



The Economic and Social
Council of Lebanon

The Economic & Social Council in the Regional Environment

Speech

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The world economic and social situation is critical. The International Labour Organization estimates that by the end of year 2009 about 240 million people will be jobless. That is to say a quarter of billion people will be deprived of income. Which could be the share of our region of this impressive figure, knowing that it suffers from the highest rate of unemployment after the African continent?

The Economic and Social Councils are invited to determine the extent of the problem and to imagine innovative solutions. If their role in normal time as ESC is to get along and propose to the government policies for sustainable development; today it is question of facing the collapse of the standard of living, of fighting rising unemployment, and ensuring a most needed social protection. The ESC are the experts in this field, they should be aware of their mission and show the quality of their engagement to all the stakeholders.

We seize the occasion to define an approach of the role of the ESC according to the model most in favor in the world as adopted by the referential institutions:

- 1- The ESC is concerned with the economic, social and environmental problems, main interest of the civil society that it represents, and privileged field where the ESC may have a capital contribution;
- 2- Its role is advisory, however if the opinion of the ESC agrees with the more comprehensive objectives of the nation, it hastily finds its way to implementation. This advisory role and the respect of the legislative and executive competences make it possible for the

ESC to show imagination and to excel in raising innovative solutions;

- 3- The nature of its work imposes on the ESC coherence with the legislative and executive powers of which it derives. The ESC gives voice to the representatives of the civil society, and transmits to the government a largely consensual opinion forged in the procedure of dialogue and consultation. It also devolves to the ESC to inform the public opinion on the objectives of the approved policies;
- 4- The ESC drifts its experience and knowledge from the other ESCs in the world. The major ESCs built a communication network and a direct and effective co-operation in all fields of their competence. This extraordinary know-how is at the disposal of all the ESCs;
- 5- The ESC invests this capacity on the national level in sustainable development; and contributes abroad, within commissions grouping similar ESCs, in order to promote joint projects of regional or international interest, such as: extension of poverty and misery in the world, the problems of health in the Third World, illiteracy in developing countries, women's rights, children work, pollution, the climatic heating, greenhouse gas effect, clean energy, and so much of other subjects of social and/or environmental interest.

The ESCs in the world are invited today, to take the initiative of a common step, proposing effective policies able to face the world-wide crisis and to reform the financial system, which is at the roots of destabilization of the world economy.

Economic progress and social protection

The right approach of social problems requires the setting up of a social contract which satisfies, on one hand, the economic situation and the requirements of growth, and on the other hand the social condition and the needs of the sustainable development. This approach rises from the studies and the field work undertaken by the ESC in the economic field (agriculture, industry, tourism, foreign trade, SMEs ...) in the social field (education, public health, social protection, pension fund ...) as well as scientific field (higher education, technology transfer, productivity ...)

- The expansion of unemployment, in itself, reveals an economic order which denies the principle of the “nation of all, for all”. A decent work opportunity for all is not the fact of nature, but of an order which gives to the full employment the priority to which the nations committed themselves since 1964 (ILO convention 122)
- A productive economy, does not reduce only unemployment, it ensures a decent incomes thanks to competition. The improvement of income always has a positive effect which is translated into productivity gain and strong growth. The South countries are particularly in need of productivity and growth to achieve their economic takeoff.
- Within the framework of such an economy there would be no more difficulty in launching the “unemployment benefits regime” to retain the young people and the most qualified executives in the country. There would be no difficulty either in adopting a pension plan which allocates a reasonable share to the distributive pillar, expression of national solidarity.

- Health drains a significant part of the state budget and of the citizens' income in most of the countries of the area - In Lebanon the cost of health is estimated at 12% of the GDP – Such ratio is enough to cover all the citizens in advanced countries; and consequently nothing prevents from extending the benefit of health to all within the framework of an effective control.
- Education is the corner stone of development; it is also the priority of the citizens. The state must abide by this priority, and satisfy the highest level of education standard. That requires the promotion of teacher vocation, especially in the primary classes, and to regard teaching as one of the highest trades in the scale of professions, and to attract the most promising young people to education, ensuring them suitable wages.
- From such orientations which constitute the base of a social contract, the ESC can submit to the government a development program, resulting from the constructive dialogue of the representatives of the civil society, which definitively puts the country on the track of sustainable development, and results in an emerging country with a prosperous economy and an advanced society.

Needs for the full employment in the emerging countries

Two theories conflict with an equal success according to circumstances':

- The first believes in a natural rate of unemployment which derives from global balances that it would be vain and costly to thwart;
- The second supports the idea that the macro-economic balances more often generate the under-employment; and that the market cannot by its own forces develop a sufficient competition to curb the trend. Thus it devolves to the public policies to promote

competition and to ensure a favorable environment to full employment.

The paradigm of natural unemployment largely dominated since the Second World War and until the burst of the international crisis. Except some chilly voices which raised fears of inflation and which quickly realized that they went against current, the whole world rejected the neutrality of money and in a perfect Keynesian movement harnessed itself to support the Demand, to maintain the production level, and to fight unemployment.

Without extending on the theoretical aspect of the question, we simply would like to recall that the conservative countries had the means of their policy, while they rejected employment objectives (or supported the policy of the structural adjustments for the developing countries) since they enjoyed a flourishing economy, acceptable rates of unemployment, and a sound unemployment benefits insurance program.

This was not the case for the countries which suffered a high unemployment rate and did not have any unemployment benefits program. A conservative policy proved to be negative in more than a way for such countries: (I) High unemployment indicates a misuse of resources and an ensuing loss in the GDP; (II) the persistence of unemployment ends up spoiling the qualification of a large part of the workers, and scaling down the labor productivity; and (III) the decline in competition on the labor market prevents the forces of the market from being directed towards “the right” distribution of income, the improvement of the working conditions, and the trend towards a sound economy.

The world-wide crisis and its impacts on the countries of the area

The South of the Mediterranean did not suffer from the crisis as much as the majority of the countries in the world and certain countries of the Middle East. However it is compulsory to take preventive measures in case the crisis is lengthened, or that its effects accelerate.

Our financial markets avoided on the derivatives and other toxic products based on the housing mortgages. The domestic stock exchange is still too small to influence the economy. At the time the crisis extended to Europe, around the middle of last year, the countries of the area suffered already from a regional instability which limited the investments and growth. They did not benefit from the oil prosperity or financial prosperity of more privileged countries the last years. Therefore they did not endure the shock which affected other areas in the world.

The economy of the South remains sensitive to the retreat of the Arab and European investments, as well as to the decline of transfers and incomes due to the rise in unemployment in immigrant workers' countries, the decline of exports, and the deceleration of the trade between the countries of the South and their Arab and/or European major partners.

It is not reasonable to rest on certain optimistic predictions that announce the end of the crisis for soon. Nobody is able to predict the end of the crisis; all that we can predict is the impact of some measures that the nations are undertaking. Such measures enable us to believe that in spite of its intensity, the recession shall not be converted into depression, being the huge means injected in the economy by the United States, Europe and the great nations in Asia to support the Demand. However the way out of the crisis requires still more, it requires the eradication of the causes of the crisis, and reforms in the international financial system.

If we can retain something positive of this crisis, beside its many misdeeds, it is the awareness that the public institutions are created to accomplish an essential role in the achievement of economic and social objectives. The ESC is the privileged tool for the participation of the civil society in the economic and social decision, and the contribution of its experience and its capacities to make evolve the situation to the best.