

**MINUTES OF THE MEETING OF THE COUNCIL
OF THE SOCIALIST INTERNATIONAL**

United Nations, New York

21-22 June 2010

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First theme: "GLOBAL ECONOMY"

OPENING

Luis Ayala, Secretary General of the Socialist International, opened the meeting saying that members of the SI had often come to this home of the United Nations, sometimes as representatives of the Socialist International and at other times representing their countries with different responsibilities.

As post-war organisations sharing a strong ethical commitment to the ideals of peace, human rights, sustainable development and gender equality, the Socialist International and the United Nations had much in common, he said. The agenda for this meeting identified some of the crucial questions facing the social democratic movement and the whole international community as we approached the Toronto Summit of the G-20 and, towards the end of the year, the COP16 in Cancun where we hoped this time to achieve unified responses on climate change.

Peace was a crucial symbol for both the United Nations and the Socialist International which had proved its commitment to the search for peace in often very difficult situations. Now, he said, the SI was pleased to be able to bring together our member parties from Israel and Palestine to join the discussion on the search for peace in the Middle East.

Ayala reminded participants that New York had recently been the venue for the Non-Proliferation Treaty Review Conference, a subject which, along with disarmament, was at the very heart of what the Socialist International stood for.

Our debates would also reflect the SI's constant efforts for social democracy throughout the world, in places such as the CIS countries where there were now social democrats and partners in nine out of those twelve republics. This had been challenging, he acknowledged, but social democracy was the way to resolve conflicts, and to build strong and inclusive democratic political institutions.

One example of the latter was the current efforts of the Albanian party whose leader was present here; democratic institutions had been blocked in his country and these issues would also be in our debates.

The SI had also been working actively against poverty, sharing the same sense of urgency of the United Nations Secretary-General Ban Ki-moon who had called for a summit in September marking ten years since the Millennium Declaration and five years to the target date of 2015, a sense of urgency felt by everyone working to achieve those crucial Millennium Development Goals.

This Council meeting would also reflect on our efforts to strengthen the democratic process and civil society. As the largest international political organisation in the world today we had known many achievements and we were continuing those efforts.

He referred to forthcoming elections in Guinea where only a few months previously close to one thousand people had been killed by members of that country's authoritarian government. Now the leader of our party there, Alpha Condé, would be standing in elections that had been restored by the

efforts of social democrats. This was another example of progress in Africa, where many elections were to be held during the coming months. Ayala greeted Mahamadou Issoufou, presidential candidate from Niger, and the many others from our political family who would be standing for election in that continent.

Many Socialist International member parties had also been successful in Latin America and the Caribbean; our regional committee had met there recently and there is a report on its discussions, he said.

In Europe the Socialist International member parties were working hard on both global and regional issues, and the Council would be hearing contributions on the issues on the agenda from leaders and representatives of our member parties in that continent.

In Asia there were significant democratic challenges, Ayala continued, and he was very pleased that this meeting would have the opportunity to hear from representatives of the people of Burma. Both among member parties and guests from that continent, there were many people participating in the work of the Socialist International of whom we could be proud. He welcomed Shri Digvijay Singh, General Secretary of the Indian National Congress.

Saying there was a busy agenda ahead, Ayala warmly welcomed all the participants, members of the Presidium along with our President, Prime Minister George Papandreou, representatives of our member parties and also guests, including José Miguel Insulza, Secretary General of the Organisation of American States which represents the countries of that hemisphere.

George Papandreou, President of the Socialist International, President of PASOK, and Prime Minister of Greece, opened by thanking the United Nations where this SI meeting was being held, in a venue of such symbolic and political importance.

He expressed solidarity to our Vice-President from Haiti, Victor Benoit, and to his people who had suffered in the terrible earthquakes there. The Socialist International also stood by the people of Chile as they rebuilt from the rubble of recent earthquakes.

Papandreou wanted also to send a word of solidarity to President Barack Obama who was courageously handling one of the most catastrophic oil-spills in history.

He remembered that when Greece, many years ago, had begun its revolution, it was Haiti that had first shown solidarity by sending tons of coffee to help pay for that revolution.

It was this essence of solidarity that was imbued in progressive movements and that was needed even more today at the global level. He expressed his gratitude for the solidarity that had been shown to Greece in its difficult battle, a battle that would succeed in building a more credible and sustainable economy and nation in the next few years.

Greece had been at the epicentre of the financial storms of recent months and Greece had indeed been a weak link, he acknowledged, but the crisis was a systemic one starting in 2008 and it had proved that we were all in the same boat together: solidarity, global governance, and global solutions were imperative.

People had asked him whether this experience had changed his views on the welfare state and progressive politics. His answer was that it had in fact confirmed his belief that change was needed. In his acceptance speech to the SI in 2006, Papandreou recalled, he had said that for the first time in

human history we had the potential, the technology, the wealth and the know-how to design a different world, to make poverty a thing of the past, to stop global warming, reduce child mortality, halt the illegal trade in drugs, arms and people, integrate migrants and refugees into our societies, and to guarantee human rights for all.

Today he felt all these things were even more dramatically needed, but we were not using our capabilities. Looking at recent crises one could see that human potential was huge, but what humanity had to face now was how we use these powers. This was a political question, a question of what type of societies we wanted to create. Our movement, he said, played a central role in creating the global values of a more humane world through democratic governance.

At this crossroads in our history we were challenged to humanise globalisation, because otherwise there would be more polarisation, more fundamentalism, more racism, more conflicts and more barbarism. With the G-20 meeting coming up in the next few days this question of global governance was becoming a growing challenge.

The G-20 had made important decisions in the past, he continued, but we had seen little or no implementation; nor was the organisation fully representative of the world's people, particularly of the poorer nations.

But there were choices for us to make and these must be based on our clear values of strengthening democratic institutions, participation, and transparency. Secondly justice and solidarity between our peoples and between our nations was needed. Thirdly a new and sustainable relationship between humans and the environment was essential.

We could offer a new model of governance, of innovative sustainable growth and development moving beyond the limitations of previous paradigms. In 2008 with the financial crisis it had been the political action of governments stepping in as the guarantor of last resort that had saved the financial system. Today, especially in the developed world with the issue of sovereign debt, it was governments that were being questioned. Having helped to bail out the banks and stimulate recovery, they were now being accused of running up high debts. Who was now the guarantor of last resort, he asked. If not governments it could only be global or regional institutions as had been the case with Greece and the support mechanisms provided by the European Union and the IMF.

It had become clear that markets were not rational: they could be led by mob psychology with euphoria creating the unrealistic growth bubble before 2008 and on the other hand fear. As Greece had implemented one measure after another to cut down its debt, the markets refused to respond but remained suspicious. That was why intervention had been needed in Greece, despite the often painful decisions to cut public expenditure, increase revenues, and curtail bureaucracy and corruption.

Markets were clearly impatient and risk-averse: they could dangerously undermine important and credible political decisions taken by governments. Markets were also much quicker than our democratic institutions, he said, and especially so on Wall Street where decisions might be made by computerised mathematical models before actual humans had time to deliberate together. Therefore humanising our global system had to be more than just a phrase: we had to create systems that worked for human beings instead of for non-transparent interests hidden behind mathematical models.

In the debate about whether we wanted markets or governments he thought we needed to say we wanted both, but we wanted markets and governments that served our people. That was why we

needed regulation and democratic governments. Fortunately Greece was now on track: difficult decisions had been taken with positive results. Greece had already reduced its deficit by 40% compared to the previous year, state revenues had increased and public expenditure had been reduced.

Many right-wing politicians, he noted, had said that Greece's debt was the result of its lavish welfare system, but this was incorrect. The debt had been caused by a conservative government that mismanaged the economy. They had created big government in favour of big interests, just like in the United States under George W. Bush. It was not the Greek welfare system that had caused the problem but corruption and patronage networks for the more powerful. Greece was now changing that. It was a question of democratic governance, transparency, human rights, and the rule of law in the interests of the people, rather than governance for the special interests of the powerful capturing democratic institutions and doing business in whatever way they pleased.

Our struggle, Papandreou continued, was also against excessive bureaucracy so that the money paid by taxpayers would be used for the collective good, not for the powerful few. Even though the measures Greece had taken were very harsh, people realised that a major change was being made in the government of the country to the betterment of the people in the aftermath of this crisis.

Many developed countries, he pointed out, were not competitive and had borrowed in order to maintain a high standard of living which had historically been achieved by struggle, by trade union negotiations, and the eventual creation of a welfare state. If one looked at Canada, or Australia, or the Nordic countries one could see models of social justice being compatible with competitiveness in the world market.

There was a different reason why some developed countries were not competitive, and he referred to the huge inequalities with emerging markets, even though we were all happy to see the growth of wealth going to those countries. So the lack of competitiveness was based on some countries not having the expense of a welfare system, while in some developed countries there was no collective bargaining, nor rules governing the protection of the environment. These were not the models we would aspire to emulate.

Surely we social democratic and labour parties want to raise the standards in the emerging and developing countries so that they would have a larger share in the redistribution of wealth and thus provide a level playing-field.

In this connection Papandreou mentioned the international Trade Union Confederation Congress being held in Vancouver and its call for similar proposals to the G-20. He had been speaking with the TUC General Secretary Guy Ryder, and would be having a video-link with that Congress. The SI must work closely with trade union organisations to create the necessary pressure to achieve more jobs, a greener economy, and a more just economic model. We had already been in the forefront on many social issues and now we must be in the forefront in the discussions on a new world architecture to make sure we regulate the financial markets and are not regulated by them. Working with the international Trade Union Confederation our call to the G-20 must be for a commitment to implement reforms.

We needed to prioritise development assistance and not compromise the MDGs, he said. Many of us would be here in September fighting in our respective roles for those goals.

We must not forget the fact that large segments of the world population had no access to formal financial services, he continued; moreover even larger segments had no access to health-care, basic

education or clean water and sanitation. And specific groups, women, migrants and refugees, were denied access to fundamental rights. During a crisis a fairer sharing of the burden was needed in order to finalise the so-called replenishment talks by the end of the year.

The crisis of 2008 had shown that there was a lot of money around but it was hidden in tax havens, behind opaque financial services. We needed to create more transparent institutions but also ensure that money coming from productive work was also taxed. Certainly, many of our countries were in debt, and needed money from taxes, but the huge amount of wealth that was circulating around the world, often very quickly, was going untaxed. This was why we had proposed a Tobin tax, or financial transactions tax, as a possible source of new revenue. A small tax of 0.05% on financial transactions would give Europe approximately 200 billion euros per year, money that could go to growth not only in Europe but also towards greening the economies of Europe and the rest of the world. It could help sustain or stimulate the economies in the developing world towards a green economy and also protect basic rights.

In the European Union they had been talking about green bonds, or Eurobonds, he said, establishing a possible European monetary fund with new proposals to intervene in some markets and create a more just world.

The challenge facing our movement today, he said, was to actively shape this different world; to choose to be guided by our common values and principles. Let us choose democratic institutions over populism, fundamentalism and xenophobic policies, he urged. Even in the markets, we wanted globalisation to be more humane, so that they served the people and not vice-versa. We must choose long-term sustainability over short-term profit, and empower our people to choose to actively govern, rather than to passively accept.

There was an opportunity, he said, now that the whole world had become aware of our common problems, whether it was the environment, employment or energy. Each in our respective way, we all had similar, if not the same agendas. There was a sense of powerlessness because the problems were global, but this was exactly where our global movement could provide the crucial added value and make those national or regional agendas into a global agenda for global solutions and a very different and more humane world. He believed the SI could live up to this challenge.

Luis Ayala then introduced the guest keynote speaker, José Miguel Insulza, from Chile, Secretary General of the Organisation of American States headquartered in Washington.

José Miguel Insulza said that, although representing the OAS, he would first like to recall that he had been closely involved in the very good decision of the social democratic parties of Chile to join the Socialist International all those years ago.

The outlook for the global economy, he said, had been dominated by the effects of the 2008 crisis. In the developing region of the Americas too the crisis had had a major impact although it had been less severe than originally forecast. Some countries had already shown signs of recovery, but the fact was that the economy of the Americas had suffered a recession, a contraction of 42%, and this had happened after seven years of unprecedented sustained growth during which a set of long-awaited processes had been under way. Now the recession had brought an increase in unemployment and poverty.

Although poverty was endemic in Latin America and the Caribbean, it had dropped during the first seven years of the decade from 42% to 34% but now extreme poverty had engulfed nine million people, most of them indigenous.

These social inequalities were always of concern to us as socialists and even though the region, with an average per-capita income close to the global average, was not the poorest in the world it was important to remember, as former President Enrique Cardoso of Brazil had said of his country: it was not a poor country, but it was an unfair country. The same could be said of Latin America.

It did not make sense, Insulza said, that in a region with this economic development one third of its population was in poverty, and less than 3% of the population held 50% of the income: it was a region with the greatest inequality.

Important changes had taken place in this decade, he continued, mentioning a book sponsored by the United Nations Development Programme showing that both poverty and inequality had decreased at least in four of the main countries, including Mexico and Brazil, which together represent more than 40% of Latin America.

The economic crisis might jeopardise not only the Millennium Development Goals but also the unprecedented development of democracy in this region where all the active members of the OAS now had democratic governments. Many people, he said, had thought the crisis would weaken our democracies and yet the 'latino barómetro' a poll of the poor taken at the end of 2009, had unexpectedly shown an increase in support for democracy.

Despite the crisis in the region there was a stronger belief in the possibilities of democracy than in the past: even with its imperfections, the democratic system had brought about greater attention by governments to public matters and had reduced the effects of the neo-liberal policies of the previous two decades when the region had the least growth and a substantially increased poverty gap.

Insulza enumerated three threats to democracy: firstly extreme poverty and extreme inequality; democracy could not afford to have one in three people living in poverty. Secondly, a serious problem seldom mentioned in international meetings concerning a region that had not had a major war in about ninety years, was the high rate of violence and death due to organised crime in the hemisphere. Some countries of his region had low rates of violence similar to those in Europe, but others had very high rates, and on average the homicide rate was twice the global rate. At least five of the countries of his region were among those that had the most crime in the world. This was terrible because it was not natural to the area, it was caused by drug trafficking and organised crime. In four of the five Central American countries, Nicaragua being the exception, crime was seen as a greater problem than unemployment or poverty.

The third threat to democracy, he continued, was the fragility of the state. People no longer believed that the free operation of the market would solve many problems; we understood now the need for strengthened public policies, but Latin American states were handicapped by tax rates that were well below global rates. In countries where in earlier decades services had been dismantled the state could not effect the required changes, and this resulted in hegemonic trends. Groups that had power reacted unexpectedly as had happened in Honduras with the first coup d'état in the decade when we thought coups d'état were a thing of the past.

The challenge for us now, he continued, was how to strengthen the solidarity among our countries, because looking at the Millennium Development Goals it was clear that some of the poorest countries of Latin America would not be able to achieve those goals. In connection with the meeting in Toronto, he said, he had come across a document written in 1998 called '*Towards a new global financial architecture*' which he thought was very suitable for these times. During the last two decades the financial economy had developed at twenty times the rate of the actual economy and a

modicum of control of international speculators was essential: not even minimal regulation of capital transfers had been achieved.

He had been surprised that the International Monetary Fund now spoke about the use of capital control mechanisms. When his country had tried to implement these everybody had been against them accusing them of aspiring to global governance. But it was reasonable to aspire to a certain amount of international cooperation to control financial speculation which was at the root of this crisis: otherwise we would not move forward at all. He saw clear signs of a desire to correct the defects of the financial architecture as well as the problems of the environment and global warming.

If the talks in Mexico in December failed as Copenhagen had, we would have to forget about global governance or a new global architecture. As others had already said, we were a single global movement and to the extent that we could coordinate our activities we could agree on realistic policies to set a new course for our movement.

In recent years, he concluded, his region like other parts of the world had been involved politically, socially and scientifically in efforts, thus far unsuccessful, to put an end to the three major scourges of our time: poverty, destruction of the environment, and continuing violence. He thought that if we could all head together towards those goals we would be contributing to the wellbeing of the world.

First session, morning of 21 June

First main theme: GLOBAL ECONOMY IN THE RUN-UP TO THE TORONTO G-20 SUMMIT

Before actual discussion of the first agenda item, **Luis Ayala** welcomed friends from the United States, the Democratic Socialists of America and the representative from the National Democratic Institute.

He said that the Financial Commission of the Socialist International had been working on the financial crisis since 2008, had met on each occasion prior to the G-20 summits, and had convened here in advance of this Council meeting under the chairmanship of President George Papandreou. The meeting had heard an exchange of opinions from representatives of the different regions. The Commission had entrusted one of its members, SI Vice-President Eero Heinälouma, to act as rapporteur on this issue and to present conclusions of the debate on the global economy and a draft text for the whole Council to consider next day as its message to Toronto.

Luis Ayala called on Vice-President Ségolène Royal to open the debate.

Ségolène Royal, France, PS, congratulated SI President George Papandreou on his recent electoral victory and thanked him for attending this meeting despite the many demands on his time and also for the optimistic message he had just given even though his own country was suffering. His government was tackling the problems with great courage. Clearly we were meeting at a very crucial time and people would be waiting to see what the Socialist International would say as we approached the Toronto meeting.

Another important event, she continued, was the letter which the U.S. President had just made public in which he said we must learn from the important errors of the past, and that the premature withdrawal of recovery plans could lead to economic turmoil and a recession. So this was a crucial debate. France, like other countries, was suffering from austerity policies which had an effect on wages, and those who had the least were being taken advantage of whereas the banks went unscathed; the very rich were not affected and it was the ordinary person who had to pay up.

She said we were experiencing setbacks because everything was as before. There were some minor reforms, mostly cosmetic, affecting certain tax havens and excessive wages. But there were huge two-billion-dollar loans and guarantees, and public money that was being used for speculation in order to get super profits.

Hedge funds had not been conforming to the recommendations of the G-20 in London and the toxicity of financial transactions had increased. As for the rating agencies, she said, the turnover in 2009 had been the highest, allowing the payment of three million dollars for lobbyists to plead their case in Washington. In France, a responsible person from the trade union CGT had called this a private militia of financial capitalism, and she thought this was the correct term.

The G-20 should establish an international public rating agency, she said. The world financial market was currently ten times greater than the global GDP and could only function with bubbles. This was even truer now than it had been in 2008. The states had saved the banks, dealing with the assets rather than the problems, and now the banks were not having to account for anything and there had been no reform. Moreover, speculation on private debt had extended to public debt and this was extremely serious, as seen by our Greek friends. States must have the ability to control and prevent such terrible scenarios.

With regard to austerity plans, she referred to what President Barack Obama had said about the markets dictating the laws. The world was subject to the humour of the financiers because they saw in public indebtedness a new field of profitable activity. Many Latin American countries had already been subjected to draconian measures by the IMF, and Argentina's economy in particular was being completely destroyed, as if no lesson had been learned from the past.

Taxing the banks, who had caused the crisis, would provide a path to dissuade them from excessive risk-taking which consumers and taxpayers ended up paying for. There was also a project for taxing financial transactions because six billion dollars were exchanged daily on the financial markets. We must urgently promote the international imposition of this tax while making it understood, as George Papandreou had said, that this was a legitimate tax.

But that was not enough, she continued; we could not accept such instability. We had to root out this financial folly rather than leave intact the germs of an even more destructive crisis.

In addition, we had to re-balance the added value as between capital and labour, since it was clearly to the detriment of labour. This had been a real poison spreading indebtedness throughout the system, including housing, and contributing to the financial crisis. It was mass unemployment and inequality that undermined people and impoverished the state, so now we must act to ensure a new distribution of income and an increase in wages.

Economists were beginning to realise that inequality worked against economic efficiency in each country, but also inequality between rich and poor countries. As Galbraith had said: inequalities are not the consequence of the macro-economic imbalances; they are the cause. Similarly the Director General of the ILO, Juan Somavía, had said that what we needed was growth; rigid austerity would lead to impoverishment, not to recovery. Financial norms, she said, had to be instruments in the service of the social and environmental norms which are the goals of our societies.

Royal then enumerated five keys for a new model of development: first, economic efficiency and social justice had to be inseparable. President Lula da Silva of Brazil had imposed a strict obligation

on the banking system to pursue social policies at the same time as controlling financial standards, because social justice, he said, was the means to develop his country.

Second, the rehabilitation of the role of the state, because liberals were saying the state was the problem and that laissez-faire was essential for the markets. President Obama had been right to oblige BP to set aside 20 billion dollars to deal with the worst ecological disaster in the United States.

Then there was the accelerating growth of the green movement which would be discussed in the afternoon. Clearly this was a wonderful opportunity for all our countries to create new jobs, and encourage access to healthy food because the quality of life was closely connected to the ecological environment.

The fourth key for this new model would be the funding and protecting of world public goods. Often the general interest was sacrificed to private interests: privatisation of drinking water was totally incompatible with human development. The SI had already done valuable work in this area, but she thought the focus must be accelerated. Nine million children were dying from curable diseases, and five million women from complications of pregnancy; access to treatment was a fundamental right for everyone.

Fifth, as George Papandreou had insisted, there was the democratic aspect. Markets reacted more quickly than democratic institutions; there were problems of governance and of corruption. Drawing lessons from what was not working, we must demand the good functioning of parliamentary social democracy, with full participation by citizens in the decisions that concerned them. She said that people who had jobs were having to work longer, while unemployment among young people was increasing in all our countries. We had to reflect on a different way to distribute work and income.

As socialists, we must not be intimidated by the market, but draw up a new map to build a just order on several tracks, so that a balance of power could evolve. The voice of the poorest countries must be heard, and she mentioned Africa on the occasion of the increase in the capital of the World Bank in which 53% of the shares were held by the rich countries. As the Brazilian minister of foreign affairs had said, the traditional centres of power do not graciously share their privileges. The Socialist International, she concluded, must fight on several tracks for a multi-polar world and a new and just international order.

Jack Layton, Canada, New Democratic Party, extended greetings from his party which had been working for 60 years within this family to promote the values and ideals being discussed here; and greetings also from his home, Toronto, where the G-20 would very soon be meeting. He said that 'Toronto' was an aboriginal peoples' word meaning 'meeting-place' so this was quite appropriate. Nevertheless a lot of attention had gone to the construction of fences to keep the public away and he regretted the need and the expense for that.

He thought the world was looking to countries like his to play a leadership role in the fight for global fairness. His suggestions would echo many of the ideas already heard at this meeting because we were functioning on the same wavelength.

Nearly ten years ago, he continued, the Millennium Development Goals to build a better world had been endorsed right here in the United Nations by 192 member states. With five years remaining, we risked the deadline slipping away leaving developing nations scrambling to meet the targets, and developed ones ashamed of their performance.

In this connection he congratulated Barbara Prammer and all the members of the Committee on Social Cohesion, Poverty and HIV/AIDS for having ratcheted up the call for action in very significant ways at the recent meeting in Accra. Based on views expressed there, he hoped that we could agree on the fundamental idea that, starting in Toronto, the progress on Millennium Development Goals should be given top priority at G-8 and G-20 meetings.

This year, with Canada's Prime Minister chairing the G-8, maternal and child health were being prioritised. This was certainly a step in the right direction, he said, especially if it sparked the real action that was needed, and did not become the pretext for ignoring other MDGs such as ending poverty, achieving universal education and gender equality, environmental sustainability, fighting preventable disease, and forging that global partnership.

Unfortunately, he continued, the accountability report on G-8 performance, just released, suggested that there had been a shortfall of around seven billion dollars in the commitments made at the Gleneagles summit in the G-8 countries alone. We knew that such a shortfall was counted in lives lost and therefore we had to force the affluent countries to meet their commitments.

In Canada the greenhouse effects were among the worst in the world, he said, and his country had not been a leader in the post-Tokyo negotiations. But the Canadian parliament had just adopted a bill proposed by his party with emission targets close to those of the European Union, and they were fighting and hoping for its ratification.

Active solidarity between rich and poor countries in a new spirit of North-South dialogue was needed to help developing countries deal with issues of climate change that were not of their making. In this connection he congratulated the Commission for a Sustainable World Society, especially its co-chairs Ricardo Lagos and Göran Persson, on their landmark contribution to the debate.

This week's summit would be taking place during a recession that had impacted developed countries and ravaged developing ones. Despite some progress towards achieving the MDGs, we were faced with more poverty when we should have less hunger and more equality. There was a real opportunity for us but dangers lurked on the horizon. Richer countries would focus on their own problems at the expense of the developing world. In Pittsburgh, nine months earlier, the G-20 nations had seemed ready to tackle the challenges of developed and developing countries together, and a financial transactions tax, a 'Tobin tax', had been on the table not just to recover public funds spent on bank bail-outs, and to offset the burden that the financial sector lays on the world, but to discourage speculation and to finance global multilateral initiatives to achieve the MDGs. A levy of just 5.1% would raise hundreds of billions of dollars without hampering productivity: in fact it could have a positive impact on economic development by dampening the effects of runaway derivatives that placed all markets at risk in the massive bubble of gambling activities that produced nothing of real value.

A financial transactions tax, he asserted, was an idea whose time had come. It already had support from Germany, France, and the European Parliament, and was endorsed by many top economists and by the UN Secretary-General. In 1999 his party had presented a motion to the Canadian House of Commons and parliament had voted in favour of a financial transactions tax, the first parliament in the world to do so. He intended to call on their Prime Minister to take that message to the G-8 and G-20 discussions. By rights, he said, this tax should be at the heart of the agenda in Toronto but the IMF had instead proposed a bank tax that funded bank bail-outs, with no thought for the challenges in the developing world, perversely rewarding reckless behaviour and replacing a progressive idea with a regressive one. He would not mind if this proposal was stymied in Toronto but he would

worry if certain players conflated these two ideas and tried to convince the public that they were one and the same tax.

If the financial transactions tax did not get a full hearing at the G-20 it would be a great tragedy because he believed it was our best chance to achieve the MDGs and fight global poverty and climate change too, setting us on course towards a green future. He said he tried to remain hopeful about what this summit could achieve while being aware that our parties once again had to fight for justice, including keeping the financial transactions tax proposal alive. In closing he thanked all participants for their solidarity and as leader of Canada's New Democrats, he recommitted his party to this cause.

Jutta Urpilainen, Finland, SDP, brought greetings from her recent party congress which had resolved to cut child poverty and youth unemployment. As leader of her party for two years now she expressed gratitude for all the cross-border contacts, the international sharing that was a source of inspiration, and she particularly thanked Secretary General Luis Ayala, for his role in this.

She said she had three reasons to be proud: as the first female President of her party she was proud to be a member of this movement for universal human rights. A hundred years ago it had bravely stood up for women's rights and her country had been among them, thanks to the first generation of social democrats. Today only two countries denied women those fundamental rights; women's education had increased enormously and women now made up the majority of professional workers in many countries. This struggle, however, needed to continue.

She said she was also proud to be part of the democratic movement for social justice, participation, economic growth, and education and decent work for all. In the Nordic countries social democrats had shown the conservatives that it was possible to combine economic growth and social justice. Now they faced the challenge of up-dating their welfare state into a modern information society with a low-carbon future.

Third, she was proud to be a member of this movement for global solidarity gathered here in the capital of the United Nations, the capital of global democracy and of peace, development and human rights.

Ten years ago, the first female President of Finland, Tarja Halonen, and her Namibian colleague had co-chaired the Millennium Summit in New York where 189 leaders had made a commitment to the MDGs of economic growth and social justice. The challenge of achieving these by 2015 was now in our hands, she said.

As consumers and owners we had won, but as citizens we had lost: this was the stark evaluation of super-capitalism. The deficit in democracy had led us into financial, economic and social crises, but it handed us a social democratic momentum. Now we had to be clear as to who we were and what we wanted. Our parties had to become liberation movements once more. We needed clear messages in favour of education and decent work for all, programmes for youth employment and social dialogue to promote workers' rights, and to eliminate poverty and guarantee equality.

In addition, she said, we needed a clear global message in favour of development, a global struggle to cut armament budgets and invest in basic education and health in developing countries. Our message must favour the financial transactions tax and discourage financial speculation. We needed a 'Robin Hood tax' to redirect the financial market and invest in green economic programmes and in poverty reduction.

These were the messages we must deliver to the G-20, she concluded. Most importantly we must deliver them to those who might use their voting rights for change, for democracy and social justice. She urged that we use this social democratic momentum to fight for human rights for all as bravely as we had stood up for women's rights one hundred years ago.

Mahamadou Issoufou, Niger, PNSD, said that the crisis in the global economy was characterised by an unprecedented hegemonic position acquired by financial capital which had the whole world in its grip and every country under its control. A good example of this hegemony was the imbalance between financial and industrial capital. Financial assets now represented three to four times the global GDP and had generated a huge financial speculative bubble. Capital could remain in a country for a few days and then suddenly disappear: the world had become like a huge casino where speculators made the wildest bets. This was one of the consequences of several decades of ultra-liberal policies that had demonised the state, brought about deregulation and therefore laxity, claiming that the invisible hand of the market could fix every problem. The consequences of the bursting of these financial bubbles exceeded the absorption capacity of states, some of which were approaching near-bankruptcy, he said. Although the world had huge resources these were not well managed.

In the case of the United States we could see over-indebtedness of the major economy, representing 38% of global GDP. As a result of this colossal budget deficit, the public deficit in the U.S. was 12,250 billion dollars, and household indebtedness was estimated at 13,825 billion dollars. The budget deficit for 2010 was estimated at 10% of GDP, which was huge, and the unemployment rate in the U.S. was estimated at 9.9%. The state had had to intervene massively to save the banking sector.

Another example of poor governance could be seen in Europe where a major crisis had cast doubts on the integrity of the Eurozone, and even its existence. The euro had been created as a compromise to benefit countries of the South through the effects of pegging interest rates to those of Germany while benefitting that country through the creation of a larger market. While this compromise had narrowed the wide range in interest rates, economic growth in the euro area had been poor and many countries had suffered severely.

Deficits linked to poor economic growth and the subsequent indebtedness of the state had led to panic among greedy speculators and this had created the Greek crisis. If states in developed countries could be the victims of financial capital, one could imagine how easily weaker states in developing countries could be plundered. He reminded participants that the toxic assets of European banks were estimated at eighteen billion Euros.

There had been some growth in emerging countries like China and Russia, he continued, but in Africa development and participation in globalisation had regressed. Africa had suffered enormously from the inappropriate neo-liberal policies of international financial institutions, particularly from unfettered liberalisation and privatisation and the austerity policies adopted paradoxically for populations that already faced crises of under-consumption. Between 1970 and 1997 the aggregate losses of the continent in terms of trade were estimated at 120% of the total GDP of African countries that did not export oil.

Servicing of the debt had contributed to the impoverishment of the continent, and the costs of transportation and electricity were still a burden. Only six percent of Africa's hydro-electric potential was being realised. Moreover the IMF had forecast that the sub-prime crisis would cause a loss of growth points due to the drop in exports and money transfers to the continent. Regarding the fixed parity between the CFA and the European currency, he said the euro was one of the causes of the

economic deficit in the trade balance of the franc zone, since exports were paid for in dollars, a weaker currency, and imports were paid for in Euros, a strong currency.

The other problem of the African economy was the lack of local transformation of raw materials which also perpetuated under-employment, while the West was closing its borders to her citizens. Intra-African exports represented only 20% of overall volume. The African continent had a serious deficit in global integration, contributing only 2% to global trade.

What could be done about the current crisis, he asked. A thousand million dollars had been mobilised to save the banks. On the global scale we had to put an end to this chaos, strengthen the role of the state, regulate the international financial system by controlling the short-term movement of capital, and promote economic growth.

It was also necessary to reform the IMF and the World Bank by restoring their initial mandate to develop and stabilise the global economy. The forthcoming G-20 meeting should allow the leaders of the main economic powers to live up to their responsibility and adopt a tax on financial transactions. These measures might suffice for the developed world, he pointed out, but were not enough for the developing world, especially Africa. For Africa to be able to take part in global growth it was necessary to abandon liberalisation-at-any-cost especially in the framework of economic partnership agreements between Europe and the ACP countries. Such unequal trade was one of the main causes of poverty in Africa.

We should support Africa in the development of human resources, Issoufou urged, since human beings are the most valuable capital. We must contribute to the development of a strong and sustainable agricultural sector to safeguard the environment, encourage policies for local transformation of raw materials, and help to mobilise funds for infrastructure especially in the area of energy and transportation. Since the developed world had been able to mobilise in a matter of days several thousand billion dollars to save banks, it could surely mobilise a few hundred billions to help Africa which actually had a better chance to achieve the MDGs and thus participate more fully in the global economic expansion.

In closing he requested the support of the Socialist International in these specific steps in favour of developing countries, and especially those in Africa.

Barbara Prammer, Austria, SPÖ, Chair of the Committee on Poverty, Social Cohesion and HIV/AIDS, began with a report on the second meeting of her committee, in May in Accra, which had discussed the role of the state and public policies in the fight against poverty, and secondly, the MDGs. Most of the participants were from African member parties and it had been a very successful and interesting meeting.

Summing up the discussions on poverty, she said that it was time to put people first and to re-emerge from a system where markets had the upper hand. If poverty and hunger were to be reduced, politics must regain supremacy, increase educational opportunities and reach a more just distribution of wealth. Corporate social responsibility alone, it had been agreed, would not bring about change. Although there were common causes of poverty, strategies to fight it varied and it would take comprehensive and effective policies, taking into account particular national circumstances, to reduce it.

Five proposals had been made: universal education and affordable housing for all; investment in health-care as well as in information and communications technology; extending property rights to the poor; ensuring good governance and strong institutions; and the importance of a democratic

consciousness to accompany the process of economic development. In this respect there were three key issues: consolidation of political parties, involvement of civil society, and democratic practices such as free and transparent elections. She emphasised the need for strong institutional partnerships in both donor and aid-receiving countries, and parliament's role in that.

On the second topic of the meeting, the MDGs, it seemed that with the current level of progress and the economic crisis, the objectives for 2015 were out of reach: the targets could only be achieved if there was sufficient political commitment. Her committee welcomed the G-20 Summit and would urge heads of state and government from all nations to extend and accelerate progress towards the MDGs.

Prammer pointed out that we were in the middle of a unique debate on the future of the global economy. For three decades there had been just one dominant paradigm: the free market. Almost an entire generation seemed to believe that any intervention by the state was a threat to this principle and an obstacle to economic freedom and prosperity. Clearly the opposite had proven to be the case. Social democrats throughout the world along with the greater civil movement, had now raised their voice calling for a strong and clear agenda: those responsible for the crisis must be held to account; economic reform must tackle systemic injustice as a whole, not merely the effects of the crisis; budget consolidation must not be at the expense of moderate incomes but should exploit the potential of taxing wealth and capital growth. In short, she said, justice in times of crisis means solidarity with the weak.

The SPÖ, she continued, had just held its federal conference at which the main theme had been the fair distribution of wealth. Great unity had been shown in support of the party chairman's plan to launch the first European citizens' initiative on an international tax on financial transactions, which, apart from its positive budgetary effect, would limit excessive speculation and re-direct financial market activity to its proper purpose.

They had concluded an agenda aimed at re-establishing confidence in political action and restoring fairness in our economies. They would set up a model of wealth taxation aimed at a more just balance with regard to taxation of labour, and would work out a legal scheme for managing income and bonus payments. Corporate social responsibility could not be reached by moral appeals only: parliament must pass legislation to limit bonus payments and public subsidies in times of corporate failure and exclude incomes above a certain level from tax benefits. Some of these important measures could be implemented nationally, while others would need international cooperation, and the Socialist International, she said, should be the forum to push this agenda, especially at international gatherings.

As our President Papandreou had said, history had shown us that social injustice could pair up with political frustration and threaten freedom and democracy. The question of political supremacy over the ill-doings of an untamed economy was not just a question of political capacity: it was necessary for the stability of our democratic societies. This year 2010 provided a window of opportunity; even conservatives were calling for a financial transactions tax on the G-20 agenda. She was confident that the Council would adopt a strong resolution uniting the Socialist International in its pursuit of a more just global economy.

Shri Digvijay Singh, General Secretary of the All-India Congress Committee, said it was a great privilege to represent the President of the Indian National Congress at this important meeting with its commendable agenda.

The world was slowly beginning to emerge from the worst recessionary period in the last six decades resulting from the financial crisis in the heart of the capitalist world with its ripple effect on economies across the globe. It had produced a gloomy environment for trade, investment and capital flows, and had slowed down growth in all economies, large and small. The human dimension of the crisis could not be over-stated, he continued. The World Bank had estimated that an additional 53 million people had been pushed into poverty in 2009, which was inevitably a setback to our collective aspiration to attain the Millennium Development Goals. The least developed countries and small economies were disproportionately affected as their growth was heavily dependent on trade and investment.

The 'silver lining' of the crisis was the collective resolve of leaders of the G-20 countries who had responded with alacrity by infusing a well-coordinated stimulus package for global economic revival. The advanced economies were expected to grow by over two percent and the emerging and developing countries by over six percent in this fiscal year. The outlook was clouded, however, by anxieties in Dubai, unsustainable debt in parts of Europe, and high levels of unemployment.

For India, the lessons from the crisis had been manifold: it had clearly demonstrated the fragility of the global economic order and the extent to which nations had become enmeshed and interdependent. A globalised world offered both enormous opportunities and enormous challenges. More than ever, the words of John Donne that no man was an island rang true. The foundations of the philosophy of free market capitalism had been shaken and the crucial role of governments as a stabilizing influence in times of crisis had been brought to centre stage. Clearly a sound regulatory regime was required to create a conducive environment for trade, investment and capital flows. The declaration of the G-20 Summit to designate the G-20 as the premier forum on international economic issues was a much-needed correction.

The financial crisis had demonstrated the urgent need for reform of the international economic order which had dominated the period since World War II. The countries of the G-20, he pointed out, represented 90% of global produce, four-fifths of global trade, and two-thirds of the world's population. It was these countries' coherent response that provided the impetus for recovery. Times of adversity tested the resolve of leaders and produced a natural tendency to look inwards, but the great depression of the 1930s taught us that protectionism prejudiced the interests of those who seek to erect barriers. We should urge world leaders to exercise caution about the new forms of protectionism being advocated in certain quarters, he said.

The emerging economies, and the BRIC countries in particular, had registered impressive growth, but at the same time there were enormous development challenges still to be faced. India alone was home to more poor people than all the least developed countries together. The countries of Asia, Africa and Latin America which had been denied the fruits of development based on the industrial revolution, were slowly emerging onto the global stage. The resilience of the Indian economy was shown in an average annual growth rate of over nine percent between 2005 and 2008 when it slowed down to 6.7% and now was estimated at 7.4%. This recovery was primarily driven by a renewed momentum in the manufacturing sector. Despite a severe contraction in the demand for India's traditional exports, the fiscal year had ended with a positive growth of 36%. During the crisis their labour-intensive sectors had been the worst affected.

In the last six decades, he continued, the Indian economy had undergone a dramatic transformation, slowly integrating itself since 1991 in the globalised world. Recalling the post-colonial period and India's first Prime Minister Jawahar Nehru's promotion of a mixed economy, he said that India was today producing experts in engineering, technology and management comparable to the best in the world. Mrs Indira Gandhi had insisted on a robust regulatory regime for banking institutions and the

Reserve Bank of India was able to provide the necessary checks and balances. So it was a tribute to India's leaders that during this unprecedented economic crisis not a single banking institution had been challenged.

Despite a sense of despondency resulting from several hundred thousand people losing their jobs, exports and industrial production had now revived. He hoped that the maturity with which countries had cooperated during this period would extend into the future. A reform of the Bretton Woods institutions in a more democratic direction was now due, and also of the structures of global political institutions including the United Nations.

The world was witnessing a momentous shift in the 21st century. After centuries of repressive colonial regimes, the developing countries were starting to assert themselves on the global stage. He expected the countries of the developed world to respect the rightful aspirations of the five billion people in the developing world as they crafted the rules of engagement that would dominate the political and economic discourse of this century. The issue of intellectual property rights, he continued, had to be addressed in this spirit especially in the case of life-saving drugs, or climate change which threatened the very survival of the human race. Countries of sub-Saharan Africa and Latin America that did not have the resources to invest in research and technology would need support in order to face this challenge.

Climate change, wherever caused, created a collective loss. It was the responsibility of the developed world to share new technologies with the developing countries so as to collectively address this challenge. The Millennium Summit had shown a glimmer of hope with targets set for halving global poverty by 2015. As yet we were far from achieving those goals. The G-8 countries at Gleneagles had resolved to commit 0.7% of their GDP towards those goals, with half going to sub-Saharan Africa. It had been proposed that that latter amount should be doubled, but it was with some sadness that he noted that those commitments had not been met.

In closing he said he was confident that through the deliberations of political leaders gathered at this meeting, we would understand each other better and arrive at a political consensus about the way forward.

Viviana Piñero, IUSY President, said that in discussing the challenges of the world economy more attention needed to be paid to youth employment. The economic recession had worsened and was particularly affecting the most vulnerable, including the young. The crisis had exacerbated the difficulties young people faced in trying to achieve autonomy by finding decent work. This problem of youth unemployment would have repercussions in their whole lives with lower wages, more periods of unemployment, and over-qualification. Youth today faced great uncertainty both economically and socially. Compared to adults, it was three and a half times more difficult for young people to find jobs, and this affected their potential for future decent and productive work.

There was a link, she continued, between youth unemployment and social exclusion. When young people did have jobs, working conditions were often inadequate: both in developed and developing countries they might find intermittent or insecure work, often in the informal sector with low social protection, so they suffered in the practice of 'last-in-first-out'. Ensuring secure jobs with good working conditions for young people would affect the future prospects of the entire economy.

The failure to find work or belong to the labour market meant that the motivation and novel ideas of youth were wasted. If the rate of unemployment among young people was halved and became similar to that of adults, it would represent seven percent of the value of the GDP.

Just as previous unemployment had its effects on future employment, so early poverty was linked with lifelong poverty and the likelihood of this extending to the next generation. We had to put an end to this cycle by enabling young people to emerge from unemployment and poverty. During periods of recession the training and skills that young people might have gained went unused, and in lower-level jobs there was a reluctance to hire over-qualified people. It was therefore essential to address the challenge of under-employment of the young and to realise their potential since people are the basis of the stability of communities and the future of the globalised world

Socialists, social democrats and labour parties must be creative in their response to these challenges, he said. A tax on international transfers was needed, and international agreements based on respect for human rights and principles of self-determination for all countries. To achieve financial stability we must promote the entry of soundly educated young people into the labour market. A free social and sustainable labour market, with protection of labour rights, would allow us to fight corruption and the informal economy, and thus reduce the rates of poverty as agreed in the MDGs. A participative economic diagnosis, stressing the participation of youth, must provide mandatory strategic plans for public policies. We must demand that companies show corporate responsibility, he said, and we must generate inclusive policies with a view to reducing poverty and maintaining young people in productive life.

Programmes for training young people would ensure the realisation of their potential and the transformation of their living conditions.

In closing she said we must insist on the need to give high priority to the development of young people: their strategic importance in the world meant that they were not just its future but also its present.

Luis Ayala expressed the good wishes of the SI Council to the new leadership of IUSY and assured them of the SI's strong collaboration.

Sergio Bitar, Chile, PPD, commented that Latin America was doing better than some regions in its economic policy. He reminded participants that the three SI member parties from Chile were part of the government coalition in that country.

Progressive governments in Latin America, he said, had implemented good social policies that had enabled them to better face the crises of 2008-2009 as well as the unfolding one of 2010. They had recovered faster with fewer social effects, and those policies should be valued by the Socialist International as a way to face global crises in emerging countries.

Chile had taken action to improve its external accounts with a progressive increase in international reserves in recent years. This policy had been followed by countries like Brazil, Uruguay, Colombia and Peru, floating exchange rates to manage imbalances, and diversifying their exports which enabled them to reduce the impact of a single market. Figures showed that China's involvement with Latin America also provided a more balanced distribution of external markets.

They had also taken action to strengthen banking regulations as a consequence of earlier crises. None of the countries he had just mentioned had suffered a banking crisis this time; there were no toxic assets nor had they had to transfer public resources to banks or businesses. This more sophisticated regulation had entailed a political struggle by progressive governments to strengthen regulatory institutions.

In 1990 when the coalition had taken power, public debt was 70% of the GDP: today, by pursuing prudent policies, it was 7%. They had taken advantage of improvements in the price of copper and other commodities to generate funds. Two more steps had been taken by their government coalition and others represented in the Socialist International. In the government of President Lagos the new policy of structural balance had allowed them to estimate the budget on long-term trends resulting in a surplus of one percent and a stabilisation of the economy. When things went well they saved, and when things went badly they spent. In the government of President Bachelet, they had further created a social economic stability fund with revenue from copper. These two processes had allowed them to generate funds in the order of 5% of GDP which were used to address the 2008 crisis by revitalising the economy. There had been a 12% recovery, in the order of 20 billion dollars, which had been added to the fund in the last two years. In this way they had been able to improve solidarity, reform the social security system, and face the aftermath of the earthquake.

This had been an important experience for the SI in that the resources that had been saved, and the reform of the social protection network developed during the years of progressive governments, had allowed Chile to promote its social policies and also withstand challenges.

Because the impact of natural disasters was increasing throughout the world, he thought it essential that the SI consider setting up support funds for poor sectors which were often the most affected. His country had made a major effort to strengthen its regulatory capacity in an on-going political struggle against the right-wing push for a minimal state. The capacity of the state had been strengthened, creating regulatory mechanisms that were independent and solid and therefore could not be taken over by the financial system.

Although he had stressed certain economic policy measures, he insisted this was not an issue for technicians: it was a political matter. Like other countries, Chile had taken the major political decision to manage the economy solidly, supporting their social policies. Referring back to the Popular Unity under Allende, he said insufficient management of economic policy had generated inflation and economic and political imbalances, so clearly a responsible management of the economy was an essential element for a solid progressive policy.

He echoed President Papandreou's words about having inherited a situation of fiscal imbalance from the right; the same could be said for President Barack Obama. Progressive governments had to deal with these inherited crises, regulate them and protect the poorest of the poor.

Before ending, he mentioned the support from certain international organisations for facing the crisis. The IMF for the first time had responded with short-term low interest rates which had helped in the strengthening of international institutions and good progressive government practices as a response to the crisis. This confirmed the need for a paradigm change in the development model so as to link social and environmental issues to the role of democratic governments. He thought it essential that a strengthened solidarity go hand-in-hand with good practices in the management of emerging countries that had progressive governments.

In conclusion, he said that all these factors had helped them to obtain 48.4% in Chile's January election, not quite enough to keep them in power. President Bachelet had had an approval rate of over 80%, the highest ever recorded for a Chilean president, and this was extremely important for the role of women in politics. He was hopeful that by correcting their mistakes they would win the elections in 2013.

Carlos Eduardo Vieira da Cunha, Brazil, PDT, said that Brazil, despite the international economic crisis, was doing very well. It was now a much more egalitarian country and 20 million people had been saved from absolute poverty.

The Brazilian economy had experienced outstanding growth; their GDP had increased 9% in the second quarter from January to March. These figures were competitive with those of China, he said. During the first four months of the year they had managed to create 962,327 formal jobs. In eight years of President Lula's administration, with the approval of 80% of the population, they would have generated 14.5 million new formal jobs. Moreover the minimum salary had increased by 75% above the inflation rate. Brazil's international reserves had reached 247.3 billion dollars in April 2010. These figures attested to the positive developments in his country and were reflected in the political arena. General elections would be held in October and the latest opinion poll showed a tie between the first two candidates, Dilma Rousseff who was supported by President Lula and by left and centre-left parties, and José Serra. Some political analysts were already predicting victory for Rousseff, which he himself hoped for, and this would mean the first woman in power in Brazil's history, but these were early days and they would certainly face fierce competition.

In conclusion, Vieira da Cunha wished to pay homage to the former President of the Democratic Labour Party of Brazil, Leonel Brizola. Today, June 23, was the sixth anniversary of his death. He said he was honoured to occupy Brizola's seat in the Presidium of the Socialist International and he could not find any better way to pay homage to the party's former leader than by reconfirming their commitment to the ideals of this organisation. In closing he assured participants that they could always count on the Democratic Labour Party of Brazil to fight together for the building of a new world, a fair and fraternal world where the values of peace and solidarity would be definitively enacted.

The first session was declared closed. The Council would resume at 15.00 hrs.

Second session, afternoon

Adoption of the Agenda

The agenda of the Council Meeting was adopted.

Adoption of the minutes of the previous Council Meeting

The minutes of the previous meeting were approved.

GLOBAL ECONOMY IN THE RUN-UP TO THE TORONTO G-20 SUMMIT - Continued

Poul Nyrup Rasmussen, President of the Party of European Socialists, prefaced his remarks by posing one simple question: 'When would the financial markets, the hedge fund and private equity managers, the heads of banks ever learn?' He asked the same question about Conservative governments with their talk about cuts as the answer to the financial crisis. He said he doubted their capacity to learn and that meant that we now more than ever needed to stand together as the Socialist International because this was the only forum for political progressives to develop a coherent strategy. He thanked President Papandreou and Secretary General Ayala for all they were doing in the organisation.

We all knew, he continued, that the cause of this crisis was not the workers: it was greed combined with ideal conditions for that greed in our totally unregulated international financial markets. Before the melt-down in 2008, the total size of the world's financial transactions was seventy times that of its gross national product. That was the clearest example of financial transactions having nothing to do with real life, with the real value workers were producing every day in the real economy. We must understand that we would have to teach those who would not learn.

The Socialist International was one of the few places, along with the PES, where this was discussed, and where the interplay was understood. We had to find a way to deal with people who preferred their ideological choice to pursuing a wholehearted solution that could create more stability worldwide.

Rasmussen mentioned studies by an American economist, Kenneth Rogoff, who had examined financial crises over many centuries and had found that without exception whenever speculation had driven financial markets too far and had produced a crisis with too much debt in the private sector, that debt had been transformed into public sovereign debt. The same thing had happened in the recent crisis: those who had created the crisis in the private sector had the good fortune to transfer the debt to the public sector. Governments were then really in trouble because they had to bail out the banks because if they did not function then the labour market would not function and we would be rushing towards a deep recession lasting for years.

Were we going to repeat these mistakes, saying 'yes sir, no sir' on behalf of the workers; were we going to say there was nothing for it but to make cuts in our welfare states, he asked. The developing countries would again pay the price. Surely it was time to say that we at least had learned and were ready to take the necessary steps.

He recalled the 2008 G-20 resolution referring to global solutions to global problems; and the talk in Pittsburgh of turning the page on irresponsibility and adopting reforms to meet the needs of the 21st century's global economy. There had been talk of regulating the financial markets and some had even talked about taxing financial transactions. Now, looking at the devastating figure she was tired of those in the financial markets and in conservative governments saying that the public sector was the problem. Social and educational policies and investment in infrastructure, he asserted, were not part of the problem, they were part of the solution. If we began now to pay down the sovereign debt then economic growth both globally and regionally would risk taking a double dip.

There was another way, an alternative to austerity programmes. There were two ways to bring down the public sovereign debt: one was to cut social policies, unemployment benefits, and educational programmes; the other way was to create more jobs, more growth, more companies providing income through taxation, and less expenditure on those who had lost their jobs. This was the way we should go.

Rasmussen assured participants that he was not suggesting taking the sovereign debt less than seriously: rather that it should be tackled in our way and not in their way. Money should not be made from childcare, healthcare, and education.

There was the fundamental fight for the welfare states in our countries, he continued, and for the developing countries' dreams of help from us in creating their own fair societies. This was why we must stand together, he said. He could not remember a time since the Second World War when so many people had lost their jobs or were in fear of doing so. Every government leader was afraid because each one knew that they stood alone and that when the financial markets decided to attack them there was not much they could do.

This time must be different: we must not allow the fear factor to take the power out of our democratic hands and force us to roll back our welfare states.

Rasmussen recommended a programme for the SI to discuss here under the leadership of President Papandreu whom he supported 100%. First, to regulate the banks, the hedge funds and the private equity managers, and this would be done. Second, to insist on higher claims on the banks. They must have capital requirements so that they could not just speculate against us. Third, we must look directly into what the hedge-fund managers were doing. Just seven of them had been able to threaten not only Greece but also Portugal, Spain, Ireland and others, Asia might be next. We had to forbid this short selling on credit-default swaps connected to sovereign debt.

Concerning the financial transactions tax, which the European Socialist Party strongly supported, he warned that to insist on it being applied throughout the world was a way to escape it, knowing it would be impossible. He said the leaders of the German and French governments were asking the Canadian government, as president of the Toronto G-20, to ensure its inclusion, but they knew it was impossible. That was why he thought the 27 parties of the European Union, the largest economy in the world, should join the Socialist International and introduce a financial transactions tax, together with a bank levy tax, where there was the chance that the Americans might join in, as a supplement to the financial transactions tax. This could be a great inspiration to others, he said. A tax of just 0.05%, one half of a tenth of one percent, would give this small region of the European Union 240 billion Euros. Later a financial transactions tax in all the G-20 members could finance the Millennium Development Goals and allow us to make our way out of the crisis and achieve a new balance.

To the argument that if Europe went it alone the managers would go elsewhere, his reply was that they would not: they knew that they earned the most in the European Union. If Europe introduced this financial transactions tax there would still be the comparative advantages for earning money. He urged the SI together with the European Union to make this new effort to honour the people's wish for fairness and a new contribution to the MDGs. We all knew that the market had neither heart nor soul, but the world should never be guided by fear. The market was just there as an instrument for greed or, he concluded, if we chose, as an instrument for new economic growth.

Fattalah Oualalou, Morocco, USFP, congratulated the SI on holding this Council meeting at the United Nations in New York, a symbol that allowed socialists to address the international communities with a message of peace, hope, renewal and solidarity. This message was particularly necessary because of the organic link in the four main agenda themes. The work already done on global financial issues under the leadership of President Papandreu would enable the SI to tackle the international crisis and be heard at the G-20 in Toronto.

With regard to the Middle East, climate change and disarmament, he considered the contribution of socialists to finding a unified response to these challenges was a major way to help the world move beyond the crisis that had destabilised the world economy since 2008.

On the eve of the Toronto meeting we must draw the essential lessons from that crisis, and four in particular: first, the need to impose serious and credible regulations on the banking and financial systems, whose laxity had caused the crisis. In that respect it was important to have a financial transactions tax.

Second, the rehabilitation of democracy, as Ségolène Royal had said. We must not forget that it was the states which had intervened to protect the financial system, safeguard the loans and re-launch

the economy. Therefore everything had to be done to end the submission of the economy to ideology and the abusive practices of an uncontrolled market.

Third, he continued, the need to promote international cooperation which must take into account the multi-polar aspect and allow emerging and developing countries, especially African countries, to intervene, to be involved in the debate and the decision-making. This on-going global crisis provided an opportunity to reduce inequality within and between nations and regions, and globally.

The fourth lesson was to take into account the social dimension and the establishment of adjustment policies needed to reduce the indebtedness of states because it was important not to stop growth. In that respect he said the Moroccan socialists, and the Mediterranean and African people, affirmed their solidarity with our Greek comrades who had inherited imbalances from the right-wing management of public finances and, like our Spanish and Portuguese comrades, had taken brave decisions to correct these imbalances.

All of us today, he continued, needed a strong, dynamic and generous Europe and the solidarity of a multi-polar world. This was fundamental for the Mediterranean and for Africa in order to combat under-development and poverty, and to create progressive partners with neighbouring Europe.

Turning to the Middle East, and to the Palestinian question, which was the most important to Arabs, he referred to the most recent decision of the UN Security Council on the nuclear non-proliferation treaty, in particular in the Middle East. He urged the SI to hold an international conference on the nuclearisation of the Middle East. Such a conference would allow the people of the region to focus on political and social challenges, the challenges of democracy and development.

After the recent attack on the freedom flotilla, it was important for Israel to accept the setting-up of a commission of enquiry that would be impartial, credible and transparent in accordance with the appeal made by the Security Council. We must all demand the immediate lifting of the blockage against Gaza which was in fact an attack against a powerless state.

He urged the SI to re-launch indirect negotiations between the Israelis and the Palestinians to reach a just and final solution which would allow the creation of a Palestinian state and guarantee the security of all states in the region, a guarantee that would also imply peace agreements between Israel, Syria, and Lebanon based on Security Council resolution 242.

In closing he said we must redouble our efforts to support all good initiatives while being particularly vigilant that proximity talks did not lead, as they had in the past, to a de-facto consecration of the occupation and a state of siege that really prohibited the Palestinian people from having the right to a viable and sovereign state.

Chantal Kambiwa, Cameroon, SDF, said that the presence of the SI here in New York was a strong message, and she hoped that decisions taken by this meeting would allow members of the SI and members of SI Women to be heard.

The current economic crisis offered an opportunity which must be seized to take stock and start again on a new basis. This meant being more specific, implementing all our recommendations, and establishing public policies for gender equality which would lead to both social and economic development. That had been the main theme of the Council meeting of the Socialist International Women in Andorra in June, she said. We could no longer think of policies on gender equality as raising public expenditure, but rather as an investment which would bring about a social benefit.

A sustainable development must take into account the needs of human beings and their quality of life, she continued. The problem was how to achieve this if we could not eliminate gender inequality in all areas, if this was not given political priority. Wrong interpretation of religions added to the burden on women who could not be at peace. And if more than half the planet was not at peace then nothing was possible either in the economy, or in efforts for progress that did not include that larger half of the population. We had to stop and try to implement the ideas espoused in our speeches, to take women's concerns into account in our policies and programmes. This was the sustainable solution to the present situation.

Fifteen years after Beijing, the evaluation of the 154th session at the UN in New York on the status of women had found more setbacks than progress, largely due to migration, disease, and pandemics like HIV/AIDS. It was essential to go beyond the judgement of the action programme of Beijing: the failure to implement those programmes meant that the MDGs would not be achieved in many countries. The Socialist International Women was requesting a fourth United Nations Conference on Women and was counting on SI support for this important decision.

In conclusion she said that the G-20's decision must be aimed at reducing or eliminating inequality and discrimination among human beings whether living in the same country or living in different continents. This, she asserted, was possible: it would require good will and it would achieve a better world for all.

Christoph Zöpel, Germany, SPD, chair of the SI Committee on Economic Policy, Labour and National Resources, said that the contributions he had heard had been both interesting and informative, and that the speech of President Papandreou had been exceptionally impressive. Many economists were suggesting that the market could be more effective than democracy because there was no psychological impact. We had to learn from this crisis that markets could still function when governed by an absolutely unacceptable system, especially if they were linked to public media dominated by private interests.

Zöpel apologised to President Papandreou for the way Greece had been discussed in Germany. Even though Chancellor Merkel's government had eventually contributed to solidarity with Greece the debate had been unacceptable, and the term 'mob psychology' was well justified.

Sometimes social democrats too easily assumed that the state was better than the market. In Greece there had been a strong state before Papandreou had come to power, but it had been dominated by the interests of private business. We should bear this example in mind, he said.

A similar thing had been seen in a meeting of his committee in Moscow two weeks earlier. The Russian SI member party had had problems with the formula of the state being better than the market because in Russia the state was in the hands of private business and the oligarchs. He therefore recommended caution: the solution was often not simple; both the market and a poorly governed state could lead to failure.

He welcomed the contribution from the representative of the Indian National Congress, saying we could learn from India, which in about 20 years would be the most populous state in the world with more than 1.5 billion inhabitants. Europe might look to democratic India to see how effectively it had overcome this crisis, not allowing the banking system to buy Lehman Brothers bonds, and so on. According to IMF statistics, India's economic growth rate for 2010 would be higher than before the global crisis.

He thanked the leader of the opposition in Niger, for his contribution concerning natural resources and commodities. The challenge for the policy on global commodities was how to ensure that the natural resources of the poorest states would benefit them rather than Europe, the United States, or maybe China.

Thanking Rasmussen for his recommendations, he said it was mainly Europeans who should implement these: India had no need to.

The desire of his committee was to present a longer draft about the challenges of global development in 2010 because the important issues of global development could not be dealt with in a short paper. It was too simple, he continued, to say that neo-liberalism was the wrong ideology. Neo-liberals were doing what they could with the market and with the state in the interests of the rich. This was the reality, not first of all a question of theory.

His committee had also written about the big difference in global economic development in 2010. Whereas in 2009 the impact had been more or less universal, in 2010 it was more and more a crisis of the so-called western world. The IMF forecast on economic growth for these more developed states was 3%; for other parts of the world it was 6%. Europeans should be aware of this. The term 'global crisis' could be used as a pretext for the western world not to do what was necessary, compared to India's approach which had succeeded.

Trying to formulate an acceptable strategy for 2010, the committee had recommended that a well-coordinated stimulus policy be pursued until the level of economic growth prior to the crisis, in the first half of 2008, had been regained. The strategy included a gradual adjustment of budget deficits, but the goal of a balanced budget did not mean cutting the expenditure needed for the welfare state, but rather included an increase in state revenues. The cost of borrowing in order to finance this should be funded through levies on the banking sector which bore responsibility for the crisis, and which was in some cases again making high profits.

In this scenario, the role of the international public banking system, would be to fend off speculation against the requisite budgetary deficits. No doubt we could promote regulations, but no one knew how long it might take for the G-20 to decide to regulate.

He urged discussion of global development, which was more than this crisis, and of international trade. We needed a policy on global commodities and national resources to favour the interests of the poor rather than Europe or the United States.

One of the main challenges facing global social development was informality, both in the labour market and in the development of large urban areas.

Anticipating the next agenda item, he said that Amman, forty kilometres east of Israel, had the highest rates of immigration in the world, and this meant a permanent process of slum-building. One should bear in mind the danger coming from the slums of a city with a future five million inhabitants so close to one's borders.

Finally, concerning how to find the money to protect the weak of this world and to preserve the welfare state, he pointed to military budgets. The western world should remember that two-thirds of the military budget of the world was spent by NATO member states. For the future, he added, we must define global welfare statehood in very clear wording. This was needed in answer to the business-oriented ideology known as neo-liberalism.

Ousmane Tanor Dieng, Senegal, PS, chair of the SI Committee on Africa, began by expressing his party's solidarity with the people of Haiti, Chile, and the United States who had been hit by natural disasters.

The economic and financial crisis which had shaken the world had shown the importance of the role of the state as regulator of economic, social, and financial policies. This presupposed a state in the service of the general interests, and not in the hands of a certain class. Nobody now questioned the fact that the era of ultra-liberalism defended by conservatives, had compromised the future of the planet. The current crisis in Greece inherited by President Papandreou's socialist government from the bad management of conservatives, and followed by very active speculation in the European end of global stock markets, confirmed the need for the state to regulate world finances. He congratulated the President on his courage and clear vision in response to the crisis, and he welcomed the lessons learned from that experience. Congratulating him also on being elected Prime Minister, Tanor Dieng said that if all the leaders of social democratic parties did as he had done, it would be a very clear message. By his attendance here he had set an example to other leaders who sometimes participated only when they were in opposition.

It had been proven that the free market and anarchy could not succeed, and therefore we socialists and social democrats were right in defending the role of the state as a social regulator and guarantor of solidarity at the national and international level.

For us, he continued, there could be no justice without social justice: human rights would never be totally respected until the right to work was included in them. It was through labour that women and men could make a living. To combat poverty there had to be economic development that created decent jobs. This was where the role of the state was of the utmost importance. But today more than ever, no state in isolation could provide the necessary investments to create employment which respected human rights: it would not have the means or the necessary tools to do so.

In order to combat poverty through job creation, and safeguard men and women from exploitation in its many forms, it was necessary to ensure minimum social rights for everyone in the world. States must therefore take part in the appropriate international organisations.

The Senegalese Socialist Party wanted democracy for Senegal and for Africa. They did not want an economy that enriched the privileged few. In the fight against poverty they favoured at least minimal social criteria in trade agreements because a market economy could not thrive without equitable trade rules. In order to apply the same criteria in developing countries as were found in developed countries, we must ensure the fundamental rights of all workers, forbidding the unfavourable conditions that were found in emerging countries. Equality in working conditions for women and men, respect for trade unions and the implementation of minimum wages required the introduction of a minimum of social rules by the World Trade Organisation. The ILO regulated working conditions and these should become mandatory with the WTO, penalising as unfair competition the flouting of these norms.

In trade, he continued, the global market must abide by social imperatives, especially as regards food security, housing and education. In this regard we should re-examine the foreign subsidies that refused assistance to some and gave it to others. We must guarantee a fair price for agricultural produce, and fair earnings for the majority of the African population who made their living in that area.

A solidarity fund financed through a tax on financial transactions was necessary for the benefit of such areas as health, education, access to water, and protection of the environment. Through

equitable trade we would be able to create a more fair world where human rights were better respected.

Concerning our message to the G-20 in Toronto, where figures could be read in one way or another, he said the main challenge for the global economy was growth: austerity could not take the place of policies. There were considerable prospects for growth in the developing world, especially in Africa. We must build infrastructure, schools and health centres, integrate the African economy into the global economy and thus transform the economies of poor countries into sustainable green economies.

In this way, we would contribute to a global economy that was in the service of mankind and not the other way around; organisations like the World Bank and the IMF should be reformed to favour the real economy and the environment, not the economy of speculation. This should be our message to the G-20, he concluded.

Enrique Guerrero, Spain, PSOE, suggested three basic messages that had to be transmitted to the G-20. First, pressure to create a truly global governance. A financial crisis that had started in the United States was now a fiscal crisis with its epicentre in Europe. Earlier there had been crises concerning food, energy, and the environment and these had been the result of a background problem of imbalance. Some countries were indebted and others had surpluses: some countries had social protection systems where others had none; some economies had collective bargaining and others not. The world could not move forward in this way and therefore we must insist on global governance at the G-20: not that it represented every country of the world, but it was the strongest institution we had that represented the major economies. We could not be certain of moving forward on this decision. If the crisis was waning there would be fewer incentives to take such major decisions, and all the decisions made might not actually be implemented, as we had seen before.

Secondly, he said, there was the message of growth. We were now facing the crisis exclusively through tax cuts and spending cuts that damaged social protection, especially in the most marginalised classes. The SI must put pressure in the direction of policies that favour growth and job creation.

Guerrero's third message was that the SI should back some of the proposals made by socialists which had been promoted by the European Council at a recent meeting. That Council, where socialists and social democrats were not the majority, had decided to cut some of its spending but it had also made decisions on the regulation of funds and rating agencies, and other topics that socialists had been clamouring for. This was a very positive step in the right direction so we must keep up the pressure.

The Spanish presidency wanted the MDGs to be discussed at the G-20 and the European Union to come to the September meeting in the UN with a strong position. The PSOE favoured that position and urged the SI Council to give its specific agreement. The MDGs and cooperation for development were fundamental for all of us, he concluded, but especially for those comrades from different parties who were suffering more intensely from poverty and exclusion.

George Papandreou agreed that the Spanish presidency of the European Union had worked very hard during this difficult crisis, and even in Europe where we did not have the majority, socialist views and proposals could be powerful. Some of these had been accepted by conservative governments proving that our logic was powerful and our proposals were both realistic and just.

Before turning to the debate on the Middle East, Papandreou informed participants that the Socialist International Women, along with the NGO Forum, had been campaigning for a fourth United Nations

World Conference on Women. The SI supported this important measure because the current crisis impacted women more severely, whether by pandemics, unemployment or violence, so we needed to strengthen the role of women throughout our societies. He would be seeing the UN Secretary General and would ask him to take into account also the SI's support for this request.

Third main theme: FOR A MIDDLE EAST IN PEACE

Ehud Barak, Israel, ILP, SI Vice-President, said it was an honour to participate once again in the Council meeting of the Socialist International, an organisation his party had been a member of for over five decades.

He said the world had changed and our political base had too. The employer class was now stronger but the working class was no longer a unified body. The economic crisis had affected us all, economically and politically, and had proven our world view to be correct, but instead of generating more support it had weakened our movement. Social democratic parties had lost some public support and the recent victory of right-wing parties in two European countries was alarming. We must try to understand the reasons for these set-backs and find ways to re-invigorate our movement: as socialists and progressive democrats, it was our duty to re-energise political life and give hope to the world.

In the Middle East too, he continued, many things had changed. His party had lost the elections and after lengthy deliberations had decided to join the Likud-led government for several reasons: their partner in government and the prime minister had made a full commitment to advance the peace process; and they had accepted his party's request for fiscal and economic policies that had prevented the laying-off of 80,000 workers in this difficult economic crisis. So, relatively speaking, Israel was facing the crisis extremely well.

Those who took that difficult decision had been fully aware of the consequences for their party, and of the criticism it would elicit from friends abroad, but they knew that a refusal to join the government would bring about an extreme right-wing coalition and a complete halt to the peace process. Faced with the dilemma of choosing between benefit to their party or benefit to the country they had chosen the latter, determined to use their role in government to fight first and foremost for peace with their neighbours. This decision had been proven correct. Without his party's presence, the government would never have accepted the roadmap, nor included in its agenda the earlier agreements signed by previous Israeli governments. There would have been no declaration by the prime minister in favour of a two-state solution, a far cry from Likud ideology, and no freeze on construction in the West Bank. These were the steps that led to the so-called 'proximity talks'.

Barak said he was optimistic about current challenges, believing Churchill's dictum that the pessimist sees the difficulties in every opportunity while the optimist sees the opportunity in every difficulty. Now more than in the past we could see the stark contrast between moderate elements in the Middle East whose voices were being heard, and the coalition of radical forces led by Iran and its ideology. He welcomed the initiatives of Tony Blair and the Arab League which with other help could potentially become part of a basis for negotiations. The ILP headed at the time by Fuad Ben Eliezer had welcomed this plan in 2003. There were also proximity talks recently with their Palestinian neighbours that they hoped would lead to full-scale direct negotiations, which alone could ultimately yield results. One positive development in that direction was President Abu Mazen's recent statement that the negotiations should lead to an end of the conflict.

On the darker side, he continued, were developing threats, the army of extreme terrorist groups in southern Lebanon and Gaza with sophisticated weapons including rockets and missiles directed against highly populated urban areas in Israel, and with no other possible use than to terrorise citizens since they were not accurate enough to hit any precise target.

Iran, a member of the United Nations, was not hiding its nuclear ambitions nor its stated intention to wipe Israel off the map. It was funding, nurturing, training and arming extremist terrorist organisations and leading a proxy war through them. He pointed to the obvious link between the three dimensions of threat which could destabilise the whole Middle East: proliferation of nuclear know-how and weapons, terrorism and extreme exclusive ideology, and rogue states. The outcome of this battle would shape the geo-political landscape of the region for years to come.

Our sister parties, he said, should encourage the moderate elements in the region, and the world should unite to end the aggressive policies of Iran and the organisations it was financing. The UN Security Council's recent symposium on Iran was a first but insufficient step in the right direction.

With the current focus on Gaza, Barak recalled that the Israeli government seven years earlier had completely withdrawn all settlers and soldiers as a signal to Palestinians that they were serious in their intention to end the occupation. Hamas had taken over Gaza in a bloody coup in 2007 and had survived since with massive military and financial support from Iran. It was increasing its military power, stockpiling missiles and rockets four thousand of which had already been launched against Israel. Israel now viewed Hamas as a terrorist organisation, an Iranian proxy post close to Tel Aviv. Hamas ruled Gaza with brutal suppression, gradually imposing harsh Islamic law. Why, he asked, did everyone acquiesce with this regime.

The new campaign of flotillas was an act of provocation, he continued, since there was no humanitarian crisis in Gaza. Israel delivered 150 truckloads of equipment and products every day. International groups wishing to send additional aid were invited to do so through the port of Ashdod, according to the Oslo Agreement. But Israel could not allow the free flow of uncontrolled ships carrying military equipment to the Hamas terrorist organisation.

Israel had a right and a duty to defend itself and was doing so within the framework of international law and basic human decency. In this connection he appealed for support for the abducted soldier Gilad Shalit who had been held hostage by Hamas for four years.

The renewal of the peace process was critical and should lead to substantive direct negotiations, he continued. As prime minister he had advocated the two-state solution which was then considered anathema. He thought a majority of Israelis now considered it the only solution possible, which was a moral victory for his party, but it required rebuilding, inspired leadership, and support from the rest of the world.

The creation of a viable Palestinian state living side by side with Israel was the only way to secure co-existence of a democratic Jewish state and to meet the dreams and rights of Palestinians, he asserted. Negotiations should establish a permanent border between an Israeli state with a clear Jewish majority, and an economically, politically, and territorially viable de-militarised Palestinian state.

There was a difference, he pointed out, between short-term security, and peace, which meant long-term security. The Labour Party remained committed to long-term security for all. They were calling upon the Palestinian leadership to join in the effort to resume direct negotiations without pre-conditions. He trusted the leadership of President Abu Mazen and Prime Minister Fayyad and

believed they had also chosen peace. He was convinced that seizing the opportunity now, through negotiations, was in everyone's best interest.

Ten years previously, as Prime Minister, he said, he had attempted to make a deal with then Chairman Arafat under the sponsorship of President Bill Clinton. They had not tried to dictate the solution and had just invited Arafat to take the proposal as a basis for negotiations. To this day he could not understand why this had been rejected in favour of violence. Now there was another opportunity and we could not afford to waste it. It was up to Israel and the Palestinians, and needed support and pressure from all sides. There were very deep issues in the collective psyche of both sides. It would take great courage, but it could only be solved by people in leadership positions taking painful decisions. As he had said to Chairman Arafat in Oslo, it would not happen unless they decided on it. Many lives would be lost and then they would be back facing the same situation. Now, before this formal meeting of social democratic parties, he called upon President Abu Mazen and the Palestinian Authority to immediately renew direct and courageous negotiations in order to put an end to it. It would not be perfect for either side but would be better than any alternative: the fate of future generations was in their hands.

Negotiations with Syria must also be pursued. With sustained effort there was a political opportunity despite the difficulties. Peace between Israel and Syria, removing it from the axis of Iran, Hezbollah and Hamas, would change the geo-political situation in the Middle East and benefit the whole region.

In conclusion, he said, as an Israeli citizen, a member of a social democratic party and of this larger family, he shared the belief that socialism offered an alternative, as the Jewish people had proven over the last 62 years. They had changed the course of their history and wanted, more than anything, peace and security for themselves and for all their neighbours. They were optimists by nature, understanding reality but knowing it could be changed. He urged everyone to work for this change, for peace, for societies based on justice, and for a better world.

Husan Zomblot, Palestine, Fatah, said he was standing in for Fatah's Foreign Relations Commissioner, the representative of President Mahmoud Abbas, who had been prevented from attending by the delayed issuing of a visa by U.S. authorities.

Before reading Dr Shaath's statement he wished to respond to Ehud Barak, saying that the Palestinian people were also searching for an equitable pace process. Palestinians too did not need to have their sons and daughters buried in unknown graves; they too did not see the current de-facto situation as sustainable. But the way forward was not by changing the landscape of the occupied Palestinian territories: negotiations were not done through bulldozers and bullets, but by as deep an understanding of the other's grievances, concerns and aspirations, as of one's own.

Turning to the statement from Fatah, he said that this Council meeting at the UN headquarters, which represented common human values, was the ideal place for members of the Socialist International to discuss our solidarity and to present a solid ground on which to build new formulas for effective solutions to common problems as well as protecting those noble values from belligerence, impunity and destruction.

The situation in their troubled region, he continued, had unfortunately seldom been more worrying. The Palestinian people's long struggle for freedom, justice and equality continued. Unfortunately their sacrifice and compromise for the sake of peace was being met by brutality, collective punishment, segregation and religious discrimination, as well as a land-grab from Israel, the occupying power.

The peace process today was stalled due to Israel's intransigence and anti-peace policies: her current government had chosen adverse policies that contradicted the cause of peace, and brought into question Israel's adherence to international law and legitimacy, as seen in the continued colonisation, closure and blockade policies. Since the peace process had begun in 1993, Israel had relentlessly campaigned to fragment the Palestinian nation, de-link Gaza from the West Bank, and sever Jerusalem from either, seeking to isolate each case and portray it as a separate disconnected issue. Israel's illegal policy of settlement expansion and construction had systematically shrunk the land on which to create a viable Palestinian state which was the professed goal of the peace process and one which all champions of peace, including the members of this forum, supported. Along with the illegal wall snaking deep inside the occupied West Bank, Israel had annexed and fragmented almost half of the West Bank, casting increased doubts over the very applicability of the two-state solution. Ignoring repeated international calls to halt these destructive practices, Israeli settlers and their supporters, including the Israeli Labour Party, persisted in that illegal expansion deep into the occupied Palestinian territory.

Jerusalem continued to be the target of an attempted hijack by Israel. This historic city, the Palestinian national and eternal capital, was being systematically besieged, its original demographic and cultural identity being forcibly changed. Even a few days ago, Israel had announced the construction of 1600 new settlement units in occupied East Jerusalem where during the past year at least 103 Palestinian homes had been demolished, denying residential rights to about five thousand Palestinians and devastating their families. This was an example of a persistent and audacious policy that made a mockery of the collective will of the international community, a will embodied in statements and pleas repeated over months and years, and universally shared.

Unfortunately this Israeli government continued to be defended and legitimised by a member of the Socialist International, the Israeli Labour Party, whose leadership continued to choose war over the path of peace and justice. While individual parties and leaders were responsible for their own decisions, our organisation, he urged, must be unwavering in holding all its members accountable for actions and decisions that went against the values and principles the SI was founded on. An open wound was continuing to bleed in Palestine and its pain must reverberate in all who believed in the common values of the Socialist International. The conditions in Gaza were a symbol of all that we must confront; they undermined the values we believed in, of freedom, justice and solidarity. It was our collective responsibility to protect those values and correct those who strayed from them.

Any believer in peace, freedom, justice and equality as the basic values, must shudder at the thought of 1.7 million defenceless civilians being trapped in the world's biggest prison, denied access to food, drinking water, medicines and safe shelter. He did not intend to counter the irresponsible arguments of those who denied the reality of the humanitarian crisis in Gaza, and the blocking of incoming supplies of essential civilian goods. Reports by reputable international organisations, including the ICRC, were available and clear for all to see.

Israel's inhumane siege on Gaza and its outrageous racist arguments had come to embody the darker aspects of humanity, but the plight of the Palestinians had also evoked the best in humanity with waves of international citizen activism that could no longer tolerate the silence that had allowed the continued starvation and humiliation of the proud Palestinian population in Gaza.

In this context he expressed the sincere gratitude of the Palestinian people to their selfless champions who had lost their lives trying to break Israel's siege on Gaza. Such international non-violent activism was a noble and honourable stand by citizens who believed in the universal human values that for decades the Socialist International had espoused.

This was also why non-violent resistance was one of the most important pillars of current policy in the ongoing struggle. We had learned from Gandhi, Mandela and Martin Luther King, but we had also seen the inspirational success of non-violent struggle in West Bank villages where Palestinian, Israeli and international activists had risked everything in defence of the rights of Palestinians across the occupied territory.

President Abbas, he continued, had once again extended his hand and that of all Palestinians, in peace. They were committed to the noble idea of a two-state model, allowing the Palestinian people to build their independent state in the West Bank and Gaza, with East Jerusalem as its capital and the June 1967 borders, side by side in peace, security and harmony with the state of Israel.

Fatah continued to believe that the Palestinian refugee issue could have a just solution based on Resolution 194 of the UN General Assembly. They were also still committed to the Arab Peace Initiative endorsed by all member states of the Organisation of the Islamic Conference, by the Security Council, and by numerous parties within the SI. They had earnestly committed themselves to the requirements of the roadmap, and had accepted in good faith the invitation of President Obama to re-start indirect negotiations as a test for future normal negotiations, but they would not once again be trapped by protracted negotiations while Israel devoured their land, replacing their people with Israeli settlers.

His party was working round the clock to re-institute national unity with help from Egypt, their Arab brothers and international friends. They had revitalised their organisation by the elective process of their Sixth Congress and its political programme emphasising non-violent struggle, international supportive action, national unity and state-building based on a progressive vision of the future.

In conclusion he read out article 31 of the SI Declaration of Principles adopted in Stockholm in June 1989 concerning peace and the achievement of global justice. He looked forward to this SI Council adopting a statement that reflected those very principles. Meanwhile, Fatah would continue to combat the roots of conflict in Palestine and work with unwavering commitment to achieve national unity and to build the institutions of their future state. As a proud member of the Socialist International he sought its support in these endeavours to liberate their occupied land, to build a future free state of Palestine in peace and security, and a progressive social democracy in the Middle East, thus continuing its historical stand for justice and peace.

Avshalom Vilan, Israel, Meretz, said it would be easy to respond to the Palestinian representative by discussing the past but this would lead to a dead-end because the fighting had already continued more than a century and the challenge now and the main goal of both sides was to find a solution, a total peace agreement. He had served in the Israeli military force and as one of the co-founders of the Peace Now movement in Israel, he had seen the civil war between Fatah and Hamas three-and-a-half years earlier, and the people brought in to the hospital in Ashkelon with brutal wounds like he had never seen elsewhere.

The purpose of the Socialist International, as President Papandreou had said, had nothing to do with fundamentalist groups in the Middle East and elsewhere: we were in a real ideological conflict with them. All the discussions with the Fatah leadership in the last two years had been about what was going on in Gaza. He thought the most important thing was to understand what had happened since the Oslo Accord in 1993. Extremists on both sides had become stronger, and had put obstacles to the process for their short-term interest.

The Meretz and Labour parties had gone into opposition even though 75% of Israelis still believed in the two-state solution. The Palestinians too had paid a heavy price by having Hamas in power in

Gaza which put up a strong opposition in the West Bank. This was not just because of Israel: it was due to developments both there and in Israel. So the question was how could people who believed in the peace process use their best abilities to push that process forward. He was doubtful about success at this moment with their colleagues in the Labour Party participating in the Israeli government. While he could probably agree 100% with what Ehud Barak had said, he could not see Mr Netanyahu and the Likud party accepting this policy. This was the real Israeli struggle.

In the opinion of his party, he continued, Israel had to immediately take a peace initiative based on a few elements, because in this closed room everyone knew that both Israelis and Palestinians were aware of the parameters and what the comprehensive agreement would eventually be. The basic elements for this initiative had to be, first, that the Saudi initiative or the Arab League initiative could not be the basis for negotiation as Ehud Barak had suggested, but for a comprehensive agreement. All the Muslim parties and states in the world, with the exception of the extremists, the fundamentalists, the Iranians who were supporting Hamas and Hezbollah, had accepted this very important political fact. Second, Jerusalem had to be the common capital of Israel and Palestine: there was no other solution. Third, what was needed immediately was direct negotiation with the Palestinian Authority to try to achieve a comprehensive agreement as quickly as possible. Meanwhile, two years ago, he and another member of the Knesset had proposed an initiative by the Israeli government that all Israeli settlers living outside the security fence would go back immediately. This initiative had to be taken right away and could help build trust and end the process whereby the settlers had to go back to the old state of Israel within the 1967 lines.

Any political agreement based on those three principles had to consider the immediate exchange of prisoners on both sides. This forum should call on Israel to release the thousands in its prisons and at the same time for Gilad Shalit to be released.

Living in a kibbutz just 15 kilometres from the Gaza Strip, he knew what an impossible situation it was to live on the other side. Surely nobody could believe that force and violence could get us anywhere; after more than a hundred years of terror in the Middle East, he said, it had to stop. That was why he supported the Israeli government starting negotiations with Syria. Israel had signed an agreement with Egypt in 1979, with Jordan in 1994, the process with the Palestinians had started in 1993, and we were now in the last mile. It had to be done.

On a personal note Vilan said that he had fought many years in this Middle East conflict, as his father had done and now he had two sons serving in the military. There was no reason why Israeli and Palestinian children should continue forever to live by the sword. With strong enough positive pressure from the international community, not by determining guilt, the extremists on both sides would realise that they, not us, were at a dead end.

Mustafa Barghouthi, Palestine, PNI, thanked the Socialist International for its constant efforts to support the cause of peace in Palestine and in the Middle East, and he apologised for questioning whether the current discussion could be called a debate when the representative of the Israeli Labour Party had left immediately after giving his speech.

He urged participants to face the reality that there was a deadlock in the so-called peace process. It was not hard to imagine what would happen to the proximity talks, and the very big risk of failure due to the continuation of the same policy of settlement expansion, ethnic cleansing in Jerusalem, and oppressive measures in the West Bank and Gaza. Israel was negotiating via bulldozers. He mentioned Aualage, a small village in Bethlehem in the heart of the West Bank which was losing all its land to Israeli bulldozers and a wall that was three times the length and twice the height of the Berlin Wall. Time was of the essence because we were about to lose the opportunity for peace

based on the two-state solution. It was clear that Israel was trying to gain time through the peace process, imposing its own solutions through settlements and wall-building. He feared that Israel was not considering an independent Palestinian state, but rather a cluster of bantustans and ghettos, each separated from the other. What was being consolidated on the ground was a system of apartheid, he asserted. How else, he asked, could the situation be described when Israel controlled 80% of the water resources in the occupied West Bank, when Israeli settlers were allowed to use 48 times more water than Palestinian citizens who had to buy Israeli products at Israeli prices and pay for the water Israel had taken from them. No other word could be used for the segregation of roads and street, or the situation where a husband and wife living in Jerusalem could not live together if one had an ID for the West Bank. He himself had been a physician in Jerusalem for 15 years but now for five years had not been allowed to enter Jerusalem.

The big question was whether the peace process itself had become a substitute for peace, and for how long would that continue. What law of humanity, he asked, gave Israel the right to impunity from international law. Anyone who dared to criticise Israel was immediately labelled anti-semitic, even such a highly respected Jewish person as Judge Goldstone who had dared to speak about the war crimes in Gaza.

There could never be peace without a minimum of justice, he continued. Palestinians had extended their hand in peace but all they had received in the last 18 years was more war, more settlements and an apartheid wall.

Concerning the siege and blockade in Gaza, he said that the ILP had denied the humanitarian crisis there. There was nowhere in Gaza where you could get water that was drinkable by international standards because the Israeli government was blocking the construction material needed to rebuild the destroyed sewer system. More than two hundred and twenty Palestinians had died because they could not leave Gaza for medical treatment. Twenty-five thousand houses that were practically destroyed during the war on Gaza were still not repaired because Israel would not allow cement or glass into Gaza. Eighty percent of the population of Gaza today were living below the poverty line. This was a humanitarian crisis, recognised by the United Nations, by Amnesty International, and by the Red Cross. He urged the Israeli Labour Party to listen to the civilised world. The siege and blockade, he continued, were not against Hamas: they were a collective punishment of the million and a half people who lived in Gaza.

If Israel would release just a few hundred of the ten thousand Palestinians in its jails, which included over two hundred children, Gilad Shalit and others could go home.

He saw no justification for Israel's attack on the flotilla. It was a gross violation of international law and he hoped that the world would realise that the Palestinian people had been suffering this type of aggression for the last forty-three years.

He asked why Israel had refused an international investigation and why someone like Mairead McGuire, who had been awarded the Nobel Peace Prize for her work in Ireland, had suddenly been labelled a terrorist since joining the flotilla in solidarity with the Palestinian people.

Israel claimed that it was not occupying Gaza, Barghouthi pointed out. It had no right to subject the one-and-a-half million people of Gaza to a blockade without going to the United Nations and putting its case before the international community. Israel was putting itself above international law while claiming to be the victim, a victim that had probably the fifth largest army in the world, more than 300 nuclear warheads, and was the third largest military exporter surpassing both France and Britain. He thought Israel should feel ashamed of a blockade that was preventing students from going to

university, doctors from working properly, patients from getting their dialysis, rather than affecting Hamas. He therefore supported the European proposition to allow ships into Gaza under whatever control could be established, as long as this blockade was stopped.

The Palestinian struggle today, he said, was a struggle of non-violence and he was proud that a recent poll by a Norwegian institution had indicated that in the last six or seven months the number of Palestinians who supported non-violence had risen from more than 40% to more than 75%. Every political movement should respect non-violence in the best tradition of Gandhi and Martin Luther King. He pleaded for pressure to be put on Israel to stop the destructive violence against peaceful demonstrations in which peace activists from around the world, including Israel, had been injured or even killed. He was proud of this strategy of non-violence, international solidarity and Palestinian unity which would finally achieve their dream of freedom, independence, dignity and democracy. This was the only basis for good governance since lasting peace was found only between democracies, as one could see in Europe.

He regretted the recent decision in Palestine to cancel local municipality elections in the West Bank, which made a mockery of people's right to choose who would govern them. The people of Palestine needed to regain their unity so as to freely and democratically elect their president, parliament and local councils, as was their right. Israel could not choose for them, nor decide who should negotiate on their behalf. There had been excuses such as the Soviet Union, then Syria, then Iraq, and now Iran, all in order to avoid the main issue which was how to reach a solution with the Palestinian people, the key to stability in the Middle East.

Palestinian non-violent resistance could not succeed without international support and solidarity, he continued. Throughout the world there was rising solidarity with the Palestinian people, including calls for divestments and sanctions. Israel was putting herself in the same position South Africa had been in with the apartheid system. This served neither the interest of the Palestinians nor the Israelis in the long run. He called on the Socialist International, with its great tradition of solidarity with oppressed people, to take an effective role in this case number one, as Nelson Mandela had called it, the case of the Palestinian people. A true friend was one who told the truth to his friends, he said, and it was time to tell the truth to Israel, and to ask whether the Palestinian people, after being deprived of their freedom for more than sixty years, were not entitled to the same rights as everyone else.

The struggle for freedom was not just for Palestinian children but for Israeli children too, to save even them from the short-sighted, violent and arrogant policies of their governments that had prevented peace. Referring to the Israeli Labour Party's representative having mentioned courage, he said that real courage would be to take the decision to stop colonialism, occupation and apartheid, and finally accept Palestinians as equal human beings. In closing he quoted one great leader who had inspired their struggle, Martin Luther King, who had said that in the end we would remember not the acts of our enemies but the silence of our friends. He urged participants not to be silent.

Jean-Christoph Cambadélis, France, PS, said that we who were not precisely involved in the situation had to approach this extremely important debate with great humility. In view of the shortage of time, he wanted to mention just three issues. First, he thought that with the quantity of different attempts to unblock the situation in the Middle East, international public opinion was beginning to doubt the possibility of success. If positions were blocked and people could not act then there was no chance for progress, and the international community would lose interest. We needed the strongest possible involvement of the international community and of the SI.

In the speeches he had heard this morning, he said, there had been statements of the different positions, but this was not negotiation. There was still the possibility that people of good will, together in one room, could find the right path and a possibility to go towards peace. It was not a question of favouring one party or another, even if we knew exactly what was happening. It was a question of going for peace: not what to do but how to do it.

We knew that since UN Resolution 241 in 1967 it had to be peace for land. We knew that in the end there had to be two states, but the path there seemed to be impossible. He therefore thought that all the parties of the SI must say exactly the same thing. We needed a path for disengagement, a well balanced de-escalation to help towards a process leading to a secure Israel and a Palestinian state.

Clearly we had to respect international law, he continued. If that was not respected we could not ask for solidarity. Nor could negotiations be conducted when there was terror among the civilian population from missiles or warheads.

On the question of Gaza, he said he found it difficult to understand why Israel continued the blockade which was meant to isolate Hamas. Today it was Israel that was isolated. At the same time it was not possible to say that we had to open up Gaza and hand over control to those in power there. Everyone knew that we would not allow a radical Islamist regime at the doors of Europe, so that had to be changed before we could unblock the situation, and one must also recognise that Palestinians were being excluded from their own lands. Moreover it was not possible to find a solution without resolving the problem of the Palestinian prisoners in Israel and the release of Gilad Shalit.

The only way he could see was to say the same thing to both parties, that it was in de-escalation that we could create the political conditions to advance towards peace, and not by returning again to what had happened in the past. The SI, he concluded, should use the same language for both sides and say that we remain prepared and hopeful for a strengthened security for Israel and an independent Palestinian state.

Ebrahim Ismail Ebrahim, South Africa, ANC, Deputy Foreign Minister of South Africa, thought the approach of our French comrade reflected the rather weak and even spineless attitude found in the European Union, a wait-and-see attitude that would not come out in favour of one or the other.

He said the chairperson of the African National Congress had been to Palestine recently and had said on her return that apartheid had been a picnic in comparison because Palestinian families were being kicked out of their homes in Jerusalem, and Israeli families moved in without giving them even the chance to take their goods to the tents they now had to live in. At least when people were moved far out from Johannesburg into meadowlands they were given some shelter, not simply put out on the street. In South Africa today there was a Supreme Court ruling that one could not remove somebody from their house without authorisation.

He said he would have expected the Socialist International, representing the highest values of human rights, to have spoken out strongly on Palestinian issues rather than seeing both sides as equal. Israel must accept that this was an occupation. He had recently asked Americans why they did not condemn the removal of Palestinians from their homes and had been told that it would be unhelpful. And yet if this happened in Zimbabwe all the world would condemn it as a crime against humanity; the EU would renew sanctions against Zimbabwe, but not against Israel.

He had recently been in the Middle East, in Egypt, Syria, Jordan, Israel and Palestine. He had to report that there had seen pessimism everywhere. Some had even said they wished Israel would

attack Iran because then the whole area would flare up, and they could have a real fight with Israel. Such pessimism was very dangerous, he said. In order to make progress we had to work for the unity of the Palestinian people as had been agreed in the resolution taken by IPSAD at its meeting in Brazil.

His party believed they should talk to all parties in Palestine, including Hamas, although the ANC had a long-term relationship with Fatah and the Alliance and that would not change.

Lastly, he said he was very pessimistic as to whether these indirect talks would work. He thought Fatah did not have the ability to resolve this problem of Palestine and in the end there had to be a holistic approach. Pakistan, Afghanistan, Iraq, Iran, Syria, even now Turkey, were all interlinked and the solution would come as a holistic solution to bring peace. It was clear that the Americans would never win the war in Afghanistan; now they were suggesting negotiating with the government but they should have negotiated five years ago. If there was to be any solution it would come as a holistic reasoned solution which would include the entire area.

Paulo Pisco, Portugal, PS, said it was very clear from the opposite interpretations of this conflict by our friends from Palestine and Israel, that this was a very difficult debate. We greatly valued the political parties from Israel and Palestine who belonged to our socialist family and their participation in our meetings, which was why the SI was known there, and in the Arab world, for its influence and its promotion of a dialogue for peace, safety and mutual respect. It was time now for us to play a more important role in this conflict and to recover influence in the Middle East because we had the dimension to do so and only needed the conviction. We must actively contribute to helping Israel and Palestine to find ways to dialogue, because both were facing a very difficult period, both were headed towards a dangerous dead end of increasing extremism on either side.

The past decade had not seen a positive evolution of the conflict, he said. The military action on Lebanon in 2006, the increasing process of settlement-building, the strikes against Gaza in 2008, most recently under the government of Netanyahu, were leading Israel towards international isolation and making Hezbollah and Hamas stronger than ever. They had evoked enormous criticism from everywhere but most strongly with the report of Judge Goldstone, accusing Israel of war crimes. This was very negative for the region and for the world, as it would make it harder to reach peace in the Middle East and the building of two sovereign states living safely side by side as advocated by several conferences and especially in Annapolis where the Portuguese government had played an active role during its presidency of the EU in the second semester of 2007.

The situation in the Middle East, he continued, had been deteriorating for too long. The provocative declarations by the radical Israeli minister of foreign affairs Lieberman, mainly offending its traditional allies in Egypt, and the unbelievable episode of the announcement of new settlements in the West Bank during a visit of the Vice-President of the United States, Joe Biden, were most distressing. To these must be added the excessive use of force against the humanitarian flotilla bound for Gaza which caused the death of nine Turkish citizens and a serious diplomatic problem with Turkey, an important and influential ally, as well as other countries. It was becoming more and more obvious that the international community was losing its tolerance towards Israel. Even President Obama considered the Gaza blockade to be unsustainable with its dramatic effects on the lives of one-and-a-half million Palestinian people and no sign of weakening Hamas.

Pisco acknowledged that there were clearly many problems to be solved and the way would be long and hard, but Israel needed to send clear signs of good will and of its being part of the solution, not as if it had a hidden agenda of trying to gradually destroy the possibility of a Palestinian state. It should stop building the settlements that were increasing every year, and should change its attitude concerning East Jerusalem and other critical issues like the borders and the refugees. Both

Palestinians and Israelis must show signs of community and good will to keep up the dialogue for a diplomatic and peaceful solution of the conflict.

In fact, he continued, this problem was also influencing global political relations; it was discussed in our parliaments and societies, and it gave arguments to extremist groups to justify their terrorist acts all over the world. Therefore it was very important that Israelis and Palestinians listen also to the perspectives of those who saw this dramatic and endless conflict from the outside.

On behalf of the Portuguese Socialist Party he proposed that the SI create a working group specifically to contribute to solving this huge and ancient problem that had already caused too much suffering and destruction. The SI should use its historical influence and its friends in the Arab world to promote a dialogue between Israelis, Palestinians and the Arab world. Divisions must be overcome, and two states living side by side in peace and safety must become a reality.

Promoting this dialogue on a permanent basis would be of the utmost importance in proving the vitality of the SI, refuting criticisms that the organisation had not much influence. We should do everything to recover the influence and visibility we had in the past, working effectively in the great causes. The world needed us, he concluded, but we also had to change our ways of working and define clear objectives. In this way we could play an important role in the Middle East and contribute to a better and safer world.

Gülsün Bilgehan, Turkey, CHP, speaking as Deputy Secretary General of her party, the founding party of the Republic of Turkey, said they were sad to see the worsening situation in the Middle East. Her party had recently elected a new leader, and with polls showing increased support they hoped to win in the next elections. This was a first opportunity for an alternative to the party of Mr Erdogan and perhaps the main reason why the Prime Minister of Turkey had assumed more leadership in the Near East.

They had followed the adventure of the flotilla carrying humanitarian aid but which also had an overt political intention, to challenge the blockade imposed by Israel around the Gaza Strip since 1997. The Turkish government had supported the activists but had been unable to protect them, nine having been killed. This had drawn public attention to the tragedy in Palestine and to Israel's disproportionate use of force.

During the last two years, she continued, there had been a change in the relations between Turkey and Israel and this was radical since Turkey had been the first Muslim state to recognise the state of Israel in 1948 and had kept a balanced relationship between the Jewish and Arab states. Her party considered that this policy of balance and rapprochement could allow them to be a credible mediator in the Middle East.

The CHP, she continued, believed that a democratic Turkey with a strong economy could be a model for the region. Recently they had begun to see a change in the trends within Turkey and they believed these could be disastrous for the country and were contributing to the hesitation on the part of European countries to admit Turkey to the EU.

Turkey would like to put an end to the drama in Palestine through its friendly relations with Israel, she said. Ehud Barak had explained his party's reasoning but we also knew that there was a lot of opposition within Israel to the Netanyahu government.

The CHP was appealing to Hamas leaders to halt their attacks against civilians: violence could never be the solution to a conflict, she said, one could see this sad reality every day in Turkey itself. The CHP wanted to have indirect talks for a sustainable peace in the Middle East.

Johan Hassel, IUSY, said we were meeting here as friends and supporters of the people of Israel and the people of Palestine. We were committed to the values of social democracy, international solidarity, human rights and also respect for international law and agreements. As friends, we had the important task of dialogue. He had been happy to hear the views of Ehud Barak but had also been sad that he had not stayed to continue the dialogue which was an important discussion that had to be held inside our family. The situation in the Middle East was difficult and all partners had a responsibility in it. But we also had to be frank and say that the greater responsibility lay with the stronger party to the conflict, and that was Israel. It was sad to see that the current politics of that government were very unconstructive and were creating more damage to the situation than solutions. In order for there to be a change in the situation, he said, change was also necessary in the core of the Israeli Labour Party politics and governmental politics.

So far nothing had changed, he continued. Gaza was in an emergency crisis. The blockade had to be lifted, an international investigation must take place, and the settlements must be halted. He welcomed news of peace talks but said we must ensure this time that they had actual content, which could be seen by change on the ground, and a clear timetable.

In conclusion he said leadership was needed inside the region in this difficult situation. He knew from the work IUSY was doing and contributing to the work of the SI, that the younger generation was ready: they were tired of the politics of fear and were ready for a politics of hope.

George Papandreou, closing the debate on the Middle East, said this had been a difficult subject for many years, made more so by the recent impasse among other things. He considered it important that at least in our family we had managed to have such a debate as there were not many other places where this could happen. In the past we had been able to come up with clear statements on a way forward in trying to solve the Israeli-Palestinian problem and that of the Middle East in general.

He then asked Secretary General Luis Ayala to work with the parties to the conflict to come up if possible with a common statement that could be put before the Council the following day.

Luis Ayala reminded participants that they had the draft for a declaration on the global economy prepared by the financial commission, and that along with a draft on climate change, another on common security through disarmament, and another on the challenges of global development in 2010, everyone would have to be very well focused to deal with all these the next day.

This concluded the first day of the Council meeting.

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Third Session, morning June 22

Report of the SI Finance and Administration Committee, SIFAC

Pertti Paasio, Finland, SDP, chair of SIFAC, drew attention to the records and reports that participants had been given. It had often been said that the Socialist International was the largest and most significant worldwide political organisation, and this was a fact, but we had to ask whether we could afford this position. Member parties must provide the answer. We had worked hard to find sustainable solutions to the problems of the world economy, but at the same time had failed to find solutions to the balance of our own economy. SIFAC had taken note that the secretariat had been able to reduce its outgoings so that expenditure and income were very close to a balance for the year 2009, but we were still dealing with a severe accumulated deficit in our accounts from outstanding fees of previous years.

SIFAC had also noted that while the SI had reduced its staff, the staff costs of the Socialist International Women had increased. The finances of the SIW were included in those of the SI, he said, and this increase was not acceptable given the extremely difficult financial situation.

Paasio pointed out that it was actually amazing that such a very high level of SI activities had been carried out by such a small staff, and he paid tribute to Luis Ayala and his magnificent staff for nevertheless being able to fulfil those demands.

The vulnerability of SI finances was due to the fact that they were totally dependent on membership fees. Too many member parties had failed to pay those fees and while that might be understandable for small parties in poor countries, it was not acceptable for larger parties in rather well-off countries. Many such parties were on the list of those still owing their membership fees: sanctions could and should be implemented, he said, for example by suspending the rights to vote or speak in our meetings. He had often urged parties to pay their fees in full and on time, and he felt justified in mentioning it again. When membership fees were paid very late it created big problems for cash flows and liquidity, higher interest rates, and severe difficulties in the running of our organisation. SIFAC therefore urged every delegate in this plenary hall to check their party's position in this respect and ensure prompt payment if fees were due, because timing was crucial.

We had to avoid being over-optimistic, Paasio continued, as perhaps we had sometimes been in the past, imagining that accumulated deficits could be solved by membership fees alone. Nor did he envisage that statutory sanctions would be a sufficient incentive. He referred to the report of the accountants which said that extreme cash management difficulties were being experienced and that could not continue in 2010; the good will of the organisation's creditors was critical in the continuation of operations but there was a limit to that good will.

The Socialist International needed new sources of income, he said. There was not time to speculate on the different options here but concrete decisions were required very soon, and by the next Council meeting at the latest. He emphasised that these decisions could not be prepared by the secretariat and SIFAC alone: preparatory work was needed but it also required a stronger back-up. He sought further guidance from the Presidium and a strong commitment from member parties bearing in mind that not all financial possibilities, such as big money from certain interest groups, were acceptable to a political organisation like ours. Luis Ayala, he continued, could not carry this burden alone. We must all realise that the Socialist International we were discussing here was all our parties, our entire movement and our values: we were the ones who must bear the responsibility.

Luis Ayala thanked the Chair and all the members of SIFAC who had responded to the particularly difficult year of 2009, appealing to members for the necessary resources to carry out the agreed programme of activities and work. He thanked those parties who had been making efforts recently to improve the situation, and he counted on the collective responsibility of those who still needed to meet their membership obligations.

The report of the SIFAC was approved.

Report of the Chair of the SI Ethics Committee

Maurice Braud, France, PS, said that the Ethics Committee had met on June 20, and had focused on the customary attention to changes of status within the SI and application requests and certain national and regional situations.

Two requests for change of membership status had been examined. Firstly, the Democratic Party of Moldova, which was already a consultative member of the SI, wanted to become a full member, and after careful consideration the committee was recommending that the Council respond favourably to the Democratic Party of Moldova's request.

Secondly, the Union for Democracy and Social Progress of the Democratic Republic of Congo. This had been considered in detail and it was found difficult to give a favourable response: more information on the functioning and democratic internal life of the party was needed, so it had not been deemed possible this time to agree to the request for a change of membership status.

Some requests for membership had been received, he continued. The New Vision Party of Ghana had applied, but the Committee could not give a favourable response to that request and were asking members of the New Vision Party to try to organise discussions with our member party in that country, the NDC.

A request had also come from the Social Democratic Party of Poland where we had recently seen the first round of elections. In the context of the reconstruction of a left alternative in Poland, it was thought difficult to be sure about their status and therefore the request had been turned down.

Concerning the Socialista Reformista Party of San Marino, he continued, the Committee had not wanted to make a decision until various members had received supplementary information on that party.

A request had been received from the Georgian Labour Party. The Ethics Committee, aware of the existence of other like-minded political forces, welcomed the co-operation which was developing between progressive and social democratic parties emerging in that country, in order to take a decision on this application at a later time.

A request had been received from the Party for National Unity of the Maldives supported by favourable information, but before making a decision the Committee proposed that contacts continue to get to know them better.

Finally, Braud said, there had been two requests for membership from two very different parties from the Maghreb. One, the Movement of Socialist Democrats in Tunisia was an organisation that had participated in the work of the SI in the 1980s and had then distanced itself somewhat. There was not time to consider this request so we should return to it later.

The second had been received from a well-known party from a neighbouring country, the FLN in Algeria, which had already submitted its candidacy in the past. Clearly the same conditions would apply to this party. As in the case of Tunisia and other regions, he said, we needed time to consult SI members already active there.

Responding to a request for full membership by the Labour Party of Kenya, and on the basis of positive reports on the political orientation of this organisation and its connections with ethnic movements, the Committee was proposing the Labour Party of Kenya become an observer party of the SI.

There had been other requests which the Ethics Committee had not been able to process and which would be dealt with at future meetings of the Committee.

The Committee had discussed the Middle East and had wanted to question our parties in that area concerning their responsibilities and the promotion of our values. Since this subject had been debated here in the Council, he reported that the Committee was in agreement that the Socialist International should adopt a balanced, very clear statement on this subject.

He reminded the Council that Bosnia-Herzegovina was an area emerging from a very painful conflict and the Committee, which was closely following the situation there, was asking both member parties in Bosnia-Herzegovina to formally agree to abide by our values, especially in the upcoming electoral period.

The Ethics Committee also considered the possibility of sending a mission to the Maghreb to see the situation there and the status of our member parties and the candidate organisations.

The Committee had also received information on developments in other areas, such as Central Asia, from where some requests for membership had been received and which required further attention.

Concluding his report on the Ethics Committee, Braud said they would report on further requests for membership at the next Council meeting.

The report of the Ethics Committee was approved.

Report of the SI Mission to Venezuela

Renée Fregosi, France, PS, reporting on the mission the SI had undertaken to Caracas under the direction of Luis Ayala, said that the detailed written report was available. It reflected the breadth of Venezuelans they had met with, including many parties, trade unions, representatives of the Catholic Church, the rector of the Central University of Venezuela, students, the media, left-wing intellectuals, representatives of civil rights defence organisations and NGOs, and relatives of political prisoners.

Despite many requests the mission regretted that they had been unable to meet with representatives of the ruling party. They had also spoken with people at two national demonstrations, one by the opposition and one by the official party, as well as with many people they happened to meet out and about. The report would show the seriousness of this conscientious analysis, she said.

Fregosi stressed two particular conclusions of the report: first, the context of the mission. The six members of the mission, three men and three women from Europe and Latin America, had arrived in

Caracas each with his or her own idea of the Venezuela of Hugo Chavez. She wanted to highlight the fact that being right there, meeting with people and hearing their first-hand experiences, the point of view of the six members converged into a common conviction which they were able to submit to the Council in a unanimous report.

They had seen agreement among the social players who spoke with them. The new type of authoritarian system, a government which was democratic in origin but authoritarian in reality, had given rise to a new word: 'democradura'. Time and again they had heard talk of an authoritarian regime, criminalisation of the opposition, revolutionary constitutionalism, insecurity, impunity and corruption. All these expressions made it unnecessary for her to explain the mechanisms by which Chavez was exercising his authority behind a façade of democracy. 'Democradura' could be more a combination of democracy and dictatorship, she said.

It was clear that political democracy was in danger in Venezuela but, less obviously, the overall situation in the country was very bad. We social democrats of the world must pay attention to that, she urged.

As in the past, when a socio-economic critique of populism had been made, today's neo-populism had shown the same failures. Populist aspirations had not brought social justice or a sustainable economic development. The figures were in the report; because of social issues the Socialist International was duty-bound to show solidarity with Venezuela's democratic left, and in the coming months, she concluded, the SI must defend the social democratic option by giving our full support to the Democratic Alliance in the September legislative elections.

Jesús Rodríguez, Argentina, UCR, adding to his comrade's very precise and detailed presentation, wished to emphasise that the mission to Venezuela had wanted to hear the opinion of players in the country's public life; it had not been about criticising the government, or engaging in controversy or the polarisation that characterised political activity.

The mission had seen that although the constitutional referendum of December 2007 had rejected the official proposals, including indefinite re-election, certain proposals had been validated including rules on expropriation which by-passed Congress. New institutions such as community councils had been created which reduced the authority of elected community leaders in the opposition, or modified the mechanisms in universities enabling the executive to designate students to displace those elected student trade union leaders chosen by their community.

They had also been able to see how fragmented the labour world was. He reminded Council that more than 100 trade union leaders had been arrested and convicted and that for four years Venezuela had been on the ILO's list of countries that disregarded trade union rights. As had happened with students and with elected community leaders, so the independence of trade union leaders had been curtailed.

In the area of public freedoms, the right to information was not a given: international organisations specialising in that area had recorded more than 1,100 attacks against journalists and members of the media in the last six years. In addition to the arbitrary distribution of official advertising it was estimated that the official share of the media imposed on all areas of the press was totally disproportionate.

This hyper-presidential power in Venezuela, he concluded, affected electoral democracy, destroyed political activity based on consensus, and provoked anti-patriotic accusations. With a solid military presence reflected in most public positions, this Bolivarian movement was pretending to create a new

21st-century global political fifth International, with obvious consequences for peaceful co-existence with neighbouring countries.

George Papandreou, saying he very much appreciated the mission's report, thanked those who had participated in the SI mission. The International would of course continue to follow developments in that country attentively.

THE GLOBAL ECONOMY IN THE RUN-UP TO THE TORONTO G-20 SUMMIT

Continued

José Lello, Portugal, PS, said his country had fulfilled the decision made by the United Nations and had implemented sanctions against North Korea.

We were all aware of the challenges of globalisation, he continued, of imbalances in the global economy and the dangers of capitalism which had culminated in the spectacular failure of the banking and financial systems. The effects of the crisis had gone far beyond what we could imagine and even called into question the Bretton Woods system.

The crisis had been huge because the interdependence of economic and political situations in every continent was now total. Therefore in spite of the importance of a worsening economy for industrialised countries, we must not forget the problems of peripheral economies, where advanced factors had contributed to destabilisation, to the weakening of democratic structures, to the loss of freedom and civil rights, and ultimately to a tendency to turn into failed states. In addition there were the numerous problems associated with narco-trafficking.

He mentioned the case of Guinea Bissau, ruled by a government and a party that was a consultative member of the Socialist International, and that needed our attention and support. An attempted coup, led by a military man with links to narco-trafficking, had undermined the legitimate government of Prime Minister Goes Junior. He asked the Socialist International to be attentive to unfolding events there and to intervene if necessary. We had to convey to the international community a clear message that Guinea Bissau needed all possible help to overcome internal difficulties, social, economic and political, not only because it was a government supported by one of our sister parties, the PAIGC, but also because since taking power in 2008 it had done an excellent job of consolidating the economy and strengthening democratic institutions. There were serious plans to combat poverty and the government had committed itself to fight the narco-trafficking that had undermined the development and security of the country.

It was possibly because of these encouraging results that Guinea Bissau had again been the target of an attempted coup resulting in the arrest of the Prime Minister, and the Chief of General Staff of the armed forces who remained under arrest. The legitimate government and the country's democratic institutions had been in jeopardy and Guinea Bissau might have succumbed had it not been for the rapid demonstrative response of the Guinean population and international communities, among them Portugal, the EU, the UN, and Portuguese-speaking communities such as the CPLP and the CDEO. Guinea Bissau was still not back to normal, he continued, and the military's second in command, who had sponsored the coup, was still in power. It was our duty to approve a statement of support to Guinea Bissau calling for a full return to democratic norms, for the Prime Minister and President to be able to exercise their constitutional powers without constraint, and to show our support for the continuation of the determined fight against narco-trafficking. In this way we would accomplish our mission, he concluded.

Miguel Vargas, Dominican Republic, PRD, Vice-President of the SI, wished to join in the expressions of solidarity with President Papandreou, recognising the brave decisions taken in facing his country's difficult economic situation inherited from the previous government. When the world had been shaken by the U.S. government's decision to allow Lehman Brothers to fail, one of the most profound and unexpected economic crises ever known had occurred. A world depression had been avoided thanks to the rapid and aggressive response of developed countries. Fiscal policies represented by increases in public expenditure as suggested by Keynesian theory were still awaited.

Despite the Central Banks maintaining liquidity, and in some cases private banks guaranteeing that the crisis would not cut off access to the credit needed by businesses, the crisis had led to a fiscal deficit, pessimism had taken hold, and unemployment had increased.

In 2009 and early 2010 there had been signs of recovery until the market began to fall due to news that certain European countries had acquired unsustainable levels of indebtedness. Europe and the United States had made adjustments. A new fall in the economy was still possible, he warned. These were the precedents that would mark the meeting of the Group of 20 in Toronto.

He enumerated some of the points to be expected in the G-20: ensuring that financial stimulus measures already agreed to would continue; further development of the framework for a balanced and sustainable long-term growth; strengthening the regulatory reform of the financial sector; further reforms of financial institutions to create legitimacy, effectiveness and credibility; and maintaining financial markets open.

It had become very clear, Vargas continued, that in order to get out of the recession everybody had to respect global needs, and not just their own. The recession taking place at the same time as the crisis of sovereign debt in Europe, demonstrated to world leaders that nations had to cooperate among themselves in order to guarantee prosperity for all.

The opening of global markets had been a decisive factor for growth and progress over recent decades, he continued. If we abandoned the commitment to open markets and chose political short-term reasoning, we would endanger the possibility of continuing prosperity. One of the greatest challenges for the developed countries was a real commitment to adopting policies during a period of transition as the economic stimulus comes to an end, so that instead of being immobilised by sovereign debts, the economy can continue and another crisis or recession can be avoided.

Countries must be united in a single approach so as to put an end to the unscrupulous behaviour of speculators. The financial crisis of 2008 and the public indebtedness of 2010 proved how important it was to establish strict rules of transparency: this was the most effective antidote. He suggested the Council might consider the creation of a global organisation for the certification of transparency. This matter was too important to leave to rating agencies which had proven unreliable. In our increasingly interconnected global economy we needed to know what lay behind any debt, and the real capacity to repay. Only thus could we avoid falling into the de-acceleration of entire economies and the resulting harm to the social benefits SI parties were working for.

Although, as had been mentioned, some governments in Latin America and the Caribbean had reported favourable economic growth, this contrasted sharply with the indicators of social development. Some of the countries in this region were at the lowest point in education and extreme poverty, and also in indications of waste in the public sector which would impact national development and social investment.

Certain governments had used the national budget of the main electoral instrument in support of their party's candidacies. The Dominican Republic had recently been particularly affected in this way, he continued. His party had received the most votes in the electoral process but there had been no guarantee of fairness and equality. His party had therefore submitted to the SI a draft resolution promoting the institution of an electoral law in the Dominican Republic that would guarantee equity and prohibit the abuse of state resources by parties in government.

Zlatko Lagumdžija, Bosnia & Herzegovina, SDP BiH, noted that today's speeches were often non-scripted because of what had been said the previous day.

He had been very impressed with all the material on the global economy and was also happy to see the draft declaration stating the challenges of global development in 2010 and the economic, social, environmental and cultural dimensions, thus broadening the economic perspective.

He was pleased with the draft statement on the global economy and financial reform but wanted to clarify the differences between our approach to the economy and that of those on the right: we saw the economy as a tool to promote our values and our goals, whereas for them it was the goal.

He valued the remarks made by our President and the lesson confirmed about no man, or country or region, being an island. He wished to emphasise that no economy was an island and we must start from that perspective when we discussed the economy.

Concerning the draft declaration he wished to add the dimension of security: we had to discover which countries were likely to do damage to the global economy. Coming from south-eastern Europe, he said that his region was in transition, having come through very turbulent times, and that its average GDP had probably increased by 15% in the last 15 years. The major question was whether the problems in south-eastern Europe could be solved by upgrading the economy but the root causes of problems, security, social, cultural and ecological, must not be forgotten.

His other main point, he said, was that the economy was not our goal, it was the means to achieve our goals.

He referred to the book *Common Wealth* by Jeffrey Sachs, in which he said that we lived in a time of a bizarre combination of stone-age emotions, Middle-Ages beliefs, and almost God-like technologies. Lagumdžija wanted to add that our economic models came from the time of the industrial revolution so we should not be so unhappy at finding the challenges so hard.

In closing he referred to the speech by the Danish President of the PES, he wished to suggest that even in talking about the economy and our goals we should remember the words of Danish philosopher Søren Kierkegaard: that life could only be understood looking back, but had to be lived looking forwards.

Julião Mateus Paulo, Angola, MPLA, SI Vice-President, first thanked the SI for highlighting the topic of the global economy which was one of the most important concerns for humanity, and particularly for Angola. Fortunately there were some signs of financial stabilisation at the world level in the last months of 2009, but bank credit remained scarce due to access constraints imposed by the financial institutions and corrections in the real estate market.

The macro-economic performance of Angola had continued in 2008 when the national economy again recorded real growth of two digits in the GDP supported by the development of the non-oil-based

sector. This had permitted significant growth of income from exports and taxes and an increase in international reserves.

The new environment, he continued, required adjustments aimed at maintaining the macro-economic stabilisation recently achieved and an expansion of the process of diversification. The Angolan government had adopted structural reforms, promotion of economic activity, and institutional and regulatory controls. He mentioned the measures adopted in its macro-economic management in order to prevent the loss of international reserves and ensure the stability of the local financial system. Other measures included a review of the law on private investment incentives to further improve the business environment, and strategic investment projects with public participation of capital to increase internal production and reduce the volume of imports. The government had also addressed the need to implement institutional regulations on private and public partnerships, giving priority to those that offered an alternative to the importing of goods.

A significant impact of the financial crisis, he continued, was the deterioration of expectations which led to a loss of trust in various channels of financial inter-mediation. We must all work for the recovery of that trust which was fundamental to sustainable economic growth both internally and globally. A few months after the international crisis Angola's economic indicators showed that the measures adopted had stalled the loss of reserve, and prevented the uncontrolled rise of domestic inflation and a fall into recession.

The crisis, he concluded, had indeed caused a slowing down of growth in his country's economy but the measures adopted had already shown positive signs of growth and economic development in Angola in 2010.

Rubén Giustiniani, Argentina, PS, said the current crisis affecting the United States, Europe, and also Latin America was similar to that previously experienced in Brazil in the 1990s, earlier on in Mexico, and in Argentina in 2001. Poverty had reached 50% of people in his country and society had lost confidence in political leaders. We should ask ourselves how these crises had arisen, and more importantly how we had come out of them. It was hard to explain how a country like his, which could produce food for 400 million people was unable to feed just 40 million. But they had learned that they could emerge from crises. From 2003 to 2009 the Argentinean economy had grown steadily by 8% up to 12% with no international assistance because they were in default. They had had the advantage of a very important period in Latin America characterised by two unprecedented elements: continuing democratisation and the growth of the economy. They were thus able to overcome decades of military dictatorships and neo-liberal policies that had turned Latin America, not the poorest of regions, into the most unequal region of the globe.

This was an interesting time for the region with different experiences in the way people with on-going democracies tried to express the popular will and elect governments that responded to popular demands.

In Argentina, he continued, despite the sustained and unprecedented economic growth from 2003 to 2009, this was not reflected equally in a reduction of poverty or unemployment. Poverty rates were the same as in 1997 so the growth in the economy had not resulted in as much social justice as was needed. This had been the second lesson learned. Without tax reform that would make those who earned more pay more, they could not reduce this gap in equality. Today, at this SI meeting in the midst of the crisis, his party believed it was essential to say that without progressive taxation there could be no democracy: there could be no freedom without equality and no equality without progressive taxation.

He believed it necessary to reach agreement on the proposed draft which reflected statements this body had not heard before: we must take advantage of the crisis and highlight the need for a minimum taxation level in the financial sector; we must consider fundamental ideas such as a Tobin tax on financial transactions; and we must move towards a global democratic world which was possible through greater social justice.

His country's experience with the International Monetary Fund always responding to crises with demands for adjustments had shown years later that they were able to grow without following that requirement by the IMF.

There were no governments in the economy, he continued, and no set rules. At this important crossroads in our global history we must demand more justice at the WTO and other international organisations including the United Nations.

Finally, he said, this Council meeting here at the UN must reaffirm the need to change the frozen photograph from the post-war period by reforming the Security Council, the United Nations, the Economic and Social Council and the Bretton Woods institutions. Those were of the past and the SI must assert this in order to achieve a fairer world.

Victor Benoit, Haiti, Union of Haitian Social Democrats, said he would talk about how the economic crisis had affected his country but first wished to give his basic observations on the global economy. First, he said, the crisis had not been an error: it was the result of an economic philosophy known as neo-liberalism, and the practice of financial speculation. These two important factors were not the philosophy of social democrats and socialists. Others had chosen to direct the world economy for the oligarchy, for the minorities, and we had chosen to promote the interests of the marginalised, which were sometimes an entire people. Our thinking and our position on this were clear.

Two emerging countries, Brazil and Argentina, had pointed the way in very practical terms because they associated economic growth with social justice. This was the only road and the strategy that must be followed. The exceptional successes of those two countries must become the guiding light: we had to create a balance of forces at the international level and reform both donor and other institutions. He was confident that socialists and social democrats who defended the most marginalised would be able to impose this strategy among the decision-makers.

Turning to his own country, he said Haiti had been hit by a terrible earthquake on January 12, which had caused apocalyptic destruction, as everyone knew. But perhaps not everyone knew that the evaluation by specialists was that rarely had a country been hit so hard with so much destruction in fifteen minutes. The post-earthquake damage had caused losses estimated at more than eleven billion dollars.

The question all socialists and social democrats must ask themselves was what they could do to help Haiti emerge from this difficult situation. He acknowledged the humanitarian assistance, the conference in New York in March 2010, and the promises of assistance, and he thanked the international community for its quick reaction. But although money was needed for reconstruction he believed it was not the most important thing. His party and a large part of the Haitian population were concerned about the political way in which the situation of Haiti was being handled. There were two reasons for this: President René Préval had been incapable of leading a national consensus on the reconstruction process; and this lack of consensus meant that little was done, and the country was polarised. The President was moving forward with his anti-democratic projects, planning fraudulent elections to promote his chosen successor with the influence of a majority in parliament; and on the

other hand there was the opposition, his party and its members who were working and demanding correct national conditions for the elections.

In his view, Benoit continued, the country was so polarised that he believed the SI, with the great prestige it enjoyed in Haiti, could influence the democratisation process as it had done in recent years, and that the SI Council should, with the necessary tact, help Haitian political forces to correct the situation in a very clear and precise manner. He therefore asked the SI not to concentrate only on the economic aspect as had been done by the international community thus far, but to concentrate also on the political aspect. He urged the SI to take the initiative and provide leadership of an international action in Haiti. With other international forces following that strategy he thought there could be agreement among the different political forces in Haiti to ensure the future of the country. His party was eager to play a role in this, believing that one of our social democratic values was international solidarity. This was urgent because democracy was being threatened: in order to preserve the democratic process the SI must follow a strategy of this sort, he concluded.

Pascal Affi N'Guessan, Côte d'Ivoire, FPI, Vice-President of the Socialist International, first offered his party's comments regarding the draft declaration on climate change. They strongly supported the draft but thought clear mention should be made of the need for a new institutional framework to manage a future agreement and make its provisions binding. Legal penalties for failure to respect the agreement must be specified, he said. We all knew that certain states had taken liberties in their implementation and these must be curtailed so that everyone was on an equal footing and the agreement would be binding.

He said his party welcomed provisions concerning the transfer of technology, and technical as well as financial support to Africa to promote a green economy and sustainable development. One thing not mentioned in the draft, he continued, was that emergencies linked to climate change might arise and would require clear and accessible sources of funding to address those situations.

Returning to the first agenda item and the G-20 Toronto meeting, he said the emerging countries in Asia and Africa must be taken into consideration. Before the 2009 meeting of the G-9 they had hoped that a sustainable solution to the crisis would be found. Now those measures were far from being implemented. He asked how the threat to the global economy could be averted and questioned the sincerity of the international community's efforts to promote sustainable development through solidarity, justice and peace.

Recalling the G-20 Summit in London, he said that all the commitments were concentrated on the development of a new set of rules to strengthen financial institutions, when what had been expected was a real reform of global economic strategies.

While his party welcomed the relative revitalisation of the economy according to the IMF in 2010, they saw a gap between emerging countries on the one hand and the US and the Euro zone on the other. This had led to over-indebtedness in developing countries who had had to support the rescue of banks at the same time as their own economy. Lack of confidence, pessimism, degradation of businesses, rising unemployment and a drop in foreign development assistance had all ensued. The assistance received had not been commensurate with the challenges. While crocodile tears were shed over the situation of the poor, everyone was looking after himself; the world was called a global village, but globalisation was being lived through the media, through clandestine migration, drugs, international terrorism and climate change.

The key for revitalisation of the global economy, he said, was global thinking. This would not be enough to restore growth unless it went along with business policies that favoured the real economy

and the public goods and services which had a specific impact on people's lives. In this vision, he saw developing and emerging countries as the key to the global economy because that was where the needs and the potential were the greatest. Climate change and the crisis in the economy could be resolved through solidarity: economic growth in Africa could result in global growth, he asserted. Freeing Africa from the prison that blocked all possibility of development would allow it to participate in the growth of the global economy. This required more effective policies in favour of heavily indebted countries from the World Bank and other international financial organisations.

Many African countries, he pointed out, were marking the 50th year of their independence. They still had artificial structures created by the colonial powers in the dawn of the 20th century. They now had to learn how to live together as modern nations of very different peoples, and how to ensure stability and good governance, and eradicate illiteracy. This was a major challenge and an essential condition for the integration of Africa in the global economy. Most of the former colonial countries had a duty to Africa as shown by the commitment to put 0.7% of GDP to ODA. Participation in the integration of Africa in globalisation would also contribute to the re-launching of the world economy.

Finally, he said, as socialists we had to denounce inequity and contribute to the dismantling of all barriers and protection measures that penalised Africa in the international market. Financial capital was at a deadlock, leading to an unprecedented failure of the world economy and millions of workers being without jobs, without resources, without a future. Millions of young people ask us what the world will be like in 50 years, looking to us with hope. We had to show proof and be audacious in our proposals and our actions in order to keep that hope growing.

Ahmed Daddah, Mauritania, RFD, representing the Assembly of Democratic Forces in Mauritania, said his country had been under military regime since 1978. Their elections had been fraudulent. He believed Africa needed assistance to emerge from stalemate, an assistance towards democracy. The continent of Africa had many resources including human resources, with great numbers of well qualified people, and this was not sufficiently acknowledged. The political context and the lack of democracy meant that these resources were wasted and the best of them were exported.

Concerning the economic situation and the subject under discussion, he said that his country was the primary exporter of iron ore in western Africa: and yet it was unfortunately one of the poorest countries in the world. They produced gold, but in that process toxins such as cyanide were also produced which caused an extremely serious situation for the environment. This had led to some deaths of livestock, not many at present, but it was a very serious warning for the future. These toxic products threatened the ground water which was their only source of water other than the Senegal river which was shared with Mali and Senegal.

Another dangerous problem that he foresaw was the probability that soon they would start to produce uranium in large amounts. If this was done in the same way that gold was produced, it would be extremely serious, not only for Mauritania but also for all her neighbours, Morocco, Algeria, Mali and Senegal.

His country, he continued, also produced a small amount of oil and he wanted in particular to draw the attention of this meeting to the negative consequences of the irresponsible policy which the present government of Mauritania was pursuing. This oil was produced mainly offshore in an area teeming with fish, but no precautions were being taken, nor were there any plans in case of an accident. If something similar to what had occurred in the Gulf of Mexico occurred in his country one could imagine the environmental damage not only to Mauritania but also to others, especially Senegal and Morocco.

He thought this question of the environment was extremely important and he proposed that the Council request that in fishing areas there should be a moratorium on the production of offshore oil. This was still feasible, but he guaranteed that if there was an oil spill or accident they would be unable to control it. Neither Mauritania nor Senegal had anything like the facilities or organisational power of the United States and even they had not been able to control the spill in the Gulf of Mexico.

In conclusion, he wanted to draw attention to the fundamental contradictions in his country which had huge resources, a population of only three-and-a-half million, and yet was very poor and where there was famine and a lack of electricity or drinking water nearly everywhere.

He said the Socialist International, which was very influential in Mauritania and the sub-region, should sound a warning bell and adopt a very firm position addressed to those governments, and this could be helpful not only to Mauritania but also to neighbouring countries

Bruno Ammoussou, Benin, PSD, related that when his village was threatened by a crocodile, and the crocodile was killed and all the people came, it was not for the meat, although that was delicious, it was to see who took the bile of the crocodile which was a powerful poison. Whoever took the bile could threaten everyone else, so they all rushed around the dead crocodile to see who got the bile, otherwise they would continue to feel in danger.

The crisis of 2008 had proved at least three things: that the international community could mobilise; that it could mobilise where the interests of those who profit from the economy were threatened; and that it had not yet proved that it could mobilise when the interests of the victims of the global economy were threatened. Clearly a lot of money could be mobilised. It had been claimed that there was not enough money to support ODA and yet when the crisis occurred suddenly money appeared.

So it was not a question of money being unavailable, it was one of knowing how best to use that money to correct the inequalities which the global economy had caused. This was the issue, he said. And from that point of view we should not look only at others, but also at ourselves, because some of our parties had come into power and it was hard to distinguish their policies from the policies of the right. He sincerely hoped that sister parties in power would openly stand on the side of victims of the global economy and help in their struggle.

His party also hoped they would show genuine solidarity with others fighting under difficult conditions in Africa as aid was not always forthcoming. He appealed to the Council to say through the SI Secretary General that we would develop effective, concrete, visible solidarity. But we knew the secretariat had no financial resources, so when we made certain requests but did not provide the money, this was not consistent. And among the regional committees, he asked, surely there should be genuine solidarity. His party had affirmed its solidarity with our President and coming from a small indebted country there was not much they could do for him, but he wondered what others might be doing in that direction.

He hoped that we could show that we were indeed different from others by clearly demonstrating it in our practices and with our alternative solutions when we came to power. Otherwise he did not see how our speeches could really bear fruit. His party wanted to benefit from solidarity and to offer it to others. He appealed to Council to enlighten people about our behaviour in order to make this solidarity effective, so that within our family there would not be attacks on those who were in difficulty but rather that we dealt with matters as a family.

In conclusion he said that if the SI Council could help find consensus among those here at this meeting, he would return to his country and report that the international community could mobilise for the

benefit of the victims of the global economic crisis. As yet it had not happened but he was proud to belong to this group and had met friends who were organising this support and he would then be able to go from one village to another, reporting this with confidence.

Luis Ayala drew attention to the enthusiasm and the commitment of so many party leaders who had come to this Council meeting in New York, which reflected the reality of these socialists in Africa who were in the vanguard for change. There were also some who were not present at this meeting but who were fighting daily for democracy and this had lent great credibility and prestige to the International. He paid tribute to all of those African leaders.

Adrian Severin, Vice-President of the Socialist Group within the European Parliament, examined two questions. First, whether values and ideology mattered when we were defining the management of a global crisis, and anti-crisis policies; and second, why although our ideas had won, our parties were not so well supported by the people and by the electorate. The global financial crisis which had developed into an economic crisis, then into a social crisis, and eventually into a political crisis, represented a failure of neo-liberal ideas. Therefore neo-liberal ideas and policies could not be the solution. In fact more austerity for the sake of budgetary consolidation would guarantee that the banks would encourage speculation and thus receive the money they were looking for. Austerity for our citizens, he continued, would be like buying the rope to hang ourselves: it would not produce economic growth or more jobs. So crisis management was about values and ideology. He added that the good news was that the crisis offered an opportunity to be even more clear about our identity.

He suggested two reasons why we had not applied our ideology, our core values, in fighting this crisis: first, after years of market supremacy the state no longer had the ability to work efficiently for the implementation of public policies of a socialist nature. Those policies were complicated and needed instruments that the state no longer had. Second, we were obliged to act under the pressure of the oligarchy represented by the international financial organisations which trusted only neo-liberal governments. Thus even our own governments were obliged to implement programmes that were against our values. We were not likely to get more public support when we applied policies that contradicted our values, and used instruments we did not trust and which we declared should be changed.

Although we spoke of the need for global governance, he continued, in fact it already existed: the problem was that it was not a political government it was a governance by transnational financial oligarchs, a secret governance, not a transparent one and not a democratic one. And it was that governance that was trying to prevent a political governance of the Left, a democratic transnational governance. This was the main battle we had to fight, he said.

We could assume, Severin continued, that this kind of governance would not be given to us. In order to win the battle we had to bring people together. Even if our governments were obliged to implement conservative policies for a while, we must demonstrate against those policies and demand to have our governments back. We had to mobilise people, otherwise our good speeches would not reach them out in the street; we had to become militants again and demonstrate very clearly our joint support for our values.

In concluding, he thought that this mobilisation could not be successful if it happened only in one region of the world, for instance in Europe. Unless we could bring people back to militancy at a global level we were doomed to fail. He hoped that the interesting and good ideas heard in this room would be transferred out into the open air to where the people were: then our efforts would not have been in vain.

Manuel Laguarda, Uruguay, PSU, said he appreciated the many positive contributions concerning the financial crisis, and he fully supported the draft resolution. Regarding the Toronto G-20 meeting, he wished to stress that, as had been said, the crisis had been unleashed by neo-liberal policies and it would be terrible to try to resolve it by those same policies. Examples in Latin America showed very clearly that when such solutions were tested the results had been worse than the problem.

As socialists we had to propose other options, he continued, expressing his support for the progressive taxation of financial capital. Futures markets had worsened the crisis and the actions of speculators had distorted foreign investment funds, leading to massive withdrawal of investments. Futures speculation on key products such as food and energy had to be discouraged. Regulation was possible, he asserted, as shown by recent neo-liberal measures. The prohibition of short purchases in the US had shown that where there was the political will, mechanisms could regulate the speculative market. He suggested imposing short and long trading limits in order to control futures speculation.

The dollar, he said, had shown its imperfections as an international currency. We must work to ensure that the central banks of the different regions created an international body to regulate the price of currencies; and the conclusions of the Doha round were crucial for a transparent and open mechanism for social and commercial projects.

We must seek mechanisms, he continued, that limited speculative earnings, eliminating premiums and bonuses to executives. A regulatory body should limit and monitor hedge funds and prohibit speculation on pension funds and other funds of social importance. We needed transparent rules limiting the size of financial institutions operating at a global level. Limits on the interest on global loans should reflect their objectives: those that were socially productive should not exceed a certain percentage. The securitisation of financial investments must be regulated and strictly controlled, he said, and a tax imposed on financial transactions.

He suggested that the crisis perhaps mirrored our societies, and the defects in our societal values and means of production. As socialists we were required to design a new model and a way to implement it.

The world was made up of regional blocks, he said in conclusion. The EU had given clear lessons both through its successes and its limitations. We must focus on the progressive way of thinking agreed in Maastricht because we had seen in recent years how the democratic quality of life was lost: banks were bailed out but not countries which were powerless in this situation. The crisis gave a clear lesson: the economy must be based on the democratic values of men and women.

Lapo Pistelli, Italy, PD, in the Italian Democratic Party's first formal participation at an SI Council meeting, said that after many cyclical crises in recent decades, this was the first time that everyone agreed about the main cause of this perfect storm: it was the aggressive and speculative component of the international economy. In the 1990s the financial tool had been used to promote global growth and a major flow of foreign investments; in this decade it had been responsible for the credit crunch, various bubbles, and the eventual meltdown. It was an example of the sorcerers' apprentice, the power of magic having escaped control.

The volume of global financial transactions was around fifty times that of actual goods and services. Rather than lecture the people who had caused the problem we should be making them pay for some of the repairs, Pistelli said. Financial regulation was a priority to avoid repeating the market failure of the self-regulating pre-Lehman era.

He congratulated Poul Nyrup Rasmussen on his work but warned that implementation would be difficult; the devil lay in the details, such as pinpointing precisely which speculative action, how to

catch it, and whether it was appropriate to act in individual regions; we must forge ahead nonetheless, thinking and acting globally.

But this was not enough, he continued: the global economy could no longer be managed while consumers remained the key engine for global demand. The BRIC countries relied on export-led growth and the Euro group tried to survive by fiscal constraints. We needed a European economic governance, and to enlarge the EU budget resources to promote growth. He suggested the issuing of Eurobonds to tackle sovereign debt and finance strategic investment.

Concerning the MDGs, he said poor countries had been hit twice by the crisis: rich countries had cut the resources devoted to cooperation and international development; and immigrant workers being the weakest part of the labour force, their remittances to their homelands had been drastically cut. In some countries remittances were a double-digit component of the GDP, and the total amount of global remittances was four times the volume of public aid and international cooperation. Therefore re-launching growth and equity would doubly help them.

We should look at what President Obama had done recently, investing federal money in education and a greener sustainable economy. The fight for a health-care system had been a pivotal point, based on a European-style view that health care was a universal right, especially for the poor, and not something available only on the market. It would be very impressive if the financial reforms under discussion in the US Congress were passed. He would have welcomed an opportunity to speak with US Democrats, he said; that organisation should be a major target for the SI.

He reported that he had recently visited China with his party's leader and beyond the great impact of China's dynamism, and the increase in domestic demand, they had the impression from talks with Chinese leaders that they were seriously drafting plans for a basic public welfare scheme by gradually introducing health and pensions reform. They were also debating a gradual re-evaluation of the Renminbi.

He reaffirmed the need for financial reforms in order to sustain growth and development, and he closed with a plea to set up a new framework of global rules sixty-years after Bretton Woods. He hoped that with the failure of neo-conservative thinking, progressives throughout the world would take on this major task.

Eero Heinäluoma, Finland, SDP, SI Vice-President, member of the Financial Commission and rapporteur on the Global Economy, expressed his appreciation for the excellent contributions to this very long debate. With the G-20 leaders holding their summit in a few days in Toronto, this was the right time for the SI Council to send them a strong message.

We had to emphasise, as our President had said, that the welfare state was not behind the crisis: the real cause was the private banking sector and the neo-liberal ideology which had led to the crisis in the economy and in employment. In fact it was precisely the welfare state, the public sector and monetary and fiscal stimulus which had prevented the financial crisis from becoming another great depression.

The Council today was deciding on two very important papers: the Declaration on the Challenges of Global Development in 2010, and the Statement on the Global Economy and Financial Reforms, the latter strictly focused on the world economy and financial crisis and prepared by the Financial Crisis Commission led by Joseph Stiglitz, and recommended by the Commission for adoption.

There was currently a global debate concerning exit strategies and fiscal and monetary stimulus, he continued. Many conservative governments were strongly emphasising the need for strict austerity measures, hoping to cut their way out of the crisis, but that was not the view of our International. There were justified fears that such austerity measures could endanger economic recovery both in Europe and globally. We shared the concerns expressed by US President Barack Obama: major economic powers should coordinate macro-economic policy and exit strategies, and not expect all countries to follow the same path in austerity measures.

The question of timing was central: the trade surplus countries must create mid-term plans to cut deficits and debt without endangering growth and recovery in the short term. Growth and full employment were the real target for our movement. We had to accept that countries with large deficits must proceed more quickly in balancing their budgets: strong long-term focus was needed now in Europe in order not to jeopardise the economic recovery.

The impact of fiscal and monetary exit strategies on current global imbalances must be considered: we had to agree with our Italian friend that the US could not consume the world's way out of the crisis. A more balanced pattern of global growth was needed with Euro-zone countries and others increasing internal demand, and China allowing its currency to appreciate and also boosting domestic demand. A way must be found to solve the imbalance problems of excessive spending by some and under-consumption by others: that was our expectation for the G-20 meeting.

Concerning financial reform and financial sector taxation, he reported that the IMF had estimated that the bulk debt of the G-20 countries would rise by 40% points from 2008-2015, mainly due to the fiscal crisis. Global and national financial sector taxes were now needed to curb speculation and irresponsible risk-taking in the financial markets. The financial sector must pay its fair share. So our message to the G-20 was to make concrete decisions in favour of a financial transactions tax to be implemented at the global level, or first regionally, for example in the EU as proposed by Poul Nyrup Rasmussen. This would bring substantial revenues and could also balance the boom-and-bust cycles that deepen economic recessions. Even some conservative politicians were interested in this, he said, but we must look carefully at what would happen at the G-20.

Another possibility already mentioned at our meeting, he said, was a tax levied specifically on banks and this had some support in G-20 countries but was not to be our main focus. Our hope was for a serious commitment to a new financial architecture and a financial transactions tax so that losses in the financial sector would not again be transformed into sovereign debt.

During the boom in all major industrialised countries, he said, the banks' capital buffers had been systematically reduced causing increased leverage. The problem with the Basle II Accord was that it allowed pro-cyclical assessment of risks, with credit-rating agencies assessing the institutions from whom they received their funding. In addition, banks had been able to externalise risks to special-purpose vehicles through asset securitisation. Clearly capital requirements had to be tighter and the credit-rating agencies should not be evaluating the securities of their issuers.

Heinäluoma then read out an amendment to the draft statement proposed by the French party, saying this should be included as the last two paragraphs.

Lastly, he said, in dealing with the economic crisis we must remember the need for social justice, which was not just one of our values but an economic necessity. Without a fairer distribution of wealth within big societies throughout the world, there would not be the demand the world economy needed to form the basis for overcoming the crisis.

Now was the time for action, he concluded, for full employment, social justice, a new financial architecture and a financial transactions tax. That must be our strong message to the G-20 meeting in Toronto.

Luis Ayala said that all the decisions on resolutions would be taken at the end of the meeting so everyone would have time to absorb what had been discussed.

Before moving to the next agenda item, he said that in order to be fair, only representatives of parties who had not already taken the floor would be speaking, except in the case of chairs of the various committees. Thus the resolutions and closing matters would come up later, and the meeting would conclude with the adoption of declarations and statements.

Second main theme: CLIMATE CHANGE: WORKING FOR A UNIFIED RESPONSE

Zita Gurmai, Hungary, MSzP, echoed President Jimmy Carter's saying that a love of nature, like music and art, could transcend political and social boundaries. During the past 20 years the whole world had experienced great challenges with the transformation of our economies, our societies and our environment. We were clearly in trouble and could not carry on as we had before. As Mahatma Gandhi had put it: Earth provided enough to satisfy everyone's need, but not everyone's greed. We had to make basic changes and this was hard, especially when the environmental crisis was global and necessitated a global response. We had to find new solutions to deal with the economic downturn as well as the climate crisis and no individual country could do that alone. Individual interest was short-term interest, we needed a global long-term path with the participation of developed and developing countries, crisis policies which allow us to be low-carbon economies, scaling back our unsustainable use of resources, and encouraging growth. Green growth was a way to face both climate change and the economic crisis with new jobs and stimulation to the economy. We had to recognise that the change from the old industrial and service sectors would at first require money and investment. Our task was certainly not easy, but there was an opportunity. We could ensure that all sectors of society were included in the new economic model from the start: a revolution was needed and this time it must be green. The EU, she continued, was committed to ensuring the changes. Its 2020 strategy, just adopted, was a first step but not sufficient. With so many conservatives around just talking, the strategy had to be good for delivering something that was green-sensitive. The difference between left and right was our focus on a global strategy rather than an individual strategy.

She appreciated the long debate here and believed we must reshape our whole thinking about economics. Until now consumption and production were called growth. Now there was a new element in our thinking which would sometimes require sacrifice, forethought and thrift. Thus far social democrats had not succeeded in convincing the ordinary citizen of this: now the crisis provided a good chance to do so. Becoming carbon-neutral was only a beginning, she continued; the climate problem would not be solved by any one company reducing emissions to zero, nor by one government acting alone: it required the mass participation of citizens from around the world in the commitment to a green revolution.

We social democrats who had good contact with ordinary citizens were capable of doing this, but it was often forgotten when we were in government. Great social democrats thought about the roots, constantly talked to people and learned from them what was needed. She mentioned in particular the consumer behaviour of women, who now controlled two thirds of all consumer decisions, as being very important in this revolution; their choices were more focused on services like health-care and education, and they influenced their family members and shaped their views too. Women were preoccupied about climate change in their daily life whether through environmental measures in the household, or through natural disasters and migration. As mothers and community organisers they

might be useful to the cause but more importantly they could contribute as policy makers. They had the talent and the potential but were often targeted by policy makers only as consumers.

She expressed the hope that the movement would reach out to women as their main allies in the green revolution: many member states had lost power, she said, because they had lost the women's vote. If our parties did not have a strategy for women they would not regain power. Studies had proved this. As 52% of the population women voted more green, more liberal and conservative because we had not been clear enough.

There was no denying the damage already done to the environment and it was our urgent moral duty to respond. She closed by referring to the words of the Dalai Lama that we people alive today must consider future generations; that a clean environment was a human right like any other and it was therefore our responsibility to pass on to them a healthy environment.

Elenko Bozhkov, Bulgaria, PBSB, stressed that for more than four years now the SI had been leading a vigorous debate about climate change and the future of our world. The period covered by the Kyoto protocol had ended and despite all its critics it had provided rules, even with the abstention of the principal polluters: Russia, the United States, China and India.

Many of us, he said, had hoped that the change at the White House in Washington would bring about a new activism. The change had taken place, a new activism had taken place, but alas it was not sufficient. In fact we had seen that despite the personal efforts of President Obama the meeting in Copenhagen had been a failure. Now we were running the great risk that the failure in Copenhagen would be repeated in Cancun.

We had to understand that the struggle against climate change was as serious and important as the struggle for a reduction of nuclear arms, or for peace in the Middle East, or for a resolution of the global economic crisis.

At the same time we had to recognise and well understand the skepticism of social democratic parties in developing countries and new and future members of the European Union concerning the way a reduction of carbon emissions was being imposed on them. He gave Bulgaria as an example of a new EU member and Croatia as a future member where any quota on carbon emissions or increase in renewable sources of energy was reflected immediately in the price of energy, in fact in citizens' pockets. In what way, he asked, was the ordinary citizen guilty of climate change so that he had to pay for the reduction of quotas of the monopolistic producers of energy.

In conclusion the message from his party to the SI was: First, that a new treaty to replace that of Kyoto was necessary. It was clear that it should have a broader acceptance and include government commitments for the reduction of carbon emissions as well as financial instruments to prevent ordinary people having to suffer in this struggle.

Second, a larger role was required from the United Nations in this effort. It was time to create a new executive body within the UN to efficiently manage the fight against climate change.

Third, the SI should increase the exchange of information on this subject between the secretariat and member parties. Whether or not parties were in power it was essential to exchange ideas and coordinate our activities.

Finally, at the national level, we needed to include specific chapters on the fight against climate change in our legislative and local electoral programmes.

Luis Ayala said that the second Council meeting of the year, to take place in advance of the COP16 in Cancún, should return to this discussion. The Commission on climate change would also be holding a meeting in Mexico before the opening of the UN climate change conference.

DISARMAMENT AND NON-PROLIFERATION

Konstantin Woinoff, Germany, SPD, said he was grateful that this debate could take place in the headquarters of the UN where a few weeks earlier the final document of the Review Conference of the NPT had been adopted.

The last months, he said, had shown that we had a chance to make real progress via disarmament towards a more peaceful world. There was the START treaty and the new nuclear posture: in a real turn-around from the Bush doctrine of 2002, the US had reduced the role of nuclear weapons; the President had stated that these weapons would not be used for warfare but only to avert nuclear attacks; and for the first time the US had disclosed the exact composition of its nuclear arsenal. Within the framework of the START treaty Russia and the US had agreed on significant reductions of their strategic arsenals. Now the Treaty remained to be promptly ratified.

Consequently the multilateral negotiations were now characterised by a new dynamism. The recent NPT conference had been a success mainly because, firstly, the community of states reinforced the commitment to non-proliferation. This was very significant as there had been the risk that not all the states would do so. Secondly, the final document now covered complete disarmament and all types of nuclear weapons. Clause Zero had become a common goal of the 189 signatory states; and thirdly, participants had agreed on a concrete action plan for a general rethink in the field of nuclear armaments.

It was now extremely important, he continued, that the Comprehensive Test Ban Treaty become finally effective and progress be made in the Fissile Materials Cut-off Treaty. The new START treaty and the new posture of the US were essential because only if the states possessing nuclear arms fulfilled their responsibility for disarmament could their demand for non-proliferation be credible. The three pillars of the NPT had been in force for 40 years now; with nuclear weapons states being obliged to disarm; all other states having to refrain from acquiring nuclear weapons; and all states being entitled to the peaceful use of nuclear energy.

Transparency was indispensable for NPT member states, he continued. Problems resulting from a lack of transparency must be resolved by negotiated dialogue. There was the possibility of a nuclear arms race being triggered in the Korean Peninsula or in South-East Asia. It was crucial that the new review conference of the NPT endorse the necessity of a nuclear-weapons-free zone in the Middle East which would not only transmit a clear disarmament signal to all but would also provide an opportunity to advance peace efforts in that region.

Looking to future challenges, he mentioned the great significance of the new strategic concept of NATO. The recommendations of the Group of Experts did not go far enough, he said: we must demand the withdrawal of tactical nuclear weapons from Europe as they were a relic of the Cold War and no longer served any purpose.

Along with nuclear disarmament, we needed legally binding arms control for conventional weapons, abolishing imbalances. To achieve this we had to resolve the crisis of the Conventional Forces in Europe treaty.

Referring to the SI's draft resolution, Woinoff said the arms race played an important role. We were counting on the successful closure of the arms race treaty with guidelines binding under international law. This was especially important in the fight against the proliferation of small arms where the arms race treaty could become a central element. Former UN Secretary-General Kofi Annan had rightly called small arms the weapons of mass destruction in slow motion.

In closing he said we were at the threshold of a new decade which we must ensure was a decade of disarmament. Together we could overcome any resistance and get disarmament and arms control firmly back on track. He urged that we work together on this task.

Kent Hårstedt, Sweden, SAP, said that the multi-faceted challenge of disarmament and non-proliferation had become a growing one in the world community. He wished to concentrate on just a few aspects: the risk that failed states posed to global security; the link between small arms and weapons of mass destruction; and our responsibility as social democratic parties to push forward agendas jointly within the SI.

He mentioned North Korea and Burma as examples of failed states who might pose a great threat through their ambition to achieve weapons of mass destruction, North Korea already having tested a few small nuclear arms. The world now faced this new threat of a link between many of those failed states and military regimes and dictatorships who were starting to cooperate in the field of developing weapons of mass destruction.

Security was no longer a matter of avoiding conflict between nations, because the threat was coming from failing states, international terrorism, new nuclear armaments, the spread of weapons of mass destruction, and the illegal arms trade. This was a truly alarming development in the world today.

He was encouraged by the fact that this issue was now being taken very seriously on the international agenda. President Obama had put it as one of his main challenges saying that the greatest threat to US and global security was no longer that of a nuclear exchange between nations, but nuclear terrorism by violent extremists, and nuclear proliferation to an increasing number of states, adding that the spread of atomic weapons to failed states or terrorists was a worse threat than the fear of nuclear Armageddon during the Cold War, which Hårstedt thought was well put.

We needed to work strongly for international agreements and treaties, and we must see the link from small arms to developing weapons of mass destruction, he continued. The proliferation of small arms and light weapons was an immediate security challenge to individual societies and states around the world, and an enormous handicap to sustainable security and development. These weapons fuelled civil wars, terrorist activities, and organised crime. They also undermined development programmes and other assistance to fragile states, which, along with failed states, should be of particular strategic interest to us since even small insurgencies could spread and possibly destabilise entire regions.

Today we had reason to be concerned about many regional problems including in South-East Asia, Thailand, and Sri Lanka where increasing amounts of light weapons were being bought which could lead to ambitions for weapons of mass destruction. In many conflict zones small arms were the weapons of choice, the main instrument of death and destruction, and often used to forcibly displace civilians and impede humanitarian and development assistance.

Sweden had lived in peace for over 200 years and had been actively engaged in disarmament debates, and yet his country, he said, bore a great responsibility as one of the biggest producers of weapons. Unfortunately the current right-wing government was very passive on this presently threatening issue.

So the social democrats of Sweden had taken up this challenge and had elaborated a twelve-point programme to push for increased activity in this field. They would: work for massive pressure in all international fora on disarmament of nuclear weapons; further pursue the successful international ban on cluster mines and bombs, to ensure its implementation seek to work with the nuclear suppliers group so that even countries like the US and India would recognise the agreements; renew and reinforce the work of the new agenda coalition; increase the pressure within the NPT for cooperation throughout the world; increase the debate and pressure within their own society; take responsibility to prevent highly enriched uranium from getting into the wrong hands; increase their work with SIPRI; offer to host an NPT secretariat; work to reduce the importation of nuclear weapons; work to break the status quo in the disarmament conference in Geneva; and finally adopt a programme for disarmament.

In closing he urged all SI member parties to take responsibility to formulate agendas so that within our countries and through our governments, and also jointly throughout the Socialist International, we join hands and push forward in the international arena.

SPECIAL CONTRIBUTIONS

Edi Rama, Albania, SPA, leader of the SPA, said his country was currently facing extraordinary difficulties, in the European integration process as well as in their efforts to deal with the country's pervasive crisis in democracy, the rule of law and the economy. They greatly appreciated the SI President and Prime Minister of Greece for his vision of full integration in the EU by the year 2014. This vision came, he said, from a deep understanding of their troubled territories which had been plagued by wars and misunderstandings related partly to living inside and yet outside of Europe, being outside the common European home and caught between a lingering past and an ungraspable future.

This courageous vision, he continued, also came from a strong adherence to the principles and values of the European Union whose Declaration of May 1950 began by saying that world peace could not be safeguarded without creative efforts proportionate to the dangers it faced. It had taken courage, belief and determination for humanity to achieve what it already had. The same courage had been shown by the SI President in inviting the EU to welcome into its fold the region of the western Balkans. His party was confident that this was the best option for their region and also for a united Europe: they would make every effort to honour this conviction.

The region had been changing radically in the past decade, leaving behind past clashes and misunderstandings, towards a shared future of cooperation in their joint interests. The European project had dismantled the map of irreconcilable divisions but had yet to develop European states and institutions in their territories. Acute political animosities, systemic corruption and an uncompetitive economy within an insufficient integration model was compromising the European project and its democratic and state-building spirit.

The framework of the integration process, he said, was often seen from the outside as bureaucratic and divorced from reality, and often the opposite of the situation presented in documents in Brussels where democracy appeared to be flowing surely towards consolidation. The truth was often the opposite. The fact was that the democratic standards that could be taken for granted in the European Union were still far from being realised in western Balkan countries.

He said he was convinced that the progressive left was up to this great challenge of democratisation and modernisation of the entire region, but it would be extremely difficult. The crisis his country was facing was rooted in previous elections but that was only the tip of the iceberg: it affected the

functioning of democracy, politicised and paralysed the justice system, and had penetrated the economy with false figures and erroneous data.

They were also disconcerted by what the Albanian government was keeping locked away in its security information dungeons. The true state of the country's economy was not being revealed; there were indications of an alarming fall but the people were being told the opposite, just as the results of the past election had been kept secret. The opposition was demanding transparency not only to change the outcome but to ensure that corruption would not decide the outcome of the next elections; ballots must be counted in every centre as stated by the OECD's report.

He expressed his gratitude to the SI Council and its Secretary General Luis Ayala for being the first to denounce those violations and demanding the re-institution of democracy and transparency in Albania.

They were sad that despite all their efforts the crisis had been prolonged, he said. Albania had a series of impediments to democracy that remained unsolved, such as the inability to conduct free and fair elections in line with the standards of NATO member states and of an applicant country for EU membership; the over-politicised administration, paralysed competition, lack of independence, a deeply suspect justice system, and a lack of media freedom greater than that in other countries of the region.

His party's democratic code was inspired by their determination to put an end to the history of voter preference being bent by external pressures, and electoral corruption blocking the vote count. Instead, the will of the people would decide the outcome with electoral transparency as the cornerstone of a new epoch of fair competition in the entire country: they considered this the vital battle for their future, he concluded.

Before the appeal by the next speaker, Secretary General **Luis Ayala** mentioned that the SI was proud to list Aung San Suu Kyi among its Honorary Presidents.

Bo Hla Tint, Burma, NLD, acknowledging that there was not time for his complete statement, gave special thanks to the leader of the Swedish party for drawing attention to the clear nuclear ambition of the Burmese military junta who were receiving jet fighters from China and Russia, and secretly spending billions of dollars while the people were facing poverty. He wanted the international community to do something about that nuclear ambition before it was too late.

Secondly, the military were gradually preparing to change the constitution so as to control the 2010 election. They were eliminating every possible opposition including that of Aung San Suu Kyi, he said. He believed the SI was well aware of the situation, so he wished only to recommend an appeal to the military junta in Burma for the immediate and unconditional release of political prisoners including Aung San Suu Kyi, and for them to be allowed to participate fully in the political process.

Adoption of Statements and Resolutions of the Council

Luis Ayala said the Council had had one of its longest discussions on the financial crisis, reflecting the urgency of the issue and the scope of our movement.

He drew attention to one amendment to the statement on the Global Economy and Financial Reform that had been presented by the rapporteur so Council was now in a position to adopt the whole document.

The *Statement on the Global Economy and Financial Reform* was adopted.

Turning to the document on the Middle East, Ayala said that after the very intense debate the day before, he had a meeting with the representatives of the Israeli and Palestinian parties as he had been asked: the Israel Labour Party, the Meretz party of Israel, Fatah of Palestine and the Palestinian National Initiative. They had discussed the series of developments already debated and searched for elements that could provide a common ground for our International in the face of the very difficult situation in the region. He was pleased to report that the outcome of this meeting had been positive, the debate of the previous day had brought a very good result and agreement had been reached on a common text accepted by both sides, which he then read out.

The *Statement of the Council on the Middle East* was adopted by acclamation.

Ayala then turned to the text by the Economic Committee and drew attention to some proposed amendments which were accepted. The Declaration *The Challenges of Global Development in 2010 - the Economic, Social, Environmental and Cultural Dimensions* was adopted.

The Declaration *Climate Change - Working for a Unified Response* was adopted.

The Declaration *Common Security through Disarmament for the Conclusion of a Comprehensive Arms Trade Treaty* was adopted.

Finally, a paper entitled *A World without Nuclear Weapons is a Realistic Vision, not a Utopian Dream* was approved.

Before giving the floor to the President for his closing remarks, Luis Ayala addressed the subject of the next meeting of the SI Council and reported on the proposal of the French Socialist Party that this take place in Paris on 15-16 November. The Council agreed.

Closure

President George Papandreou said this had been a very productive meeting and the fact that consensus had been reached was an indication of the determination and the political will of our movement, making our voice a global voice and at the same time a realistic and visionary one.

He thanked the rapporteurs and committee leaders for all their excellent work.

He reported that he had had a video-conference with the Congress of the International Trade Union Confederation in Vancouver and he had given our greetings and our proposals to their delegates, who received especially warmly those on financial regulation. He saw a possibility for strengthening networks and cooperation to advance our agenda.

He thanked participants for all the solidarity shown to him and his country in their specific situation.

He believed that our support to President Obama in his efforts to promote stimulus in the G-20 was important.

With the subject of weapons of mass destruction now being a priority again, he congratulated the committee responsible for the document, and reported that in a recent visit to India he had met with Sonia Gandhi and discussed the possibility of working with her party on these questions. Even though India had gone nuclear, they welcomed the idea of a non-nuclear world, he said.

Concerning climate change, Papandreou said this could not be left just to the Greens. Green policies were now a central political priority for our new agenda in the global sphere, as we had shown both in Copenhagen and at this Council meeting.

The question of gender, women's equality and the deepening problems that occurred as the crisis worsened had also been addressed, as had reports concerning democracy in other parts of the world.

At a time when there was little progress in Middle East peace talks, when even a heightened polarisation and an impasse were evident in the international arena, we had succeeded in putting forward a realistic solution to problems that seemed intractable. This showed that our ideology underpinned a very different philosophy, one of understanding the other side and working through negotiation and dialogue. This was surely a hopeful sign not only for the Middle East but also for our movement. We had shown that we are active on this front and would continue to be so. This he considered important, having met the previous day with the UN Secretary-General and communicated to him our discussion on the economy. They had also had a long discussion on the Middle East. The Secretary-General, he said, was trying to find a way to work with the different parties and come up with a report or investigation, but was now at an impasse. The SI's success in reaching a consensus showed how our movement could be of great importance, and our Statement would be communicated to the UN Secretary-General in the hope that it might help him in his efforts.

In closing the Council meeting President Papandreou wished good luck to all, especially those facing elections before the next meeting. He hoped there would be more parties in government by that time because we needed to strengthen our voice in order to change the world.

The Council meeting was declared closed.
