies.” He cited examples of such practice in the consultations with unions and other crisis-ridden Asian countries with the trade unions. Further, he added, the “ impact of economic policies on employment creation should thus be a constant preoccupation.” He invited the IFIs to ensure that “economic policies are supportive of employment growth and of improvements in the quality of employment.”

On the subject of labor market reform, he clarified that the ILO “accepts this as an important area for policy analysis in many countries. But it does not accept that the only way forward is to aim for the dismantling of existing labor market regulations and systems of social protection. We would prefer to define the problem as one of finding the best possible compromise between the equally important objectives of labor market efficiency and social protection. A case in point was collaboration on the social consequences of the CFA currency devaluation in West Africa….We also firmly believe that the most effective way for achieving workable and durable labor market reforms is through dialogue and a search for consensus.”

On this subject the Director General added “ It is no secret that we have on occasion had our differences with the Bretton Woods Institutions on this issue of labor market reform. But these differences can be narrowed through open debate based on empirical research on these issues in specific country contexts. Our respective research products and country-level experiences merit review by our counterparts so as to assess critically their quality and to find common ground and to register remaining divergencies. Some of this research could even be done jointly by our respective institutions. Similarly , there is room for intensifying contacts at the country level, for exchanging country information and analyses in our respective fields with a view to offering coherent advice and options to our constituents. These suggestions not only apply to labor market issues and to social dialogue but are equally relevant to the pursuit of fundamental labor standards and social protection….For us in the ILO, this dialogue has been most promising and we are ready to play our active part to promote growth and social justice equitably.” (Michel Hansenne/DG-ILO/Speech: Globalization, Liberalization and Social

Justice//World Bank/October 28th/1998/Washington DC). This was a defining speech by the Director General of the ILO. It was comparable to a guidance note on ILO/IFIs relations. For the WCL, the spirit and substance of the speech continues to be relevant in the IFIs/Trade Union relations.

THE 1998 CONJUNCTURE

Prior to 1998, the relations between the IFIs and trade unions were sporadic. The Asian crisis was another factor that influenced more systematic relations between the IFIs and trade unions. Michel Camdessus in two speeches, WCL Congress in 1997 "Making Globalization Work For Workers" and at Seton Hall University in New Jersey "Addressing Concerns for the Poor and Social Justice in Debt Relief and Adjustment Programs" spoke of the need to integrate social dimension into IMF policies. He proposed that even though the IMF is a "monetary and not a development institution it had to incorporate poverty concerns to the heart of its program design." However, he explained that he had to convince the inter-governmental membership of the IMF that the "ultimate goal must be high-quality growth."

At the IMF-WBG Annual Meeting in 1998, the President of the WBG, invoked the 8 Goals of the UN-World Summit For Social Development (WSSD) which was held in Copenhagen in 1995. Later, Michel Camdessus placed the 8 Goals on the seats of all the government delegates at that meeting. However, IFIs' officials qualified their commitment to the social question by reminding all, that support was contingent on countries sticking to the "fundamentals." At that meeting, they also declared that they intended to provide more information to civil society and would be more flexible in aiding labor-intensive projects.

The Asian Crisis undermined the credibility and legitimacy of the IFIs. At the annual meeting, officials expressed fears that Brazil and Argentina that had scrupulously complied with the IFIs macro-economic fundamentals ran the risk of "infection." The IMF recognized that its surveillance system was inadequate and had failed to foresee the crisis. Even though, the IFIs blamed the East Asian governments for not implementing their policy advice in a timely manner. The scandal over the misuse of IFIs loans to Russia and crony capitalism in East Asia further added fuel to the "fire." Short-term capital flows was also identified as one of the causal factors for the crisis. Consequently, IMF officials lobbied to obtain a modification of the rules to allow the institution to impose controls. There was stiff opposition and no change. Additionally, there were external pressures on the IFIs to merge or reform. However, officials of both institutions maintained that the two were different in nature and mandate.

Finally, the need for integrating the social dimension to IFIs' policies was captured by the Development Committee in its October 5,1998 communique which read: "Ministers noted that the primary role of the World Bank was to help eliminate poverty and improve social well-being, in line with international development goals. They therefore encouraged the World Bank to work with the United Nations, the Fund and other partners to develop general principles of good practice in structural and social policies (including labor standards)." The communiqué concluded "To respond to this request, principles and good practices are also being prepared for fiscal transparency, monetary and financial policy, corporate governance, and other structural areas." For the trade unions, this was a step in the right direction only if implementation will match the speeches and the communiqués.

REVIEW OF ENGAGEMENT

In June 1998 the WCL Washington Liaison Office (WCL-WLO) was established in Washington DC to monitor and attend to the relations between the WCL and the IFIs. In addition, the WCL-WLO represents the WCL at the United Nations. The establishment of a permanent liaison office in Washington DC coincided with the new developments on the social question within the IFIs and the transition from sporadic to more systematic relations. In early 1998, the WCL mission to the IFIs consisted largely of Asian Trade Unionists. The Asian crisis was the main subject on the agenda. The Indonesian trade unionists on the delegation pressed the IFIs to use their influence to assist in the demise of the Suharto dictatorship and crony capitalism. The entire delegation lobbied for social programs to respond to impoverished workers, millions of unemployed and their families, and respect for the trade unions' right to organize unions freely. This was followed-up in 1999 by WCL-WLO in meetings at the IFIs. Representation was made on behalf of SBSI (Indonesian Trade Union) and others regarding the design and implementation of safety net programs. Meetings were also held concerning respect for Core Labor Standards (CLS) in countries where WCL affiliates' rights were violated. WCL-WLO monitored the debate on the Brazilian-Bolivian gas pipeline and WBG policy on Social Principles.

In March 1999, WCL's annual mission to the IFIs consisted primarily of its regional African affiliate ODSTA/DOWATU. The focus was on Africa. Meetings were held with the IFIs' Magaging Director, President, Executive Directors, management and staff. The mission was fully supported by the Executive Directors of Belgium both at the Fund and the Bank. The dialogue and debate covered structural adjustment, HIPC Initiative, trade, private sector development, Infrastructure and Finance, rural, social, environmental and human development, post-conflict reconstruction, partnership and capacity building. The Bank was particularly interested in the views of the delegation on its "Draft Outline for Discussion and Guidance on Principles of Good Practice in Social Policy." This document was in preparation for the IMF-WBG Spring meeting. On the fundamental question of the debt, the IFIs and the WCL delegation disagreed. WCL/ODSTA called for the cancellation of the debt. The IFIs opposed. There was an agreement to work on capacity building and a commitment was made that IFIs' staff when on missions to the various countries will consult the trade unions. Finally, the officials of the WBG insisted that "the Bank has changed considerably in the past two and a half years and the Africa region of the institution has led the way in achieving greater client focus and improved responsiveness."

WCL-WLO monitored the IFIs' Spring and Annual Meeting and Seminar. The WCL representative was given press accreditation to facilitate the monitoring of the meetings. There is no formal consultative status with the IFIs as WCL has since 1948 with the United Nations. Among the issues discussed at the Spring meetings were the

WBG’s Policy On Social Principles and the Comprehensive Development Framework (CDF). It was a tense meeting with large demonstrations organized by civil society.

The annual meeting in September was accompanied by a Seminar entitled: Setting the Agenda For Global Growth and Development.” It included a session on Core Labor Standards (CLS). The World Economic Outlook (WEO) one of the IMF’s flagship publications dealt with policy requirements for a sustained and better balanced global economic recovery. It highlighted that the Asian Crisis was having a turn around and its impact and Latin America and Russia was under control. It also predicted a soft landing of the American economy and modest growth rates for Europe. On the strengthening of the International Financial System, the focus was on the private sector involvement in forestalling and resolving the financial crises, choices on exchange rates, orderly liberalization of capital movements and institutional reform, strengthening and/or transforming the Interim Committee.

On the Fund’s role in Poverty Eradication and Promoting Sustainable Growth, the focus was on transforming the Enhanced Structural Adjustment Framework (ESAF), IMF financing for ESAF and HIPC (a program to assist the most highly indebted poor countries) and the Fund’s role in Social Sector Issues. There was a report on the Y2K Contingency Planning. Progress Reports were submitted on the strengthening of the Fund’s Surveillance and Programs that includes standards and transparency initiatives and the financial sector. It was also agreed that the HIPC Program will be dealt with in a joint meeting of the Interim Committee (IMF BOARD) and the Development Committee (WB Board). The Heads of the IMF and World Bank, in their speeches, pronounced for the inclusion of social variables in the formulation of economic and social policies.

The conclusion of the WCL representative at the meeting was that the Heads of both the IMF-WBG in speaking about the new design for a financial and development architecture made public commitments to include the social factor and to focus on both growth and poverty reduction. However, both institutions continued to insist on “economic fundamentals.” At the same time they claim that their new approach gives globalization a human face. The ESAF was renamed Poverty Reduction And Growth Facility (PRGF) and both the IMF and World Bank committed to develop Poverty Reduction Strategy Papers (PRSPs) to be used as the basis for their programs. HIPC was conceived to deal with poverty reduction but governments were expected to practice good governance, particularly with respect to corruption. The resources saved through debt forgiveness were to be allocated to education, social services and poverty reduction. As such HIPC has conditions. It was the United Kingdom and Holland that recommended that ESAF be renamed to emphasize the need for the IMF to be sensitive to the problem of poverty. There was no policy agreed on to control capital flows. Both the IMF and the WBG explained that developing countries were against such controls. A policy of floating exchange rates was reaffirmed. The bottom line of the 1999 meeting was that the IMF-WBG communicated to the world that something will be done about the indebtedness of the poorest countries and that they are incorporating social aspects into their development policies. The trade unions persisted in their lobby and continued to monitor whether the IFIs will “walk the walk.”

The WCL held its Confederal Board Meeting in Washington DC in October 1999. The Board consists of 50 trade union leaders from all the regions of the world. Michel

Camdessus participated in a three hours debate on IMF policies with the labor leaders. It was another example of WCL's interaction with the leadership of the IFIs. Once more, the Managing Director of the IMF recommitted the institution to the inclusion of the social dimensions in the formulation of policies.

The WCL 2000 mission to the IFIs focused on Latin America and the Caribbean. The WCL affiliates, the Confederacion Latino Americana de Trabajadores (CLAT) and ACV-CSC of Belgium organized a preparatory seminar for the trade union delegates at Latin American Workers University (UTAL) in Venezuela. A document was prepared outlining the position of the CLAT/WCL on a number of issues including debt, privatization, liberalization, labor reforms and a number of problems in Colombia, Argentina, Brazil etc. The meetings at the IMF went very well but for various reasons the LAC Department at the World Bank had difficulties in organizing meetings. That did not prevent the delegation from meeting the Heads of the WBG and the IMF, Executive Directors, Management and staff in various departments. The well-prepared document was the basis of the delegations' discussions. However, neither the Fund nor the Bank ever responded to the document. The LAC trade union leaders were quite displeased. One trade union leader remarked that it was like a "dialogue with the deaf." Subsequent enquiries were fruitless. In LAC, the IFIs have been demonized for quite a few decades. Trade union leaders and their members sustain that the IFIs are instruments of the G7, particularly the USA, and that their policies contribute to de-industrialization, "garage sale" of state owned economic enterprises, unemployment, expansion of the informal economy and the deepening of poverty. In spite of this the LAC trade union leaders resolved to continue to monitor the policies of the IFIs and stay engaged.

WCL representative monitored the IFIs Spring Meeting in 2000. It was a meeting of progress reports and updates on major policy decisions that were adopted in the 1999 Annual Meeting. The focus was on AIDS in Africa, HIPC and Poverty Reduction Strategy issues. However, it was a meeting held in an environment of demonstrations and controversy generated from the Global South. Civil Society Organizations demonstrated in very large numbers protesting IMF-WBG policies. It was also noteworthy that the G77 at around the said time was meeting in Havana and denounced the IMF-WBG policies. At the press conferences, the issue was raised since the IFIs always insist that the governments of the Global South are shareholders of the institutions. It clearly showed however that there was no ownership of the IFIs policies in the Global South. The trade unions protested outside with NGOs but continued to engage in dialogue with the IFIs. This is one of the unique features of the trade union movement and integral part of its culture. Picketing outside and engaging inside is like "breathing in and breathing out."

The IMF-WBG annual seminar and meeting was held in Prague, Czech Republic, in September 2000. The theme of the seminar was "Making The Global Economy Work For Everyone." There was an NGO meeting organized by the President of the Czeck Republic. The WCL Secretary General spoke for Labor and Walden Bello for the NGOs. Once more there was very large demonstrations organized by Civil Society Organizations. Mamphela Ramphele (South African), Managing Director of Human Development Network , President of the WBG and IMF Managing Director Horst Kohler, met Trade Unions and NGO. The meeting focused on the new PRSP Approach and the HIPC Initiative. Attention was also given to the criticisms of the Meltzer USA

Congressional Report, the WB's Global Development Gateway Internet/Global Knowledge Initiatives, anti-corruption policies, monitoring and surveillance systems. The meeting in Prague once more demonstrated great dissatisfaction of trade unions and NGOs with the policies of the IFIs. It also underlined since the demonstrations in Seattle that militant civil society would not let up in confronting the Global Governance Institutions over their policies. The WCL representative attended the 6th Annual WB Conference on Development in Latin America and the Caribbean.

POLICY DIFFERENCES

WCL facilitated missions of trade union leaders to Washington DC to dialogue with the IFIs from Europe (Eastern, Central and Western), Latin America/Caribbean, Africa and Asia during 1997-2000. In 2001, it was decided that the trade union mission would consist of the Executive Board of the WCL. They met in Washington DC to conduct WCL internal business, and then, met the IFI officials. Before the meetings, the Board listened to presentations of several Washington DC NGOs on their views of IFIs' policies.

The Board reviewed WCL relations with the IFIs over the decade to evaluate where the trade unions stood in its relations. Ronald Jannsen, WCL/ACV-CSC senior economist, prepared a paper that was discussed by the Board and handed to the officials at the IFIs. The paper posited trade unions' interpretation of IFIs evolutionary history, criticized some of their policies and summarized the WCL's evaluation. The policy differences were numerous. However, the paper recognized that under "the leadership of Wolfensohn and Camdessus a number of corrections to the 'structural adjustment approach' have indeed been made." The following are some highlights of the paper:

1. A major cause of the debt crisis was the irresponsible lending policies of northern bankers when they had excess liquidity in petro-dollars. Creditors sustained a myth that "firms could go bankrupt not nation-states." The Mexican financial crisis in 1982 "destroyed the illusion." Other Latin American nations also had unsustainable debts while international financial institutions saw "an erosion of their assets." The USA Treasury and the IFIs intervened to bail out the Bankers. At that conjuncture, the IMF seized the opportunity to rewrite its role. IMF loans were accompanied by conditions for restructuring of economies to increase exports in order to repay debts. The IMF program was the incentive and implicit condition for the resumption of private sector lending. There was no lending unless there was an IMF program.

2. The IMF and World Bank originally provided "a public good in the form of sustaining an adequate foreign exchange flow towards world trade. Starting from the eighties, their core business is to safeguard private financial institutions from systemic risk by avoiding and containing possible debt defaults of countries.

3. Regarding the Structural Adjustment Programs: Macro-economic stabilization is important. Inflation and deficits must be addressed. However, IMF did not anticipate the impact of short term stabilization policies on long term growth and development.

4. In the Global South, IMF policies led to reduced wages and purchasing power. Consequently, workers were impoverished. Household allocations for food, health and education were drastically cut. Severe national budgetary cuts led to insignificant investment in infrastructure. This was a disincentive for foreign private investments.

5. IMF's policy recommendations of 'overstabilization' was counterproductive: Devaluation accompanied by the privatization of state marketing corporations left the rural poor divested of a mechanism or agency to market and export their products. Urban population's excessive reliance on imports of consumer goods destroyed local production and denied nation-states the right to a food security program.

6. IMF policies failed to address core problems "restore the balance of payments.

7. Privatization, a favorite IMF policy, seen as a "means to generate one-off financial flows for government finance did not pay attention to long term impact on the economy. Thus there has been a tendency to sell (sometimes profitable) public enterprises even if this meant that a public monopoly was substituted for a private one. The Ivory Coast provided a good example.

8. Financial Liberalization Policies: The IMF policy position is that " free global capital Movements will allocate capital where it has the highest return and the highest contribution to growth." The case of Zimbabwe financial restrictions on capital outflows were abolished at a time when the government had a large deficit. Credibility became a problem. Consequently, "to keep some capital in the country, interest rates soared, thereby deterring investments and actually increasing the fiscal deficit…"The WCL supports the concept of the Tobin Tax.

9. The IMF thesis of a virtually automatic link between growth and poverty reduction is not empirically substantiated in Latin America and Africa. Thus the 'trickle down' approach does not reduce poverty.

10. The South Korean package that was negotiated to deal with the crisis forced Korea to open-up to foreign car part manufacturers. The 'drive' to serve the interest of G7 producers often contradicts with the official intentions to achieve macro economic stability. Opening up economies to imports without giving countries opportunities to export is not really helpful for the balance of payments deficit.

11. During the Asian Crisis when "IMF Adjustment Programs were implemented rules on foreign ownership were relaxed or abolished. Thus TNC's bought enterprises cheaply. In Africa, Mozambique is a case in point. Of the 750 state companies that have been privatized most have gone to foreigners. More foreign investors are lining up for the take over of water, telephone and airline company. Mozamibicans even lost control over their land and their sea. One American Billionaire bought 50 year concession to develop an area of 236000 hectare as a tourist reserve. And an industrial fishery is in foreign hands."

12. Other examples refer to the privatization of the welfare system. "In Hungary, under the guidance of the IMF, pension reform was pushed through so that private, US based, insurance enterprises could step in and collect pension funds. In Argentina, the World Bank bought itself into social welfare funds, only to push them into selling to American investors when the funds could not repay the World Bank loans."

13. In the area of Governance, 57% of the voting rights at the IFIs are in the hands of the G7 with G1 (USA) holding a veto. The Managing Director of the IMF is always selected from Europe and from USA, the Bank President.

14. The paper agreed that corruption and bribery are linked to the debt problem in the Global South. However, it pointed out that " in order to secure important contracts in Third World countries (infrastructure, dams, arms), firms of industrialized countries bribes to corrupt leaders in the Third World. Workers and poor people in developing countries end up paying for these bribes, the explosion in prices of those projects and contracts and for the dire environmental and social effects of misplaced infrastructure projects. Estimates reveal that 40 billion dollars a year-most of it illegally gained-find their way from developing and former communist countries to US and European banks. Very often, the western banks that provided international loans to developing countries receive transfers of money coming from the international loans. In Latin America, two thirds of its debt is thought to have been deposited in Northern Banks. In 1982, IMF knew that Mobutu was appropriating 30 to 50% of the nation's capital investment per year meaning that an important part of the actual debt of Zaire finds its origin in corruption. A similar story hold for Indonesia where 9 of the 30 billion dollars that were lent by the World bank was wasted through corruption… Similar stories hold for Russia and Mexico (The Corner House: Exporting corruption, cornerhouse@gn.apc.org)."

15. Third World citizens have foreign investment that amounts to 50% of the debt. In Latin America it reached 70%.

16. **Some Changes Under Wolfensohn and Camdessus**: Corruption was a new subject placed on the development agenda of the World Bank. Corruption was defined as political, falling outside of economics and the IFI's mandate. "Now, fighting

corruption, ‘good governance’ and protecting the social spending in government budgets at the expense of arms expenditure are seen as essential conditions for successful policy-making….Furthermore, there are stories about the IMF Board blocking credit to countries where money is spent on folly investments (the ‘typical’ new plane for the President of Uganda, the building of a sports stadium in Nigeria that is equivalent to one year’s of the country’s health budget. Finally, former Managing Director Camdessus is quoted as stating “as poverty hampers growth, reducing poverty contributes to sustainable growth..”

17. The WBG has also opened up to dialogue with trade unions and civil society on structural adjustment policies. The Bank co-financed a project with an NGOs “Structural Adjustment Participatory Review Network’ (SAPRIN). IMF has also advised their staff that do Article 4 missions to consult trade unions. A significant number of consultations have been done.

18. The HIPC program is a step in the right direction as long as the G7 provide adequate funding or there is a re-evaluation of the use of IMF gold reserves.

19. The paper refers to another policy initiative that is an indication that the IMF and the WBG are beginning to listen: “There is the transformation of “enhanced structural adjustment policies’ into ‘Poverty Reduction and Growth Enhancing Facilities.’ The latter approach is to guarantee that the traditional IMF concern for ‘pure financial stabilization’ does not happen at the expense of increasing poverty. It involves references to poverty reducing targets into the IMF-program itself. Moreover, in the context of ‘PRGF’ a joint IMF/World Bank ‘poverty reduction strategy paper’ has to be established, after concertation with civil society. All of this would mean that the Fund, speaking in official terms, has corrected the traditional approach and now pays attention to social; issues and social consultation.”

20. **The Paper’s Evaluation of WCL’s Lobby**: It stated that over 10 years the WCL engaged the IFIs at various levels and argued strongly that the social dimensions be included in the formulation and implementation of development policies. It lobbied for alternatives to structural adjustment programs and for consistent consultations with trade unions before policy formulation and implementation. WCL recognized that there has been a change in approaches like the examples cited above. WCL believes that it has made a contribution in achieving those modest changes. Nevertheless, there much still to be done. WCL feels that the social dimensions of development are yet to be fully incorporated by the IFIs in the formulation of financial and development policies. The IFIs must resolve the fundamental issue as to whether they exist to provide a global public good or to protect private financial interests. The debt question has to be resolved. The IFIs must not only “talk the talk but must walk the walk.” The gap between speech and practice is very wide. IFIs must desist from advising on labor market reforms that violate ILO Conventions and Core Labor Standards (CLS). HIPC and PRGF approach only deals with Low

Income Economy Countries. What about the middle income countries where the majority of the poor reside? Executive Board of Directors have to become more cognizant of the social question since only a small minority are interested in the social dimensions of development. Leadership plays an important role and concern was expressed whether the sensitivity expressed by Camdessus on the social issue will be continued by the new Managing Director. It was evident in 2001, that the IFIs and the WCL had many major policy differences. For the WCL trade union leaders, the pace and substance of change was unsatisfactory. Nevertheless, the WCL recommitted itself to continue the dialogue with the IFIs.

2002 JOINT WCL-ICFTU/GUF MEETINGS

Until 2001, the WCL and the ICFTU/GUFs did separate meetings with the IMF and World Bank annually. However, the IFIs insisted that joint meetings be held to save the institutions money. So, in October 2002, ninety trade union leaders attended the High Level Union-IFIs Dialogue. WCL Secretary General Willy Thys, in the meeting with the President of the World Bank made three important points. One, the PRSP approach to development should not only focus on growth but redistribution. As such the regulating capacity of the state should be enhanced instead of markets. Two, privatization has produced to private monopolies. What has happened to the World Bank's mantra that only free market can produce competition and efficiency? Three, the debt should be an instrument of development. If not the debt would be un-payable. As such, we must explore solutions to the debt trap of the Global South.

The President of the WCL, Basil Mahan, in his intervention argued that the sovereignty of developing countries are threatened and becoming more dependent on the rich countries and their corporations. He explained that the debt is not a technical issue since debt produces dead people in the Global South. If the World Bank wants good governance, he said, then why does'nt the World Bank adhere to ILO Conventions? Julio Roberto, from the CGT Colombia, explained that in Washington, the World Bank says the governments make decisions but in the Global South the governments complain about imposed economic models and conditionalities. In Colombia, he said 60,000 workers have been retrenched with the help of a World Bank loan. There were numerous interventions by both WCL and ICFTU/GUFs trade unionists.

President Wolfenshohn reacted a bit emotionally to the interventions. He complained that he could not understand how one can speak of redistribution when the global economy had growth problems.

On the debt he spoke highly of HIPC but did not refer to the debt problem in the middle income countries. At one point, he made it clear that he is not President of the World. He clarified that the World bank does not have the power and political influence in countries as some may think. "If there trade unions do not understand this there would not be cooperation with the World Bank…" Further he added, it was not the trade unions that invented the issue of poverty and that human rights agenda is a political agenda. Finally, he made a plea for the return of "ethical values" in business activities.

In spite of the differences on policy, the President of the World Bank offered 3 to 4 secondments for trade unionists at the World Bank to do work on policy issues of mutual interest, a small group to meet and discuss the debt and willingness to engage in discussing the role of the state in the new PRSP approach to development. Jo Ritzen, Vice President for Social Development at the Bank advised that advocacy of Core Labor Standards should be done with the governments not with the WB Board. He also summarized the World bank commitments, three trade unionists can work at the World Bank on the millennium development goals in their related sectors, another trade unionist on a scorecard on trade union involvement in PRSPs, a technical meeting will be organized in the Spring of 2003 on pension reform and later in the year another on labor market reform. He also said that further research will be done on privatization.

The trade unionists met Horst Kohler, Managing Director of the IMF. In the meeting , trade unionists made the following observations: there are downside risks to the world economy, there ought to be radically different fiscal stabilization policies for the industrialized countries and the developing countries. There is need to see outcomes on the social dimensions of development. The traditional IMF approach to resolving the debt trap is not working . There is a need for alternatives. Growth must be accompanied by distribution policies in order to eliminate poverty.

IMF Managing Director, Horst Kohler, responded in general terms. The IMF needed more time to change, he said. The IMF Board Of Directors makes decisions by consensus and that was not easy. He would like to see better globalization based on more sharing by rich countries and opportunities for developing countries to diversify. He informed that he spoke to the ILO Commission on the social aspects of globalization. Regarding Argentina, he was specific. Initially, he said, IMF allowed Argentina a deficit of 2.8%. It was the government that put up the goal of a zero deficit. He claimed that the tolerant attitude of the IMF was rewarded with fiscal profligacy by the Argentinean government. On privatization in Argentina, he pointed out that it was introduced without competition or regulatory framework and that privatization should not be pursued merely to enhance public finance. He also made some off the cuff remarks like Romania wants to access EU but has state corporations with too high production costs. Korean government is now thankful for the assistance IMF provided. The new Sovereign Debt Restructuring Mechanism (SDRM) as proposed by the IMF does not give it increased powers over countries. He admitted that perhaps IMF makes mistakes but many are homegrown. The WCL Secretary General in his concluding remarks said that the IMF while the IMF acknowledge mistakes, its' policies remain neo-liberal and there is an absence of regulation of markets. In the case of Argentina, the workers are paying for the crisis not the rich. He was disappointed that there was no discussion on Core Labor Standards (CLS) and insisted that if the IMF really wants to attack poverty it has to deliver on the decent work agenda.

There were a number of other meetings with the Executive Directors of both the Fund and the Bank and with the staff. Eckhard Deutscher, ED for Germany at the Bank, in his intervention stated that Core Labor Standards (CLS) are not obstacles to economic development. He recognized that governments had to decide on trade union participation in PRSPs but the World Bank should have the data on trade union involvement. Willy Kiekens, ED for Belgium at the IMF, underlined that unions have been in dialogue for nine years with the IFIs on these issues. He remembered that it was the unions who were the first to raise the issue of governance in various countries. He noted that it was positive that the ILO was now attending official meetings at the IFIs with Ministers. The French and the British IMF EDs also spoke. The French ED said that the privatization issue were sent to the independent evaluation office and the the French President intend to raise the issue of international governance at the G8 meeting. The UK Ed made a plea for increased transparency at the Fund and advocated that countries should receive a ‘menu of policy options.’

The meetings with the staff covered PRSPs, pension reform, core labor standards, privatization and sovereign debt restructuring mechanism. Trade union representatives were very critical about the PRSPs in content and process. They claimed that it was business as usual, privatization, liberalization in the mould of the Washington Consensus. Country ownership was self-censorship. The focus remains on traditional stabilization of the economy. Pro-poor growth policies should include core labor standards. The case of Nigeria shows extravagant fees for consultants even when privatization does not process(a fee as a % of the potential value of the sale). Trade unions expressed their views on privatization. They sustained that while private profits are guaranteed governments pay the bill. The policy ensures short term solutions for public finance but in the long run the problems are worse. The examples of Peru and Colombia were cited where in Peru 600,000 persons lost their jobs and Colombia where unemployment reached 27%. Bogdan Hossu from cartel Alfa, a WCL affiliate, stated that the government was given six months to privatize its corporations. Failing to do so the IMF insists that the corporations should be liquidated even when they were making profits.

On the Sovereign Debt Restructuring Mechanism (SDRM), IMF argued that the proposal will facilitate international debt restructuring. It will make an agreement on debt restructuring (rolling over the debt). It will not give the IMF additional powers and IMF-WBG loans will not be subjected to the mechanism According to the staff, the preferred creditor status of the IMF is necessary because no one else will give loans to countries in deep debt crisis. WCL/ACV-CSC senior economist, Ronald Jannsen raised questions on various aspects of the new international financial architecture such as offshore financial centers which is a haven for drug and money acquired via corruption. He also asked about Michel Camdessus’s proposal of an international tax on weapons and natural resources. There were no forthright answers to any of these issues. The Tobin Tax was also discussed but the IMF staff rejected it. The unions insisted that they will continue to lobby for it.

World bank staff presentation on pensions explained that the pension capitalization system guarantees safety and coverage, builds financial markets and delivers resources for investment and higher growth. Trade unions views were different. They maintained that twenty years after the Chilean reform, the cost for government still represents 2% of the GDP. Private pension schemes charge huge administration costs (30%). They do not improve coverage and profits are repatriated. The trade unions complained that there is disrespect for core labor standards. They recognized that neither the Fund or the Bank are international courts. However, they pointed out that the IFIs are part of a global governance structure and as such they should respect the ILO

Conventions. The overall response of the staff was that the IFIs do not have power. Power they say is in the hands of the shareholders.

COMMITTMENTS AND IMPLEMENTATION

It was agreed that High Level (leadership) Union-IFIs meetings will be held biannually. Those meetings were to be followed up by staff-level meetings in the alternate years. Organizations may request thematic meetings on particular issues or meetings at sub-regional, regional may be requested. They could be held at least once a year and mutually agreed time had to be negotiated. In 2002 it was agreed that the World Bank will provide four secondments on specific themes to be mutually agreed on. A trade unionist seconded to the Bank will develop a scorecard on trade union participation in PRSPs. There will be technical meetings on pension reforms and labor reforms. Briefings would be provided for trade unions to access World Bank funds for campaigns against HIV/AIDS. Regarding the IMF, it was agreed that there would be more frequent dialogue with trade unions on both national and international levels.

The secondments were done with mixed results but overall they were considered useful for the unions. The union officials learnt about the Bank and deepened their knowledge. Trade Union participation in PRSPs (Jan-Dec 2003/) resulted in a publication of Trade Union Participation in the PRSP Process (Aug 2004) by the WB authored by ICFTU–Afro economist. Impact on labor of public service restructuring (PSI-Sept-Dec 2003) led to the creation of a focal point between WB department and PSI and a joint survey was carried out. Labor Standards in World Bank Procurement (IFBWW:Feb.-March 2004) produced recommendations which are still to be implemented. World Bank Relations with unions and civil society (December-May 2005/WCL), products pending. Labor aspects of transport service privatization and restructuring (ITF- presently in progress).

The pension reforms meeting was held in May 2003. It concluded with a promise to consult unions on new WB pension policy paper. The ICFTU submitted detailed comments to the May 2004 draft. The labor market meeting was held in November 2003. A commitment was made to involve unions in WB labor market research strategy and to improve monitoring of WB involvement in national labor market reforms. Some briefings on accessing WB funds for unions' HIV/AIDS campaigns have taken place. Some union projects have been funded. There was no progress with meetings at the sub-regional or regional levels. At the level of the IMF Art. 1V consultations, the IMF does not have data beyond 2002. However, WCL unions report that there has been some consultation. Unions do complain about timely notice, info about subjects for consultation and documentation. IMF makes recommendations on labor issues but do not consult trade unions. In 2000, the World Bank developed a tool kit on Core Labor Standards for its staff and it was put on the website in 2001.

2004 JOINT WCL-ICFTU/GUFs MEETING

In October 2004, 70 labor leaders representing the WCL-ICFTU/GUFs/TUAC, 13 advisors and observers attended the biennial High Level Meeting between the International Trade Union Movement and the IFIs. The meeting covered issues of mutual interest including poverty reduction, progress in achieving the millennium development goals, employment creation, social inclusion and reducing inequities. Once more the dialogue underlined the policy differences between the IFIs and trade unions but highlighted the need to continue the engagement.

The meeting with Rodrigo de Rato, Managing Director of the IMF, was chaired by the Belgium ED, Willy Kiekens. De Rato said that he is committed to dialogue with the unions. He recognized that unions were important in many countries and were instruments of social change. He saw the need for modernizing labor markets, to focus on the issue of the aged and the liberalization of trading systems. Considering that the global economy was in recovery, he thought it was an opportune time to undertake reforms. The trade union leaders pointed out that the recovering global economy was not contributing to the allocation of resources for the achievement of the millennium development goals. They argued strongly for a global development tax and agreed that obtaining new resources was a political and not a technical issue. The union leaders however insisted that poverty reduction required the right policies. They disagreed with the the IFIs emphasis on growth which does not create jobs or generate development. They rejected IMF's policy recommendations of greater labor market flexibility regardless of the varying realities of countries. Deregulation they insisted increased social insecurity. They called for consultation with unions to avoid disruptive restructuring of the labor market.

The trade union leaders also met the staff of the IMF and World Bank and discussed their work on Low-Income Countries (LICs). For the IMF, their role in the LICs is to assist countries to establish a stable macroeconomic environment to ensure growth and poverty reduction. They supported increased aid to assist countries to reach the millennium development goals on condition that macroeconomic stability is not disturbed. They continued to support HIPC as the major thrust on the debt issue but were concerned that poor debt management practices could reverse the gains. The union leaders were informed that together with the World Bank they were "studying the feasibility of innovative proposals that had been made at the fall 2004 IMF-WB Annual Meetings for financing increase in aid and debt relief-through such mechanisms as global taxes or an international financing facility to frontload aid inflows-and whether those could gain the necessary political support."

The World Bank representative reported that the Bank now does "development policy lending" instead of "adjustment lending." This implies a shift from balance of payment support to a focus on growth and poverty reduction. According to the representative, "The new approach has a medium-term perspective and places great importance on supporting country-owned policy programs which meet the following criteria: strong analytical underpinnings; broad based consultation with stakeholders; being mindful about poverty and social impacts; and environmental sustainability. Lending through this new policy is directed at general budget support rather than project financing, allowing countries to better target aid and lending at the priorities they themselves identified, but requiring improved fiduciary and financial management. The Bank's Poverty Reduction Support Credit (PRSC) was based on these principles, including in particular, on a foundation of ownership embodied in the country's own Poverty Reduction Strategy Paper (PRSP), and reflected in "country-owned conditionality" in which program conditions are set by the country's themselves. Over the years lending conditionality has shifted increasingly from the issues of trade, agriculture, and infrastructure to social and environmental concerns, and private sector development."

The trade union leaders explained that HIPC was not delivering the needed results. They identified three problems with the program. It "did not apply to enough countries, it did not provide enough debt reduction, and it included too many structural adjustment conditions. " Poverty has increased in countries where the program reached completion point and the debt burden persisted. Development aid and the meeting of the 0.7% of GDP by developed countries was crucial and new proposals for debt relief had to be designed and implemented.

Another major criticism of the unions was the absence of employment targets and Core Labor Standards (CLS) in PRSPs. It is also the same criticisms that the unions sustain about the CAS. Unions keep insisting that poverty elimination will not be achieved without decent jobs. The failure of PRSPs to include the policy inputs from unions in consultations is indefensible. The union leaders viewed the lack of a clear-cut policy on the expanding informal economy as another obstacle that had to be overcome.