



SPEECH BY THE PRESIDENT OF THE FRENCH REPUBLIC

Opening of the G20 conference on strengthening the social dimension of globalization

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Ministers,
Ambassadors,
Ladies and Gentlemen,

Just under three years ago, in the summer of 2008, the financial crisis that had been lying dormant for months suddenly worsened, bringing the global economy to the edge of an abyss.

When one of America's largest financial institutions declared bankruptcy, this provoked an unprecedented confidence crisis. The worldwide banking system was on the brink of collapse. Within weeks, financing from banks had dried up, leading the world into an exceptionally serious economic crisis. This seismic event -- this earthquake -- caused by anarchy in the financial markets, inevitably spread to the rest of the economy, destroying growth, employment and purchasing power everywhere.

Following this crisis, I promised the French people to do everything in my power to reform the financial capitalism that had led us into this disaster, for financial capitalism is indeed what led us into disaster. And if some people have forgotten this and would like to resume such behavior, we must stop them. We cannot accept the same situations arising as those from which we have barely emerged.

This is why I wanted the French Presidency of the G20 to tackle the roots of the crisis and lay the foundation for efficient financial market regulation. The word "regulation" is not a bad word; every market has its rules. A market without rules is no longer a market. At the same time, we must identify and establish the conditions for growth that will bring our populations well-being and confidence in development.

Strengthening the social dimension of globalization appears as a vital necessity.

The financial crisis we just went through had a devastating impact on the employment market, putting an additional 30 million people out of work in under two years. That is the result of the anarchy that reigned in the financial markets and many financial institutions. 30 million jobless people in two years. That is what they have to show for themselves! To those who tell

me that "we mustn't have too many rules," here is what private financial institutions that didn't wish to be regulated have to show for themselves: 30 million jobless people in two years.

In most regions of the world, the effects of the crisis have yet to be fully absorbed; in certain countries, they have even worsened.

These tragic consequences of the crisis revealed some of the imbalances of globalization. The accrued surpluses of some were used to finance the deficits of others, but one thing is certain: inequality increased everywhere.

The rise in the average standard of living, which is good news, can no longer hide the resentment of globalization's victims. The per capita gap in GDP between the one billion poorest and one billion wealthiest people in the world rose by 60 per cent over the last seven years. In most OECD countries, while extreme poverty declined, differences between the wealthiest and the poorest widened.

Globalization creates terrible tension and this tension comes in a variety of forms: tension for business owners, forced to cope with increasingly intense competition. Which is good, except that this competition is not always fair, which is a very serious problem. Tension for the millions of workers who have no social protection. Tension for families and communities who have been torn apart due to relocations. And let us not forget migratory pressure, the origin of which can be traced to today's inequalities and tomorrow's ecological disasters.

Through the action of the G20, we were able to minimize the impact of the financial and economic crisis on our societies. We were able to avoid protectionism and isolationism. But we must take things further. The coordination of stimulus plans was a step in the right direction.

We implemented measures to preserve the financial sector. As a result, financial institutions regained a sense of national belonging, even though the major private financial institutions explained that, prior to the crisis, they were global enterprises with no nationality. Yet during the crisis, those that had no nationality didn't forget to come home! They miraculously recovered their nationality! These are the institutions that claimed that government intervention was illegitimate. But if governments had been managed like them, they'd be bankrupt today. My God! It's a good thing we didn't emulate their practices. These institutions were certainly happy when government signatures were there to guarantee their credibility. This was not a century ago, Ladies and Gentlemen, it was a mere few months ago.

Together, we decided to do everything in our power to mitigate the impact of the crisis and protect jobs. But to believe that the crisis is just a parenthesis would be "irresponsible". I know that is a strong word, but I believe it. The crisis was not a parenthesis; it revealed a system that was dysfunctional and anarchic, and the same causes would produce the same effects tomorrow, if we do not engage in powerful reform.

The preamble of the ILO constitution, which wasn't written yesterday, since it dates back to 1919, after one of the most deadly wars in our history, opportunely reminds us that "universal and lasting peace can be established only if it is based upon social justice."

The revolutions underway in the Near and Middle-East not only show that this aspiration for social justice is shared in all regions of the world, but also that fulfilling this expectation can no longer occur at the national level alone.

For decades the response given was exclusively national. Even here in Europe, we ensured that our retirement, health and social protection systems were national, not European.

Things have changed and it is now vital that we better coordinate our national actions, that we lay the foundation for global economic governance, to which the prelude is the G20.

Today, large institutions have done a remarkable job, dear Mr. Somavia, Director-General [of the ILO]. I know that the International Labour Organization has long been implementing fairer and more efficient international governance.

The "Declaration on Social Justice for a Fair Globalization" (2008) and the "Global Jobs Pact" (2010) offered guidelines that bind all of us, as ILO Member States. And in June 2010, the international labor conference precisely underscored the need to improve the coherency among economic, financial and social policies, and among the institutions enforcing these policies.

I would also like to remind you that goals for full employment are included in the constitution of the IMF and the founding text of the WTO.

We can also be glad that the World Bank will soon be adopting a "Social protection and labour strategy." It also took part in a number of initiatives to develop social nets to protect the most impoverished populations, such as the "Bolsa familia" program in Brazil, whose Minister of Social Affairs, Carlos Eduardo Gabas, I would like to specially acknowledge today.

Regional development banks, too, increasingly take account of fundamental rights and principles.

France firmly believes that we must take things further.

The G20 must take responsibility for this new ambition because its members include the main stakeholders of the organizations concerned.

Our goal is to establish new tools for greater coherence; to make sure that globalization is based on social progress in order to strengthen economic progress.

I believe that openness and globalization are opportunities. But if they lead to an intolerable increase in inequality or unemployment, this is unacceptable. Remember that eight individuals out of ten worldwide have absolutely no system of social protection. That one third of the world's population has no access to health services or establishments. That one billion inhabitants -- the one billion poorest -- have a life expectancy of 51 years, while the one billion wealthiest inhabitants can expect to live for 80 years.

We must emerge from the impasses caused by globalization. I would like to convey an idea: that globalization unquestionably represents progress. We have no other strategy than to

accept globalization. But because we accept it, we must regulate it and avoid the deadlock situations that it causes.

To do this, I believe we can act on three levers:

- First of all, encourage the development of basic social protection.

I know, I am French, and therefore suspicious from this perspective. Allow me to explain my point of view.

I do not believe in a single social model, I never have. But the crisis showed us the ability of social protection systems to alleviate the effects of the economic crisis.

What I mean is that basic social protection can be one component of economic development and I would like to defend this idea. We cannot place social aspects on one side and economic aspects on the other. In a country like France, our recession was not as strong as in other European countries, in fact it was one of the least marked, because we had our system of social protection which, during the crisis, acted like a system of economic development. This is a new take on things, but I think it is interesting, and deserves to be shared. Economies fare better when there are efficient social protection schemes, because they help improve worker productivity and promote balanced, sustainable growth. We don't realize it when the economy is thriving, but when things go wrong, we understand the importance of what we call stabilizers. Social protection acts like an economic stabilizer.

I am well aware that building up basic social protection in each country will take time. Of course we cannot impose upon the poorest countries the standards and social systems of the wealthiest.

But progress must be made. We have the work by the commission chaired by Mrs. Bachelet, which does outstanding work with all of its members, including Martin Hirsch, who I would like to acknowledge. But we must move forward. And at times I say to myself that I would like the ILO to pound its fists on the table more loudly, because I am not sure that courtesy and diplomacy alone will enable us to move forward at the speed required by the crisis.

- Second, and I thank Xavier Bertrand for engaging in this, we must place employment at the heart of our economic choices.

We all agree on promoting strong, sustainable and balanced growth -- it's the chief goal of the G20.

But are we sure that social policies and employment policies are given the importance they deserve in our recovery strategies? I don't think so. In the work they accomplished, the OECD and the ILO proved that if we are to return to the pre-crisis employment rate by 2015, a total of 110 million jobs must be created in the G20 countries. That means 22 million jobs per year to restore the pre-crisis employment rate. I am not saying that this will happen because we place employment at the heart of our recovery strategies. But what I know is that, if we don't, then we will have no chance of attaining this goal.

In this area, I would like to highlight the important step that was taken at the European level, dear Christine and dear Laurent, with the pact for the euro.

Using the expertise of the OECD and the ILO, G20 countries could reflect on ways to facilitate access to vocational training, on how to develop work/study programs, or on how to anticipate needs in terms of competencies and orientations. This must become a major topic for the G20.

All of these issues also lead us to the measurement of well-being and development in our societies. I would like to reiterate my belief that the GDP instrument alone cannot sum up our perception of economic and social issues. If we measure growth levels only, we ignore another reality. Indicators cannot just be quantitative; they must also be qualitative.

We must use the recommendations of the Stiglitz-Sen-Fitoussi commission and the work by the OECD on the new well-being indicators, dear Angel Gurría, to better take account of the social and environmental aspects of growth. Simply because if the countries that do consider social and environmental aspects receive no recognition for this in their growth indicators, then why should they bother? At best their efforts will be disregarded; at worst they will be seen as a flaw.

- The third lever is improved enforcement of labor rights.

You know how committed I am to this issue. The French Presidency requests that a system of rules be established among our Nations that encourages progress for everyone. We must refuse unregulated competition that has the opposite effect.

And I won't let anyone accuse us of being anti-free trade or anti-market economy. In every fiber of my political commitment, I am pro-free trade and pro-market economy. But if these values we call our own discourage progress for all, then aren't we on the wrong track? In this case let's take the country with the lowest salary and the lowest level of social protection, and align our systems to that country's. If we do this, do you believe the world will be happier, more stable, more secure? Can't we aim for harmonization that promotes progress? I speak directly to the ILO's Director-General: France refuses to accept that the ILO's eight core conventions on fundamental labor rights have not been ratified by all G20 member States, the majority of which are also ILO members.

I would like to emphasize this point. If a country is a member of an organization (because no one is obliged to be an ILO member), and if the ILO defines eight standards as a minimum basis for social protection, how can it be that these eight standards have not been ratified by these countries? I ask the Director-General of the ILO to highly publicize these ILO standards and their application. It is not a single social model, it is minimum, basic social protection.

These standards include, for example, the interdiction of child and prisoner labor. Some might think that this is underachieving, but remember, it's a minimum! And now that the ILO is taking part in the G20, which France forbade, I want this question to be clearly asked to the face of the world. Who applies the eight standards? Who ratifies the convention? And who could possibly be against this? No one. Of course it takes energy to combat the temptation of protectionism, because that is not the solution, but let's expend the same amount of energy in our fight for the application of these eight minimum standards. When this is achieved, the citizens of the world will understand that globalization can be synonymous with progress.

I would like to conclude by saying that it would be counter-productive to resume the old debates that attempt to oppose the economic and social dimensions of globalization. Each

dimension needs the other. I am not naïve, I know this means forgoing certain habits, and it will take time. The French Presidency was able to leverage the work accomplished at the Pittsburgh and Washington summits. And we will hand our work over to Mexico. We will involve the social partners in the progress of the G20, because otherwise, the very legitimacy of the G20 would be at stake. This is no small matter. France has done much for the creation of the G20 and you will not hear any criticism against the G20 coming out of my mouth. It is fantastic to have a G20 of business leaders, but the social partners must also be involved in our work.

The fact that, since Pittsburgh, the social partners -- trade unions and employers' organizations -- participate in G20 discussions devoted to social issues is, in my mind, a considerable progress. But now that you are face to face, or side by side, results must be produced.

The conference that has brought us together today is important for this reason. For the first time, labor ministers and social partner representatives will be talking with the leaders of major international organizations to think about ways to strengthen the social dimension of globalization.

I hope your debates cover all the topics, to better reveal the obstacles that we will have to overcome. Stronger globalization that brings greater benefits to workers and social progress -- this is the ambitious road map that has been entrusted to you. I will be very attentive to your proposals, as will be all the peoples of the world.

And don't come and tell me that it's impossible! It's simply difficult, but if it were not difficult, others would have done it before us. But if you don't do it, then we will enter into a situation that could become absolutely uncontrollable. That is the challenge. We all have our own ideas and constraints, it's hard for everyone, but by talking and interacting with one another, by developing strategies, I think we can make the idea credible that economic progress and social progress go hand in hand. They are not contradictory.

Let's make efforts towards one another, let's get rid of our usual positions, the cold-hearted free-traders and the vision-lacking generous ones. We have entered the 21st century, the century in which we will turn our backs on ideologies, the ideologies that did so much damage in the 20th century. Let's be pragmatic and believe that a maximum of the world's citizens must benefit from the economic progress generated by globalization. It's the only possible path for us and will be the ambition of the French Presidency.

Thank you.