

FOR A GLOBAL NEW DEAL

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INTRODUCTION

1.	A COORDINATED RESPONSE TO THE RECESSION.....	1
1.1	A budgetary stimulus for growth, jobs and structural change	1
1.2	More ambitious policies for smart and green growth	2
1.3	Social Policies to protect people and to support change	4
2.	SWIFT ACTION TO ACTIVATE AND REGULATE THE FINANCIAL SYSTEM.....	5
2.1.	Urgent measures for financial stabilization to support savings, investment and jobs	5
2.2	Regulating the financial system to support growth and sustainable development	6
3.	FOSTERING THE TRANSITION TO A LOW-CARBON ECONOMY	8
3.1.	Large-scale investments for green growth and jobs.....	8
3.2.	Effective and fair mechanisms to share the costs	9
3.3.	Policies to ensure social justice in this transition	10
3.4.	Striving for a global agreement on fighting climate change.....	10
4.	A WORLD TRADE SYSTEM THAT WORKS FOR PEOPLE.....	11
4.1.	Opening markets is necessary to ensure growth and alleviate poverty	11
4.2.	For trade opening to benefit all, appropriate domestic regulations are needed	12
4.3.	For developing countries good domestic policies but also development aid	12
4.4.	WTO, a forum to discuss and monitor the use of trade policies	12
4.5.	The importance of an open international trade during the financial crisis.....	13
5.	STRENGTHENING THE DEVELOPMENT POLICIES.....	14
6.	IMPLEMENTING THE DECENT WORK AGENDA AND MANAGING INTERNATIONAL MIGRATIONS	16
6.1.	Implementing the decent work agenda.....	16
6.2	Managing international migrations	17
7.	ENSURING PEACE AND SECURITY	18
8.	SHAPING THE GLOBAL NEW DEAL	19

8.1	The main principles of a Global New Deal	20
8.2	The Global New Deal as a win-win game	21
8.3	The policies at the heart of a Global New Deal	21
9.	RESHAPING GLOBAL GOVERNANCE	22
	BIBLIOGRAPHY	25

Introduction

The current crisis can only be overcome by a Global New Deal. This is a systemic crisis and a global crisis requiring systemic and global solutions.

This is **systemic crisis** of a market economy which has been driven by the share value, by the short term financial return as the main criteria, sacrificing investment, growth, jobs, wages, environment and the general well being in the planet. It should be replaced by a market system where initiative and entrepreneurship should be supported by a sound financial system in order to foster growth, productivity, jobs and prosperity in the framework of sustainable development. A new New Deal should be settled in order to turn that vicious circle into this virtuous circle, raising the demand in a sustained way.

This is a **global crisis**, starting in the USA, but spreading very swiftly throughout the world, with the financial crisis feeding in the economic crisis and the other way round, threatening to turn the recession into depression. Underlying this crisis there are major economic and financial imbalances: American growth depending on external credit, Chinese or other emerging economies fostering their exports to the detriment of their internal demand, too many countries still in an underdevelopment trap, a very uneven distribution of the benefits of globalization across the world and within each country. A Global New Deal should be settled for a better international balance allowing to raise the global demand in a sustained way and making globalization work for all.

This crisis is coming on the top of another crisis. This financial turmoil is bursting in a special moment of our history when the gap between global problems and governance was already becoming evident in several areas: a multilateral deal for trade and development is still in pain to be born, migrations flows are expanding without concerted management and climate change is still without the appropriate response.

Nevertheless, **climate change** is increasingly being understood as a **matter of survival**, as an imperative to change our patterns of production and of consumption, our way of life. Moreover, **counteracting the current recession** requires urgent action to sustain demand, growth and jobs. In this particular juncture there is a unique window of opportunity, where we have a **clear choice**:

- Either each country retrenches in an individual and isolationist and reaction, by hindering trade, regulating financial markets and postponing the transition to a low carbon economy and reducing development aid because they seem too expensive for public budgets. The final and general outcome will then be depression, inefficient financial system plus uncontrolled climate change;
- Or there is international cooperation to sustain demand, growth and jobs exactly by opening trade, fostering the transition to a low carbon economy and

supporting developing countries catching up. National protectionism should be replaced by global protection.

If there is an increase of public expenditure because of these initiatives, this a case where next generations will be grateful to pay for more public debt in the future. There are historical moments where the traditional budgetary wisdom looking for balance is no longer a choice for political action: either it dares to move beyond or it will be responsible for a long term regression. Moreover, the only chance to rebalance public finance depends now on resuming sustainable growth.

Therefore the concrete measures to be taken now to tackle the recession will **shape the future for the next generation**, for good and ill. The current crisis can lead to a major economic, social and environmental **regression**, but it is also creating a **unique opportunity** to speed up the implementation of the strategic priorities which had already been identified to shape globalisation making it work for all.

Over the last decades, the progressive forces at world level have been warning about the accumulation of risks and injustices regarding people and the planet. Now, when the failures of the current economic and social system are undeniable and the **collapse of the neo-liberal agenda is generalized** the time has come to restate our values, our vision and our proposals for **a new direction to be taken**, transforming our societies, improving our and new generations' lives. This is also the time to overcome the illusions of some social-democrats when advocating a compromise with economic neo-liberalism.

Our values are **values for the humanity as a whole**: social justice with more equality and equal opportunities, peace and security, respect for human rights and democracy, protecting the planet, providing people's needs, ensuring more and better jobs and decent work, regulated markets and better public services, providing multiculturalism and living together in openness.

Our ambition must be clear: **to rebuild the global economic order** in the direction of more sustainable growth, more social equality, more financial stability, open and fair trade and a decisive commitment to reverse poverty and climate change.

Bearing in mind these values and this ambition, we have now a special responsibility to act, **building a global coalition** to define and **put in motion a Global New Deal**. These should be our priorities for action:

- A coordinated response to the recession
- Improving the regulation of the international financial system
- Fostering the transition to a low-carbon economy
- Promoting fair trade
- Strengthening development policies
- Implementing the decent work agenda

The implementation of a Global New Deal combining these policies will require a **redistribution of global income, access to knowledge and development opportunities** by reshaping some of the instruments for trade, technology, finance and taxation. It will also require a redistribution of power and a **major overhaul of the global governance structures**, giving more voice and influence to emerging and developed countries, involving civil society and rebalancing the four major areas of global regulation: finance, trade, environment and labour.

The present gap between global problems and global governance is just unacceptable and crucial reforms of global governance can no longer be delayed.

1. A coordinated response to the recession

The real economy and financial markets are linked and must be tackled **simultaneously**. This should be the essence of all proposals. The crisis should be viewed as a historic opportunity to bring forth transformational change in our economies, leading the way for truly sustainable and socially fair long-term development.

We should also be clear about the political approach to be taken. This is not just a recession requiring a recovery. This is a systemic and global crisis requiring key changes in the capitalist system and a new global governance order, necessary for the emergence of a **new development model**.

The response to the recession should focus on the following objectives:

- **Safeguarding employment** and preventing mass unemployment by counteracting the down-turn and supporting demand by households and companies;
- Promoting **the transition to a smarter and greener economy**;
- **Protecting people**, especially lower income groups as well as supporting their move to new and better jobs.

The response to the recession should combine a **budgetary stimulus**, more ambitious policies to promote **structural change** and **social policies** providing more security in change. Hence, this response must also contribute towards medium and **long-term strategic goals**.

However, **developed, emerging and developing countries can be in very different conditions** regarding their policy space. Some of them can afford stimulus packages using public budgets, others can at least borrow in the markets, but others just cannot. For these last cases, it is crucial to support trade, to develop new IMF credit lines and to review its conditionality in order to allow counter-cyclical policies. Moreover, monetary policy, leading not only with interest rate, but also with exchange rate, can also play a very relevant role to respond to the recession.

1.1 A budgetary stimulus for growth, jobs and structural change

These objectives should be central to design **the budgetary stimulus to support demand**, either from private and public investment or from consumption. In order to take advantage of the international spill-over effects on growth, the involved countries should coordinate their economic policies, combining public investments and incentives to private investments with selective, fair and effective tax incentives focusing on **priorities**, such as:

- Speeding up the construction of new energy and broadband networks;
- Promoting the greening of products and services, including buildings and cars;
- Developing comprehensive programmes to support SMEs;
- Improving the coordination of research and education programmes with innovation in new areas of investment and jobs creation;
- Supporting existing jobs while helping to retrain the existing workforce, such as schemes to enable employers to prevent job cuts by combining reduced working time with publicly-subsidised training programmes;
- Providing tailor-made access to new skills for new jobs ;
- Building social infrastructures and supporting the development of family care services.

The policy mix should have as its primary aim to safeguard jobs and prevent unemployment, making the most of the multiplier effect of further public expenditure. The precise mix between increases in public expenditure and selective tax incentives should be decided by each country according to criteria of effectiveness and fairness and to its national specificities, notably its level of debt and deficit and the scope of its problems.

The countries able to redirect their public expenditure and tax structures according to these priorities, should be allowed to run higher public deficits, provided they can demonstrate they will contribute to consolidate their public finances by fostering the growth rate.

Selective tax incentives should have as their primary purpose to stimulate domestic demand in a socially fair and effective way. The following measures could be considered: tax incentives for green products and services, for labour intensive services such as personal or catering services or reductions in the tax burden in lower incomes or in some basic products. Governments should be encouraged to reduce social security contributions of wage earners and to increase direct aid to more vulnerable households.

1.2 More ambitious policies for smart and green growth

Structural policies for smarter and green growth should also be strengthened in the stimulus packages, **turning the recession into an opportunity for new investments**, job creation and fostering structural change for sustainable development.

Even in recession, it is possible to create jobs in several sectors: increasing energy efficiency, spreading low carbon technologies, urban renewal, transport, education and health services, personal services, business services and modernizing manufacturing sectors according to new standards of energy, design, safety and quality. This will be particularly important not only to offer job opportunities to a higher-skilled youth generation coming onto the labour market, but also for workers who are losing their jobs in sectors undergoing restructuring. This will require a better coordination of innovation, industrial, research, education and retraining and employment policies at all relevant levels:

- Governments should improve the coordination of these policies, in particular to support **regional partnerships for growth, innovation and jobs** as well as cross border initiatives.
- Regarding **infrastructure for a smarter economy, broadband network** should be extended to more regions, allowing the access to the latest generation of Internet platforms, by combining private and public resources.

The fight against climate change demands a transformation in almost all economic sectors, bringing important new opportunities for more and better jobs and social fairness in our societies. "Green" economic measures for the recovery could include immediate implementation of the following measures:

- Tax credits/government premiums on energy efficiency related household investment (high energy efficient heating systems, building isolation, solar panels). These measures would be very positive for jobs in the building sector - being hit very hard by the crisis now - and in the industries producing these materials;
- Tax credits/government premiums for cleaner cars and collective transports;
- Power generation and storage: Renewing electricity power generation capacity, including renewable energies, will require investment in interconnection into energy grids, with emphasis on facilitating decentralized production and links to and from regions rich in renewable sources like wind or solar. All these infrastructure projects will create high-value jobs;
- Energy efficiency: investments and tax incentives are now needed to renovate public and private buildings and housing, increase the efficiency of lighting, heating and cooling systems, developing inter-modality transports and promote new technologies for energy efficiency in goods and services.

1.3 Social Policies to protect people and to support change

Social policies should be clearly adapted to cope with the recession, **protecting people while supporting them to move to more promising employment and living conditions. Fairness in the response** to the recession should be our main guiding principle and a special concern should be kept for the most vulnerable, those who always suffer more during a crisis. Against this background, the priorities for social policies should be:

- To promote **access to employment, particularly to young workers**, requiring stronger proactive action, as a central priority, based on a better coordination of labour market, education and industrial policies;
- **Wage developments** should be monitored and supported in order to ensure sustained private consumption. Wages should continue to be aligned with productivity gains and protecting purchasing power. The Social Partners have a key role to play;
- Access to **new skills for new jobs** should be the goal of major programmes providing tailor-made solutions of education and training to those who will need a “knowledge lift” to get a new job. Schemes to enable employers to prevent job cuts, such as combining reduced working time with publicly-subsidized training programmes, should be implemented;
- To submit planned mass **lay-offs to a stronger supervisory scheme**, ensuring that all other alternatives have been exhausted. Employers who receive state aid should reimburse it if they have laid off staff while at the same time using their financial resources to pay bonuses, dividends to shareholders or buy company shares to increase share value;
- In parallel, **unemployment protection and insurance** should be strengthened and linked to more effective labour market policies. Employment in the social economy sector should also be supported to provide solutions;
- The **housing market** due to its social importance and its spillover effects on the whole economy should be as much as possible protected from recession with measures such as: reducing the cost of mortgages, supporting first-time buyers, protecting against repossession, and promoting the social housing sector;
- **Income support**, notably for lower income groups, to maintain purchasing power (for example, targeted tax cuts and credits, including income tax rebates) and policies to ensure the affordability of basic goods such as electricity and gas;
- Finally, **older workers** and elderly people require special attention. Priorities should include the protection of their savings by guaranteeing bank deposits, enabling a better assessment of financial products, through the implementation of consumer information and protection measures, and

ensuring the sustainability of their pension schemes in the three pillars of the social protection system, particularly the first pillar.

2. Swift action to activate and regulate the financial system

2.1. Urgent measures for financial stabilization to support savings, investment and jobs

Restoring bank lending and promoting good banking is crucial for a quick, sound and lasting recovery. The concept of “good banking” can be defined by a set of criteria such as developed retail services, strong deposit business, diversification, and closer relationships with customers. This concept should become a driver for the unavoidable restructuring process which should be carried out in the banking sector. A long term strategy to strengthen and developing good banking meeting the real needs of citizens and business should frame the public intervention in this sector.

In spite of the already adopted measures, guaranteeing deposits, ensuring more liquidity and supporting inter-banking lending, the credit level remains very insufficient to overcome the recession. It is important to recognize that the problem is not only of liquidity but, in several cases, of solvency. Therefore, stronger measures are needed to tackle this crucial bottleneck:

- **Restructuring bank balance sheets** in order to isolate the effect of the impaired assets. “Bad banks” and insurances can be considered but in other cases, recapitalizing banks will be necessary. In any case, clear conditions should be set for them to get public support: presenting restructuring plans and ensuring transparency, equal treatment of their cross border branches and a fair costs sharing between tax-payers and shareholders;
- **Recapitalizing banks** by bail-out of creditors or by debt-for equity swaps. Appropriate conditionality should be set including maintaining their credit lines to companies and households, rationalizing executive pay and complying with the improved regulation of the financial system. Government representation in the board can also be considered, leading to temporary nationalization if necessary;
- Most of all, pressing all banks to play their role of **providing credit** to companies and households in order to sustain the level of economic activity, investment and job creation at local and regional level. The incentives for bankers, traders and fund managers should be revised in order to change their behaviour: their bonuses should be set according to the longer term outcomes;
- **Special credit facilities** should be created for SMEs to be provided, if necessary, by regional development funds;

2.2 Regulating the financial system to support growth and sustainable development

Fully regulated, transparent, efficient, cost effective and stable financial markets are a basic condition for long-term investments in the real economy and smart green growth goals. We have now seen that systemic risks cannot be avoided by relying on market-based “diversification” of risks. The futures markets and, more broadly, lightly regulated credit risk transfers cannot continue to be comparable to gambling without rules.

We can no longer accept the **perverse effects of unregulated financial markets on the real economy**. The source of this economic recession lies in the lack of an efficiently regulated financial market. The costs are clear: unemployment is going up and negative economic growth will now hit our countries. We can no longer continue to believe that the only purpose of regulation is to prevent market instability. **Regulation should also ensure an efficient link between financial markets and the real economy**. Therefore, all financial institutions, transactions and products should be covered by regulation for **transparency, efficiency and stability**.

Tackling the economic recession must be our priority, but this must be combined with the development of better regulation for stable, transparent and efficient financial markets. In the absence of this tandem of action, there will be a downward spiral between recession and financial turmoil. The financial markets are part of the answer to the recovery.

At this stage we need to go much further than political recommendations. It is time to act decisively. Financial markets should comply with the following principles as the basis for future market regulation and efficiency:

Ensuring proper public oversight and regulatory coverage of financial markets:

- **Universal legislation covering all financial entities, products and transactions.** No financial market player should be left out of the system, for example hedge and private equity funds. In addition, a careful and continuing analysis needs to be undertaken to monitor and identify operations of financial market players which could cause systemic risks;
- **Stronger international supervision** and more cooperation between all national regulatory bodies;
- **Tax havens and off shore financial centres** that are free of regulation and legislation must be covered by regulation through a new international initiative. We must **fight tax evasion resolutely**;

Introducing mechanisms to prevent pro-cyclicality:

- **Mandatory “capital requirements” for all financial players.** Capital requirements must accurately reflect risks, with higher minimum capital ratios that are proportional to asset growth and asset risk, and to the complexity of asset classes and to leverage levels. This also applies to long loans to hedge funds and private equity;
- **Executive pay** and remuneration schemes should be in line with long term performance goals. Mechanisms to ensure that earnings reflect losses as well as profits should be established;
- **All short-selling should be properly regulated.** Detrimental short selling that exacerbates crises should be curbed by regulatory authorities.

Ensuring accountable and transparent credit risk rating:

- The existing system should be reversed: risk should be observable from the beginning and associated with clear responsibility. Financial institutions need to bear some of the lending risks themselves in the future;
- provide, they should provide a third rating free of charge. In addition, we should examine how to broaden rating measures.

Ensuring robust and reliable accounting regimes:

- A new strong standard of transparency and disclosure for all financial players. This has to be done in an efficient and comprehensive way and is a first step towards effective regulation. Transparency and disclosure will allow regulatory authorities to track the actions of financial players in a better way. Transparency is a means to better regulation and not an end in itself;
- New and more transparent financial accounting standards are needed so that operations are clearly stated in balance sheets. The convergence of accounting rules between Europe and the USA needs to move faster and will contribute to tackle the off balance sheet transactions.

Developing a new financial landscape for the real economy:

- **Alternatives to for-profit private banking**, such as credit unions, cooperative banking, mutual insurance and other community-based and public financial services, should be promoted to ensure a balanced and robust domestic financial services sector;
- Measures should be in place to promote an effective interplay between **sovereign wealth funds** and efficient and transparent financial markets. The IMF code of practice on sovereign wealth funds (adopted in October in 2008) is

far below recognised international governance and transparency standards – such as those of the OECD – and needs to be considerably improved.

- Protecting workers' interests, by such means as ensuring that employees are informed and consulted during all takeovers, including those that are leveraged.

The afore-mentioned principles to improve the regulation of the financial system should be extended worldwide, if the process launched by the Washington G20 Summit is to be successful. The core competences and the composition of the IMF and FSF (Financial stability Forum) must be bundled and enhanced.

The **governance** of the International Financial Institutions should be deeply reformed in order to increase their legitimacy and effectiveness. Their heads should be appointed in the future through open, merit based selection processes. The IMF quotas should be further revised in order to give more voice to developing and emerging countries.

The IMF is also a liquidity-providing institution. We need to need to **increase very substantially its resources in order to strengthen its capacity to rescue** default developing countries and emerging economies and provide them with short and long term credit. **Conditionality must be revised** in order to promote the economic recovery, support their trade and their counter-cyclical policies. Additional funding should also be provided by increasing the issuance of Special Drawing Rights (SDRs). The development of regional monetary funds should also be encouraged.

It is also important to raise the effectiveness of crisis prevention measures and early warning. To work towards a real Bretton Woods II Reform, we can no longer continue with the “soft” regulation of Basel II. In the longer term, we need a **global regulatory framework** and a **global regulator** to improve financial market efficiency.

3. Fostering the transition to a low-carbon economy

The transition to a low-carbon economy will involve a major transformation in our patterns of production and consumption, requiring large-scale investments, mechanisms to share the costs and policies to ensure social justice in this transition.

3.1. Large-scale investments for green growth and jobs

The large-scale investments to increase the energy efficiency and to spread renewable sources of energy mean, first of all, a huge opportunity for growth and jobs creation. **Four priorities should be pursued by all countries:**

- To build new equipments for renewable energies;
- To develop a network for more intelligent collective management of the available energy;
- To spread the access to low-carbon collective and individual means of transport;
- To encourage the construction of public and private buildings with better energy efficiency.

This will require a long term effort in research and innovation, standardisation, finance and assistance in order to:

- Diffuse existing low carbon technologies, developing near commercial technologies and creating breakthrough technologies;
- Define globally coordinated energy standards
- Coordinate public funding in all countries and targeted concessional finance for developing countries around sectoral programmes.

3.2. Effective and fair mechanisms to share the costs

To curb the current climate trends will imply a commitment to per capita emissions by 2050 of around 2T CO₂e as a world average. The principle of common but differentiated responsibilities and respective capabilities must serve as a framework to progress towards climate justice and to share the economic costs of this transition:

- **Developed countries** must take the lead due to their historic responsibilities, resources and technological capacities. At the COP15 meetings in 2009, developed countries should commit to cutting emission by 80-90% from 1990 levels by 2050 with credible interim targets;
- **Developing countries** will also need to make substantial cuts, but should not be asked to take on binding national targets until developed countries provide the example of lower carbon growth and until the relevant institutions and frameworks provide financial and technological support for both mitigation and adaptation in the developed countries. By 2020, developing countries, subject to developed country performance, will need to take appropriate and binding national targets;
- Finally, **emerging economies** should be able to define targets now, under the assumption they will get technological transfers to support for this transition.

This requires to **define a tax system and/or a cap-and-trade system which will ensure not only effectiveness**, by imposing an absolute limit on emissions and efficiency by reducing the costs of action, but also **equity**, by generating private sector flows to developing countries, which can then be used for low carbon growth. In the medium-long term, forests should be fully integrated into global carbon emissions trading or other financial instruments in order to reduce deforestation and to promote biodiversity and local livelihoods.

3.3. Policies to ensure social justice in this transition

The national implementation of mitigation and adaptation policies requires impact assessment, consultation and protection of those communities that are particularly exposed to emission reduction policies.

The tool box to deal with restructurings should be strongly developed: training for the new technologies, retraining for other jobs, assistance for reintegration into the labour market, the support to entrepreneurship and economic diversification in order to create alternative jobs; social dialogue and collective agreements to manage this technological transition at national, regional or international level can be particularly important.

In the developing countries, the response to climate change requires radical policies to reduce poverty, including access to decent housing, food security, access to safe drinking water, health services, sustainable transports and minimum income:

- A commitment to eradicating poverty, promoting equality and realising sustainable development, while reducing emissions requires concrete steps to introduce a social dimension in the CDM, Clean Development Mechanism and in the ET, Emission Trading projects.
- Further financial means should be mobilised to enable this a transition in a fair way. At national level, tax systems should be adapted and bank credit lines should be developed with this purpose. At international level, development aid should be deployed in this direction. So far, the gap between the available and the necessary financial means for adaptation is still huge.

3.4. Striving for a global agreement on fighting climate change

The agreement on fighting climate change should take place in **three key phases**:

- At Copenhagen 2009: determine international targets, establish developed and emerging countries caps and set developing countries responsibilities; to define a shared vision on how to protect the most vulnerable;
- 2010-2020: build effective and cooperative institutions on finance and technology as a basis for establishing developing country caps;
- Post-2020: all countries should take part of an international cap-and-trade system and adhere to technological agreements.

This requires to create a new institutional framework which can manage within a single, linked process, the development of the cap-and-trade system including global sector agreements, the creation of systems to supervise and verify delivery, the coordination of research and innovations initiatives regarding low-carbon technologies, the assessment of risks for climate change and the mechanisms for dispute resolution.

The creation of a World Environmental Organization (WEO) should be considered in order to manage this process, streamlining/replacing the overlapping roles of the bodies comprised by the current governance regime: the UN Environment Programme, the Global Environment Facility, the Environment Management Group, the OECD Environment Directorate, the Commission for Sustainable Development, ECOSOC and the Environmental Chamber of the International Court of Justice.

4. A world trade system that works for people

4.1. Opening markets is necessary to ensure growth and alleviate poverty

Another area where the progressive movement should encourage increased international cooperation is international trade.

Trade opening and reducing trade barriers under the right conditions, has been, is and will remain, essential to promote growth and development, to improve standards of living and to tackle poverty reduction. Opening markets to foreign products and services provide diverse sources of gain through increased efficiency, the realization of economies of scale, greater product variety and higher productivity. For all these reasons, **opening trade has the potential to boost national incomes and bring wealth and economic benefits.**

4.2. For trade opening to benefit all, appropriate domestic regulations are needed

But while opening trade can create wealth and development, it does not mean it is good for every person, every country, every time. **Trade opening creates winners but it also creates losers.** It creates adjustments costs which we cannot ignore. In addition, for many countries trade opening cannot translate into wealth and development unless bottlenecks in domestic productive capacities are also properly tackled.

The progressive view should be that **governments must address these domestic policy changes together with the opening-up agenda.** In other words to be beneficial to all people market opening must be accompanied with appropriate domestic policies and regulations setting up active economic and social policies.

Progressives should emphasize that **trade opening does not and should not equate de-regulation.** Indeed, to be most effective trade opening should take place within a set of multilaterally agreed rules guaranteeing fairness and justice. These are the rules built over more than 60 years by the members of the World Trade Organization. These rules ensure non-discrimination in trade relations, i.e. that domestic and foreign operators are subject to the same set of rules and conditions.

4.3. For developing countries good domestic policies but also development aid

In the case of developing countries, many of which lack the necessary financial resources, development aid is essential to face the costs of adjustment but also to unlock production bottlenecks. To move from making trade possible to making it happen, **poor countries need financial resources to address infrastructure and supply-side constraints.** This is the very purpose of Aid for Trade: to help developing countries, particularly the poorest among them, to build supply-side capacity and trade-related infrastructure with the goal of expanding their trade and benefit from the new trading opportunities resulting from the WTO Doha Round. Progressives should support this complementary agenda.

4.4. WTO, a forum to discuss and monitor the use of trade policies

It is important that the multilateral trade rules built by WTO members be subject to regular discussion and monitoring to ensure that they are applied in a manner supportive of development and growth. The WTO, in addition to being the forum where trade rules are negotiated, also provides a forum for regular discussion and peer-review of the way in which its members apply trade rules and of the way more trade translates into more welfare. Through notifications, dialogue and monitoring members ensure that national trade policies are supportive of WTO rules and obligations. Through dialogue and discussion many differences can be addressed without necessitating recourse to dispute settlement. Progressives should support a

strengthening of WTO monitoring of trade policies which should look at all trade-related aspects of sustainable development including decent work concerns as an essential ingredient of a system of global governance. This is particularly the case at this moment when the economic crisis is creating protectionist pressures which risk stalling the trade engine of growth.

4.5. The importance of an open international trade during the financial crisis

The financial crisis has transformed into a massive economic crisis which is affecting all countries, whether developed or emerging economies. Trade has become a casualty of the crisis. Just as trade increased faster than world growth in the last years, the recession will also provoke a stronger trade reduction; This is due to the technological changes that have taken place in recent decades. A contraction in trade risks stalling one of the remaining engines of world growth which is that of emerging economies, whose growth is highly linked to trade.

In these circumstances it is extremely important to ensure that **trade remains open and that it is part of the stimulus needed for the economic recovery.** Trade must be seen as part of the response to the economic crisis. Progressives should support a rapid and satisfactory conclusion of the Doha Round negotiations capable of contributing to rising living standards in all parts of the world. **The conclusion of the Round would mean more and better rules to regulate multilateral trade.** More rules because the Round could give birth to new agreements on new areas which respond to today's needs. This is the case of an agreement curbing fishery subsidies which contribute to the depletion of our oceans. Or an agreement to open trade in clean technology, in environmental goods and services which could help countries curb emissions. Or an agreement to facilitate trade by cutting customs red tape. Or an agreement to ensure that trade does not cause worsening respect for core labour standards in some countries and sectors. Better rules because the Round could deliver greater **fairness in the existing rules by addressing distortions which today penalize developing countries** such as trade harmful agriculture subsidies, with cotton being a case in hand, or tariffs which penalize developing countries moving into higher value added products.

In a context of economic recession and job losses a progressive agenda on trade should include the following elements:

1. **Support for the rapid and satisfactory conclusion of the on-going negotiations capable of contributing to rising living standards in all parts of the world under the Doha Development Agenda.** A multilateral agreement on trade could send the signal that the international community continues to cooperate in delivering solutions to global problems. It would mean reinforcing a system of multilateral rules which was borne 60 years

ago and which has helped manage in an orderly manner trade relation among countries. A Doha deal would rebalance the current multilateral trading rules in favour of developing countries, a struggle on which developing countries have invested a lot of time and political capital.

It would also be the most effective instrument against isolationist tendencies which can be so harmful to the economies of the poorest and weakest countries. The current package on the table would represent annual savings in tariffs in the order of \$ 150 bio. This would mean that current tariffs would be halved, thus reducing the scope for adopting protectionist measures.

2. In the context of a serious economic recession which will hit the poorest and weakest harder, progressives should insist that **resources for Aid for Trade be mobilized**, that funding continues to flow, that aid promises be kept. It is therefore imperative that the international community delivers on its Aid for Trade commitments.
3. Progressives should also press for swift action to **ensure availability and affordability of trade finance**, which is necessary to ensure that trade keeps flowing, in particular in developing countries.

5. Strengthening the development policies

Beyond energetic recovery plans, more effective regulation of the financial systems and swifter transition to low carbon economies, **there is a more powerful solution to raise the global demand in a sustained way: this is to foster the catching up process of the developing countries.** In fact, a long term solution to overcome this crisis will require to face the **central paradox of the current global economic order:** developing and emerging countries financing the demand in developed countries which is then translated into unsustainable patterns of production and consumption.

The catching up of developing countries is certainly requiring not only the right choices in their internal development strategies and in their governance structures, but also the appropriate framework conditions. Beyond the need to raise the levels of development aid and to comply with the right-off of the debt in the highly indebted countries, the following framework conditions should be underlined:

- **A fairer trade regime to promote development.** This means reducing the subsidies to agriculture in the USA and the EU, accepting better pricing of natural resources, establishing preferential treatment with developing countries and allowing them to set agreed tariff structures which are compatible with industrial policies and development agendas. A fairer approach to trade should combine access to new markets for all countries

involved with the concern with capacity building as well as the improvement of the environmental and social standards in the developing and emerging countries;

- **A better use of knowledge as a global public good** and a key-leverage for development. These concerns should be present when defining the access to knowledge and the intellectual property rights. **The general TRIP regime** should be more balanced, encouraging not only innovation but also diffusion and use. Specific TRIP regimes for developing countries should be considered notably regarding health and sustainable development and the need to protect traditional knowledge. The TRIPs related to contagious diseases should be dramatically reduced. The global innovation system should evolve by opening the access to research programmes and by mobilising more resources for joint innovation projects between developed and developing countries,
- A financial and technological support by the developed countries to the **transition to low carbon economies** in the developing countries (as already seen in section);
- A financial and technological support by the developed countries to the **transition towards a more balanced demographic regimes** in the developing countries;
- A financial and technological support by the developed countries for **institutional building of social protection systems and labour standards enforcement; access to basic education and health care** should be extended to the entire population
- Multinational companies should be given incentives for better **corporate social responsibility** not only in their home base but also when acting abroad;
- Shifting the focus of the **multilateral development banks** towards institutional building for economic and social policies and construction of infrastructures and energy systems;
- A major reform should be considered in the international financial system: to issue **special drawing rights as a global reserve currency** to support developing countries, particularly when they face trade or capital accounts shocks;
- Last, but not least, a **Global Development Fund** should be created to support development policies and to be financed by **global taxes** such as financial transaction taxes or carbon emissions taxes.

6. Implementing the decent work agenda and managing international migrations

6.1. Implementing the decent work agenda

The implementation of the agenda for **decent work is relevant in all countries** and will be crucial to underpin all the **catching up process** in developing and emerging countries. It involves the key priorities to ensure the lift of working conditions and the focus on employment and social protection as the key interfaces between economic and social development. Hence, in the framework of comprehensive strategies for sustainable development, it is important to make a regular monitoring of the priorities of the decent work agenda:

- **human rights at work:** progressive elimination of child labour and ensuring the core labour standards;
- **employment and incomes:** ensuring pro-employment macro-economic policies, promoting jobs creation and restructuring management, supporting the access to jobs and incomes with education, training and active labour market policies;
- **social protection:** adjusting to social change; extending social protection; ensuring its sustainability;
- **social dialogue:** promoting social dialogue at the different levels, company, sector and country levels; widening the agenda of social dialogue.

All countries should ratify and implement the relevant ILO conventions while strengthening ILO supervisory role and capacity to provide technical assistance to the implementation of the decent work agenda.

The implementation of these priorities requires a more effective coordination of the UN agencies where UNDP and ILO can play a particularly relevant role. The interfaces of these agencies with the Bretton Woods institutions and the WTO are also crucial. They should be strengthened by the ECOSOC in institutional terms and by the CEB in operational terms, but a stronger political multilateral body seems to be missing in order to ensure the horizontal coherence and the vertical consistency of all the relevant policies for sustainable development. The general political framework to drive this process will be presented in section 8.

6.2 Managing international migrations

With about 200 million persons, approximately 3% of our world population are migrants. These figures are forecasted to increase further, including as an effect of globalised markets, climate change and increases in world population.

By enhancing career perspectives and seeking their fortunes, migrants contribute to the welfare of their families and to the economies of their region of origin, including through important monetary transfers. Accumulated global remittances account for more than 2, 8 billion US\$ annually, more than double the financial commitments made worldwide under ODA. They clearly contribute to stabilising local and regional economies in periods of crisis. Enhanced outreach to migration Diaspora provides a useful tool for national governments to increase monetary flows and optimise migration induced welfare effects.

Against the background of sectoral skills shortages and declining populations in developed countries, the effective management of migration has become an essential policy tool for underpinning growth potential.

A fair global deal in structuring the movement of people will consist in realising and extending the **cooperation potential between economies of origin and destination**. The particular challenge is already today to organise migration flows in respect of the social, economic and political cultures involved, whilst supporting a reasonable level of global responsibility and international solidarity.

An additional element of a fair and viable migration deal is to affirm a **decent degree of income, provide for social protection and make sure that human rights are respected**. This will require combined efforts of all parties concerned. Countries of destination must provide reasonable assurances as concerns employment opportunities in the formal economy while fighting exploitative informal labour relations to the detriment of the migrants' community. In turn, countries of origin should intensify their efforts in the promotion of legal migration and the discouragement of irregular migration flows.

However, the movement of persons cannot be limited to labour market processes. Family reunification, education, escape from violent conflict, serious discrimination, human trafficking or climate change induced displacements are some of the reasons for which people are nowadays on the move.

Future migration management frameworks must allow for an integrated handling of migration flows inline with evolving international standards that are sensitive to above mentioned social, economic and political considerations, based on relevant

principles including the respect of human rights, addressing the specific protection needs of asylum seekers, refugees and vulnerable groups, including the principle of subsidiarity and international solidarity. This has to include the burden sharing principle putting in place a fully functioning resettlement scheme.

Considerable efforts must be undertaken by the international community to match up to the challenges related to fair **migration regimes which balance opportunities with interest and needs** without, overstraining absorption capacities of countries of destination, taking into consideration the interests of countries of transit and safeguarding the functioning of economies of origin.

Most governments still see migration as a domestic policy issue. They are, however, in many cases engaged in regional processes, working together on a wide range of migration management topics like labour migration, migration and health, migration and development and counter trafficking and smuggling activities.

The next sensitive step for an improved global migration, operational and implementation oriented policy seems to be the coordination amongst and cooperation of those regional processes.

An inter-institutional policy task force should be established in order to organise and reinforce collective efforts towards the elaboration of mutually supported migration management frameworks at regional and inter-regional levels. In this context, relevant UN agencies, the IOM and related actors must bundle their competencies more effectively. As the Geneva based Global Migration Group has consistently failed to promote adequate policy developments, enhanced managerial structures must be conceived so as to ensure that organisational, intellectual and operational capacities are put to work in synergy.

Working structures, mandates and administration of the Global Forum on Migration and Development should be reinforced as part of a sweeping overhaul of the unfortunate past record of that body so as to allow for enhanced research, policy development, coalition building, best practice development and dissemination, while serving as a best practice model for similar activities beyond the migration and development nexus.

Finally, these efforts should lead de facto to the setting up of a **Global Migration Alliance** which organises evolving policy work on the basis of rolling Plan of Action.

7. Ensuring peace and security

Peace will remain the most difficult challenge for humanity. We cannot take it for granted, as the numerous conflicts during the last few decades clearly demonstrate.

Without peace there will be no prosperity, freedom or sustainable developments, which are all essential social-democratic values. This is what we have witnessed from 60 years of peaceful development in Europe. Apart from the regrettable Balkan conflict, Europe has been spared major conflicts for the longest period in its history, which has paved the ground for a period of high prosperity, freedom and respect of the rule of law.

However, the bi-polar world of the cold war gave way to security uncertainties and the collapse, last year, of the liberal “globalization model” urge us to rethink about how to reshape a new world order (economically, politically and socially). Indeed, we are witnessing multi-polar tendencies at international level and not stable and long-lasting multi-polar balance of power systems. Within such an asymmetrical, heterogeneous and instable multipolar scenario, conflicts are possible regarding financial and trade issues, terrorism, oil, water, food-shortages, poverty and climate change, to name but a few. The key for peace lies in the way in which we all manage the threatened resources of our planet. A Global New Deal should be adjusted to accommodate the needs and aspirations of people in the developed and the developing worlds. This brings us to the key question: What can provide stability in today’s world?

The objectives of peace and security should be redefined and adjusted to the context of a new international balance of powers. Peace should be the overall aim through the active consent of major and minor powers alike, expressed globally within the framework of a reformed United Nations. The Security Council’s permanent membership needs to become more diverse, and at the same time build a new institutional relationship to better reflect the new power constellations of our era. The preservation of peace inside and outside national borders should be reinforced through the adoption of the ‘Responsibility to Protect’ framework by all major international players.

Security has to be reintegrated into the social-democratic corpus of ideas and needs to go beyond prevention of crime and terrorism. Firstly, a secure Global New Deal ought to be redistributive from the developed to the developing world on conditions of mutual respect for binding environmental targets applied flexibly to all UN members. Secondly, *social security* should become a policy target through the introduction of minimum goals as defined in the ILO Decent Work agenda. Universal respect of core labour standards should become the norm in all countries worldwide. Both from an economic and social point of view security should be understood as a requirement for stability.

8. Shaping the Global New Deal

So far the **issues of trade, energy, finance, labour and development have been under negotiation in disconnected international arenas**. Nevertheless, the current financial and economic crisis will put great pressure on policies for recovery and

development and on the regulation of the financial system **opening the possibility to connect them** with the ongoing negotiations on energy in the run up to the Copenhagen Summit on climate change. Moreover, if the renewal of the leadership in the USA and in the EU allows, new conditions can be fulfilled to complete the Doha trade agreement.

This particular confluence of trajectories of international negotiation can create a **unique window of opportunity to negotiate the general terms of a Global New Deal**, which should then facilitate the more specific negotiation in each particular arena. In this interaction between, on the one hand, a global overarching deal and, on the other hand, **particular agreements**, it is difficult to say which will be struck first, but what really matters it to keep this interaction alive. To make the best of this window of opportunity, it is important to agree on the approach to take when framing and negotiating this Global Deal. Three main concerns should define this approach:

- The Global New Deal should aim achieving a **compromise for the global development in the 21st century**, as a similar compromise has been achieved in the 20th century for national development in some countries;
- This Global New Deal should be defined in terms of **win-win game** in order to get large acceptance;~
- A Global New Deal should be comprehensive, because the global challenges and global policies are interconnected and because it will be easier to work out a win-win game.

8.1 The main principles of a Global New Deal

The central problem to be addressed by the relevant actors aiming at re-launching growth and development is not a crisis of overproduction but a crisis of insufficient and unsustainable demand and also a crisis of the available governance structures. Therefore, the **main principles to define a Global Deal should be sustainability, opportunity, social justice and participation:**

- To re-launch growth in the framework of sustainable development should be the central goal of this Deal;
- This new development trajectory should be designed to create new opportunities and to ensure social justice for all
- The global governance structures should be reformed to include the relevant actors in order to be able to define, implement and monitor this Global Deal.

It is also important to stress that Global New Deal will be necessary to sustain the national new deals where they have been or can be achieved.

8.2 The Global New Deal as a win-win game

The possible content of a Global Deal to be convincing need to be defined in terms of gains to be obtained and contributions to be given by three different kinds of partners: developed countries, developing countries and emerging countries.

To pave the way for sustainable growth with social cohesion and respect for the environment, this Global Deal requires:

- **From developing countries**, a growing integration in the global economy, accompanied by programmes aimed at building their national capacity in economic, technological and educational terms, ecological control, fight against poverty and enhancement of working conditions – which often have as a prerequisite a democratic governance and the respect for human rights;
- **From developed countries**, the opening of their markets to developing countries' exports, the correlate redeployment to other activity areas, the strengthening of the cooperation and the financial aid to developing countries, and the change to sustainable consumption and production patterns.
- **From the emerging countries**, their deeper integration in the global economy coupled with their convergence with better standards in the environmental, social and intellectual property areas, to be supported by a stronger mobilization of national and international financial and technological means.

8.3 The policies at the heart of a Global New Deal

Therefore, **this Global New Deal should be translated into new orientations for the international policies** mainly regarding: the financial system; trade; environment and energy; development; labour, employment and migrations. What is at stake is:

- **To define global rules** to manage international interdependency and the global public goods notably environment, knowledge, macro-economic and financial stability, human health, global and regional commons;
- **To promote an agenda for sustainable development in all countries;**
- **To correct the deep asymmetries of world development.**

Some **building blocks of this Global Deal** have been under elaboration notably since 2000:

- The Millennium development goals, adopted by the General Assembly of the United Nations, in 2000 (UN, 2000);
- The Monterrey consensus, which defined, in early 2002, a commitment to improve the financial instruments for development;
- The new round of negotiations in international trade, launched in Doha in 2001, with the commitment to focus more on developing countries(WTO, 2001);
- The progressive recognition of the Decent Work agenda at all levels of the UN system (ILO, 2001);
- The current negotiations to prepare the post-Kyoto agreement on climate change, energy and environment, according to the road map defined in Bali, 2007.

Nevertheless, the progress in these areas has also faced many opponents: States which resist opening up their markets (such as some European countries and the USA); countries which resist increases and enhancement in their direct aid to development (idem); companies which persist in environmentally and socially unsustainable behaviours; holders of technological rights which block the diffusion of better solutions for health or environment; some corrupt elites in developing countries who divert financial aid to other ends; last, but not least, a financial system driven by short term returns. Still, more recently, the general awareness on the need to address global challenges seems to be increasing quite widely, including in public opinion.

In order to overcome these difficulties, a new political momentum should be created at the highest political level, using the windows of opportunity opened by the crisis.

9. Reshaping global governance

A Global New Deal should be translated in multilateral rules, with a clear identification of the bodies in charge of defining and implementing them as well as of the mechanisms for dispute settlement.

To create the necessary political momentum, the negotiation of a Global Deal should be pursued in **two different tracks**, the informal track of the G-20 and the formal track of the UN system, WTO and Bretton Woods institutions.

On the one hand the **political commitment** which is needed at the highest level can only be provided, so far, by an informal group composed by the main players of the global economy, a G-N. But, on the other hand, the full institutionalization and operationalization of a Global New Deal should involve all the UN Member States and all the relevant agencies of the multilateral system. This will lead to the more fundamental challenge of **renewing the multilateral system**.

The UN Member States should be animated by a fundamental principle of a renewed multilateralism: the **principle of responsible sovereignty** which entails duties and obligations to other sovereign states and therefore a stronger capacity to address global challenges collectively. It is important to understand that multilateralism can enhance sovereignty by pooling sovereignty. A **new multilateralism** should be based on **shared leadership** as well as on **developing multilevel governance**, improving the synergies between the actions to be taken at international, regional, national and local levels. In this framework, **regional integration** can play a very relevant role by providing coherent possibilities of adapting the implementation of the multilateral rules.

For a renewed multilateralism, it is also crucial to **strengthen the legitimacy and the effectiveness of several central bodies and agencies of the multilateral system**. This also requires to address the central institutional problem which is **re-weighting votes** according to the actual relative power and resources of the involved countries and avoiding particular veto powers. This is particularly evident regarding the IMF and the World Bank, where reforms such as an EU seat and more voting power for the emerging economies should no longer be delayed.

Moreover, the design and implementation of a Global New Deal will require to revise the relationship between the four normative pillars of the global economic order: trade, labour, finance and environment, the last two ones also requiring major up-dates.

This revision can only be achieved by combining public political pressure with a stronger political drive in the multilateral system. **This political drive should be given by a triangle** composed by the United Nations bodies, by the international agencies (including WTO and BWs) and by the G-20. Hence:

- The relationship between UN bodies and these international agencies should be strengthened by the CEB, UN Chief Executives Board;
- The relationship between the G-20 and the international agencies should be strengthened by their involvement in the G-20 process;
- And, finally, the relationship, between the UN bodies and the G-20 should be strengthened by the concerted effort of G-20 members in the UN bodies.

On the longer term, **the G-20 should improve its composition** with an appropriate representation of the different constituencies. Hence, it can evolve to become a **UN Global Sustainable Development Council** able to ensure, at the highest political level, the coordination of the relevant policies, the follow-up of the key-commitments and the response to new challenges. At a more operational level, the current **ECOSOC** should improve its role of coordination of the various policies and UN agencies through proper accountability mechanisms and of follow-up of their implementation as well as strengthen its Development Cooperation Forum and its Humanitarian Aid Forum.

Still, the decisive push for reform can only be given by **a major coalition striving for a Global New Deal.**

Building a coalition to push for this process of defining, implementing and monitoring a Global Deal should involve all the relevant actors, but some of them have a particular responsibility:

- The USA with its new leadership engaged in new American trajectory
- The EU, as the most advanced example of multilateral commitment with an agenda for sustainable development
- The BRICS as emerging global players
- The macro-regions engaged in a process of regional integration
- The international trade-union organisations
- The multinational companies and the employers federations
- The international platforms of NGOs
- The universities and academia
- The globalized media

When building this coalition, these actors, beyond their representation in the official multilateral bodies, should also be involved in **international networks to deal with particular global issues** with a purpose of advocacy or of policy-making. Finally a policy coherence initiative should be developed with a good selection of these actors in order to test the possible content of a Global New Deal.

The implementation of a Global New Deal combining these policies will require a major **overhaul of the global governance structures**, giving more voice and influence to emerging and developed countries, involving civil society and rebalancing the four major areas of global regulation: finance, trade, environment and labour.

The present gap between global problems and global governance is just unacceptable and major reforms of global governance can no longer be delayed.

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