Mr GOLDING *(Prime Minister, Jamaica)*

You have done me and my country a great honour by inviting me to address this important world body.

I am mindful of the ILO's long and illustrious history, emerging as it did in the aftermath of the First World War.

I am mindful of its uniqueness, bringing together governments, capital and labour, the three most critical stakeholders in determining the shape and condition of our world.

I am mindful of the significant achievements you have made in establishing and monitoring standards and good employment practices, and in promoting enabling legislation to secure those gains.

Above all, I am mindful that the vista of the ILO goes far beyond mere labour market practices, recognizing as it does that employment is just one facet, albeit a vital one, of the condition of humankind. The ILO has embraced a broader range of issues having to do with equality, democracy, human rights, environment and the quality of life in that environment, and the pursuit of social justice.

The ILO was founded in the realization that lasting peace and security are best attained and guaranteed through building prosperity that is shared equitably. The world will never advance to the extent that it can, poverty and hunger will never be eradicated and peace and stability will never be sustained if the creation of wealth is pursued at the expense of social justice.

Despite your outstanding achievements over the 90 years of your existence, there is much work to be done. The philosophy that defines what you do, the symmetricalization of minimum, acceptable working standards throughout the global market, has still not been embraced in some parts of the world, and even where it has been formally accepted, it has not always been enforced with the rigour and purpose that are required.

Many age-old problems that you have wrestled with remain unresolved. In an ever-changing world, old paradigms must give way to new realities. New challenges have emerged that must be confronted with urgency.

You have faced many tough challenges before. The Great Depression of the late 1920s drove many economies over the precipice and created untold hardship for working people throughout the world. The ILO provided leadership in helping to rebuild and in enhancing the rights and the role of workers in that rebuilding process.

The ideological and hegemonic conflicts that led to the Second World War and the devastation that it wrought also posed huge challenges to which you had to respond. Not only did it reconfigure the political landscape of the world, but it ushered in a new era of global economic management. Your role in creating the institutional arrangements to secure harmony and mutual respect among the functionaries in the production of goods and services was celebrated in the award of the Nobel Peace Prize in 1969.

You have had to contend with the turbulence of the Cold War, the tightrope that you had to walk and the dislocating impact you experienced in the late 1970s. You survived all that. Your mission was preserved.

You are, once again, faced with a challenge no less formidable and no less demanding than any you have faced before. The global economic crisis has brought even robust, thriving economies and corporate giants to their knees, and has placed millions of workers on the scrap heap of despair. Countries once held up as templates of rapid economic development, are now on the slippery slope of economic demise. The impact of the global crisis on struggling economies and already impoverished people is even more severe.

You, Mr Director-General, have warned that unemployment could rise by almost 60 million. The Millennium Development Goals, with a target date of 2015, appear to be fading hopes, still to be pursued but not likely to be attained. Worse yet, the gains of the last two decades are in danger of being reversed, commanding us to start all over again.

You have warned of the social recession that is likely to persist even after the economic recession is declared to have passed, and you have warned, as well, of the political crises and instability to which it could give rise. Your perceptiveness is apropos. I support your call for a Global Jobs Pact. Job creation is not an outcome of economic recovery. It is essential to economic recovery. It is the only sustainable way of stimulating the demand for goods and services without which investments will not take place, factories and businesses cannot be revived, and the decline in trade will not be reversed.

This both provides the path to recovery and, at the same time, explains the cause of the crisis. For too long, unregulated financial markets have been engrossed in creating artificial wealth, unsupported by real output or real jobs. The phenomenon of "jobless growth" is not merely a factor of improved technology. For too long, the global economy has relied on demand fuelled by credit rather than earnings from productive activity. Financial instruments and derivatives have been created, packaged alluringly and sold as assets having nothing to do with making two blades of grass grow where only one grew before, or creating a job for a person who had never been employed before. At some point, the bubble had to burst. We have come to that point, that bubble has burst!

What is to be done next? And who is to do it?

We may have wandered into this situation, we cannot expect to wander our way out of it.

The severity and complexity of the current crisis can be measured by the fact that few analysts, no matter how eminent, seem to be able to agree on how long it will last or how to fix it.

The crisis originated in the banking sector and then spread like a pandemic throughout the real sector. Unlike other financial crises we have seen before, this one is not consigned to particular sectors, markets or regions. It is worldwide. Over the last 30 years, the world had created an interlinked, intertwined and interdependent global financial system. Money circles the globe through interconnected capital markets almost at the speed of light. A housewife who puts her savings in a bank in Bangladesh or Romania or Peru or Jamaica is totally unaware that her money may be invested in a European bond market or on the US stock market or in a subprime mortgage portfolio before she gets back home and, because of this interconnectedness, the toxicity that erupted in the United States has spread right across the globe. Experience has shown that economic recessions associated with a banking crisis are long and recovery is slow. The recovery curve is usually the shape of "U" not a "V". Indications are that in this case it is more likely to be the shape of a "W", with a base that is rounded and broad, not narrow and sharp. Initial signs of recovery have more to do with the depleting of inventories that require replenishment than with a restoration of demand.

If the banking system is to be fixed before the real economy can be fixed, who is to bear the losses that have been quantified but have not yet been put to bed?

Losses in terms of asset values are estimated at more than US$50 trillion – more than three-quarters of the gross domestic product of the entire world. That is not money belonging only to corporate conglomerates. It includes money that represents the savings, investments and pension funds of millions, indeed billions, of people, including ordinary working people throughout the world who are now US$50 trillion poorer, many of them completely wiped out.

If asset holders are to bear these losses, it will be a long time before confidence returns: for banks to resume lending, for investors to start investing again, and for consumers to be able to start spending again – all of which are critical preconditions for economic recovery.

But, if governments are to absorb these losses, the impact on fiscal deficits and debt burden will militate against economic recovery and growth, not to mention the political hazards to be encountered if taxpayers are called upon to bear the consequences of a crisis they did not cause. It is a moral hazard. It is a policy-maker's nightmare.

Our focus cannot be just on weathering the storm, on riding out the crisis. Nor should we hope for a return to the "good old days" of the pre-crisis era. The mistakes that those "good old days" allowed to happen must not be allowed to happen again.

The leaders of the world have already acknowledged that the global financial system needs to be overhauled. The widely held view of the last quarter of a century, that markets are best left to regulate themselves, has been discredited, but there is no consensus as to what should replace it.

The Bretton Woods institutions, established in the wake of an earlier global crisis, may have been appropriate to that time and circumstance. They proved incapable of averting or even anticipating the current crisis and in their current modalities they are unlikely to be able to get us out of it.

The role of the IMF, as the sentinel of the world's financial practices, has been usurped by rating agencies whose assessment of some market instruments itself contributed to the financial meltdown.

World Bank lending has not kept pace with the demand for development financing, with the result that countries have turned increasingly to the commercial markets, where short-term deposits are aligned to long-term lending through variable rate instruments.

The recent decision by the G20, to provide US$1 trillion in emergency funding through multilateral institutions, will allow some quick transfusion to developing and emerging economies whose finances are haemorrhaging, and is to be commended. I suggest, however, that what is needed is much broader than access to loans. For many countries, it is painful to have to borrow, so heavily indebted as they already are.

We do not need a long, drawn-out diagnostic exercise. That has already been done. It is these diagnostics that informed the identification of the Millennium Development Goals. What is missing, as we find so often, is the will to provide the policies and resources that support the achievement of these goals.

The developed countries had undertaken to commit 0.7 per cent of their GDP to official development assistance. Most of them are still far from that target. Developing countries had undertaken to integrate these Millennium Development Goals in their national priorities and fiscal expenditure. Many of them have failed to do so.

Even if all of these commitments had been honoured, it is unlikely that the MDGs would have been achieved on a sustainable basis because the underlying structural deficiencies and capacity issues would not adequately have been addressed.

The current and long-term effects of the global crisis have left many countries facing not only the certainty of failure to achieve the Millennium Development Goals by 2015, but the stark prospect of seeing the complete reversal of the marginal gains that they have made in reducing poverty and improving the quality of life of their people. Countries that instituted much-needed reforms at huge costs are being deprived of the rewards that those reforms were intended to bring.

It is my respectful view that we need a fundamentally different approach. It is an approach that is rooted in a basic truth that we so often ignore – that the world we share is much more than the air we breathe or the stars we see at night or the sun around which we rotate. Technology and globalization have turned the vast ocean that separates us into small ponds, distant markets into stalls within the same bazaar and trade the means of communicating with people who are unaccustomed to communicating with each other.

The response to the global crisis must approximate this new conjoined but heterogeneous landscape.

I therefore support the recommendation, emanating from the Committee of the Whole on Crisis Responses, for an integrated and synchronized global action plan involving the multilateral institutions and the developed and developing countries. We all have to be on the same page, pursuing the same agenda. The current practice of meeting in separate rooms, discussing the same issue but in exclusive forums, will not produce the common strategy that the crisis requires.

You are here today and this week deliberating on the crisis, seeking to find solutions. Next week, the United Nations will stage its own high-level conference in New York. In September, the G20 will be meeting in Philadelphia. Too many cooks do not necessarily spoil the broth. What is necessary is that they must all be cooking in the same kitchen.

The need to reform the global financial system, which has been widely acknowledged, runs into the problem that there is a divergence of views as to what should be the shape and content of that reform. We need urgently to build a consensus on the way forward. We need to act assiduously, learning from the misfortunes of the recent past and before the sense of urgency recedes, before we return to business as usual.

I support the view that we need to reconfigure the deliberative structure in whose hands the future direction of the world will rest. In a globalized world, decisions must be made with global authority and global participation. It is not enough for us to have to achieve emerging market status before we are invited to sit at the table. Despite our diversity, we are today indivisible. Developing countries account for 37 per cent of global trade. Developing countries provide the market for 23 per cent of the exports of the industrialized world, not an insignificant amount by any means but, more importantly, with a population five times the size of the developed countries, we represent a huge potential market if the standard of living and purchasing power of our people can be increased. A more proactive effort on the part of the developed countries to help these countries to develop is not mere benevolence or altruism; it is good business sense, it is a sound investment for the expansion of their own markets. Global prosperity is the surest way to achieve global stability. In the race to achieve prosperity, we must not see ourselves as competing against each other; rather, we are runners in a great relay, competing against poverty, against hunger, against underdevelopment and against instability.

It is therefore time for a new global planning and decision-making structure that encompasses the developed and the developing world, a structure that encompasses the critical multilateral agencies such as the IMF and the World Bank and, most definitely, the ILO.

The emergency assistance being provided must be sufficient, and must be sufficiently flexible, to help stabilize the trauma that countries are suffering from shrinking revenues, crippling debt burden, declining exports, severe curtailment of capital flows and the denial of access to credit.

But we need something even more substantive. The economic crisis left by the Second World War gave birth to the Marshall Plan. It was in recognition of the fact that there could be no peace and stability without rebuilding economic posterity. It was targeted against hunger, poverty, desperation and chaos. Western Europe was able to experience unprecedented growth for the two decades that followed.

The plight in which the world economies currently find themselves requires no less concerted and sustained a response. It is within this broader context that the lasting value of the Director-General's proposals for a Global Jobs Pact must be seen. I have placed it in this broader context because, while creating jobs is a social good, it is essentially an economic decision.

If those jobs are to be meaningful and sustained, they require investment, they require that workers be trained, they require that the enabling infrastructure be put in place and they require the appropriate technology to be applied.

Investment will not find its own way into these recesses where the jobs need to be created, where the power and potential of human beings who have been deprived of opportunity can be unleashed. The inadequate and overstretched budgets of poor and developing countries will not be able to support the expenditure required to properly educate and train their people. Nor will they be able to finance infrastructure required to attract and support these investments.

Consistent with the recommendation of the Committee of the Whole on Crisis Responses, I urge world leaders to consider the establishment of a global development initiative, incorporating programmes that already exist but introducing new programmes and additional resources. It must involve a major emphasis on education and training, the transfer of technology, investment-linked infrastructure and a structured programme tied to multilateral loans and appropriate investment guarantees to encourage and facilitate private sector investment that will provide real jobs, create real output and build sustainable prosperity.

Developing countries must do their part through sound fiscal and macroeconomic policies, through efficient, transparent and accountable government, and through focused and consistent policies.

Within the context of the new global trading arrangements, and the yet to be concluded Doha Round, market access and market asymmetry must be structured to support these new centres of investment, employment and production.

Labour market policies must be calibrated within the context of enlightened social dialogue to support this new thrust. Sacred cows of the past will have to yield to the pressing imperatives of the present and the brighter prospects for the future.

We are in extraordinary times that call for extraordinary thinking and extraordinary leadership.

President Obama's Chief of Staff poignantly declared that you never want a serious crisis to go to waste. It is an opportunity to do things you think you could not do before.

Shakespeare was right: "There is a tide in the affairs of men which, taken at the flood, leads on to fortune. Omitted, all the voyage of their life is bound in shallows and in miseries."

This is the tide in our affairs. If ever there was a time, now is the time. If ever there was a cause, this is the cause. Let this cup not pass from us. Let us seize the moment and let us do what is right.