

**TRADE UNION STATEMENT
TO THE SEA ISLAND G8 ECONOMIC SUMMIT
June 2004**

I INTRODUCTION AND SUMMARY

1. G8 leaders must use the Sea Island Summit to rebuild international co-operation based on multilateral institutions as the only way to gain global public support. This is necessary to counter the escalating threats to physical security and achieve just political settlements to the growing number of disputes. This must have as its foundation the full respect for human rights and the reinforcement of the role and authority of the United Nations. The international trade union movement is united in expressing its abhorrence at the spiralling atrocities in Iraq. It expresses its utter condemnation and revulsion at the brutal murders and calls for the immediate and safe release of all hostages and an end to the vile practice of kidnapping. It also condemns acts of abuse and torture by coalition forces against prisoners detained in Iraq. Full and open investigations must ensure that all those responsible for these extreme violations of international law are brought to justice. Geneva Conventions must be observed. The current tragedy shows the failure of the G8 governments to act to respond to the growing economic and social insecurity caused by persistent poverty and growing inequality in developing countries, which create breeding grounds for conflict, extremism and terrorism.

2. The current model of “free market” globalisation is clearly not working for working people. Inequality and insecurity is growing. The report of the ILO’s World Commission on the Social Dimension of Globalisation has pointed to the failure to manage globalisation so that it serves human needs. The report rightly claims, “Public debate on globalisation is at an impasse. Opinion is frozen in the ideological certainties of entrenched positions and fragmented in a variety of special interests. The will for consensus is weak. Key international negotiations are deadlocked and international developments go largely unfulfilled.” That applies in particular to the mishandling of the integration of China and other developing countries into the global trade and investment system. Export-orientated strategies are seen to lead to imbalanced and unsustainable growth in developing countries, alongside the loss of good jobs in the industrialised countries.

3. Governments must take the lead in breaking out of this impasse. They must give the required political leadership to achieve four central priorities:-

- The reestablishment of the leadership role of the United Nations in the maintenance of peace and the peaceful resolution of disputes;
- The restoration of faster and more balanced economic growth that creates more and better jobs, “sustainable job-rich growth”;

- The development and enforcement of fair rules on international trade and investment that are in conformity with human rights standards, including core labour rights and agreements on environmental sustainability;
 - Getting back on track to attain the Millennium Development Goals and reduce the income gaps between developing and transition countries and the industrialised world.
4. As immediate points for action on the economic and social agenda, the trade unions in G8 countries, together with the global trade union movement call on governments to:-
- Reassert strongly the primacy of the respect for human rights in their action against terrorism;
 - Work with central banks and the social partners to stimulate demand growth particularly in Europe and Japan so as to rebalance growth worldwide and stimulate job creation;
 - Expand growth potential and the quality of employment through structural initiatives based on human capital investment, skills adaptation, income security in a changing job market;
 - Restore confidence in corporate governance by effective enforcement of rules on transparency, board accountability, shareholder responsibility and employee rights as well as implementation of the OECD Guidelines for Multinational Enterprises;
 - Follow up the proposals of the G8 Labour Ministers and the ILO World Commission Report to establish Policy Coherence Initiatives and a Globalisation Policy Forum, and give practical meaning to the concept of the socially responsible economy through the re-enforcement of rules on human rights, including core labour rights;
 - Take urgent action to meet the Millennium Development Goals, by delivering the promises given to developing countries on debt relief, and development assistance, and by launching an new International Finance Facility and a world workplace initiative to monitor agreed sustainable development targets.

II SECURITY AND THE MIDDLE EAST

5. Peace and security is a prerequisite for achieving trade union goals of democracy, social justice, employment and development. As the G8 meets, armed conflicts affecting people in more than 40 countries worldwide are taking place. Many conflicts have their origins in extreme injustice, poverty, inequality, corruption, and the denial of human rights and democracy by those holding power, whether governments or those fighting against existing governments. Promoting and defending the rights of working people to form and join unions is a key component of the quest for peace and security at all levels.

6. The past two years have seen serious challenges to the role of the United Nations in providing a multilateral framework for peace and security around the world, particularly in relation to the war in Iraq. Major G8 powers have been increasingly prepared to resort to military action before other options are exhausted, rather than using recourse to arms as a last resort and under legitimate international mandate. The international trade union movement

deplored the decision to launch the war in Iraq as unnecessary and unacceptable in the absence of explicit UN authorisation. While the end of the brutal regime of Saddam Hussein freed the Iraqi people from a tyrannical dictatorship, the escalating loss of life and widespread suffering following the end of the initial hostilities now underlines the consequences of military action taken without the legitimacy of worldwide support, and in particular in the absence of UN authority. For these reasons G8 governments should commit themselves to give the UN the leadership role for the transition in the shortest possible time to the assumption by the Iraqi people of control over their own destiny.

7. Respect for freedom of association as part of labour legislation in line with ILO standards is an essential prerequisite for post-conflict reconstruction efforts in Iraq and Afghanistan as elsewhere, in order to ensure social and economic justice and the development of democracy. The international trade union movement is committed to work to achieve this in every country affected by war.

8. The war in Iraq has had important consequences for prospects for peace in the Middle East as a whole. In particular, the quest for peace between Israel and Palestine, based on the existence of two independent and viable states, requires renewed international attention and support from all G8 countries. They must actively support UN Resolutions 338 and 242 concerning the Gaza Strip, the West Bank and the Golan Heights and respect for Palestinian self-determination, as well as the “Road Map” for peace, as key building blocks for peaceful and constructive relations between Israel and its neighbours. They must call upon the Israeli and Palestinian authorities to renounce violence and to implement the “Road Map” in full. More broadly, the democratic and human rights deficit in many countries of the region is a barrier to stability, security and peace, and provides an environment which strengthens extremist and fundamentalist sentiment.

9. The proliferation, and potential proliferation, of nuclear arms and other weapons of mass destruction must be of the most profound concern to the G8 and the entire international community. The clandestine export of nuclear weapons technology, coupled with nuclear arms build-up and development of nuclear capacity, requires an urgent and comprehensive international response, with particular focus on the role of the International Atomic Energy Agency. All countries must work to achieve within the shortest possible time, the ratification and implementation of the Comprehensive Test Ban Treaty, the Non-Proliferation Treaty, the Chemical Weapons Convention and other relevant international instruments.

10. The international trade union movement categorically condemns all forms of terrorism, and pledges to support all efforts, based on respect for human rights, to root out terrorism and prosecute those responsible. As in other terrorist atrocities, it was working people, at their workplaces, who were the main victims of the September 11 and subsequent attacks. Efforts to defeat terrorism must also deal effectively with the economic, social and political factors including illiteracy, poverty and unemployment, which enable terrorist organisations to build support and to recruit. The connections are now clear between illegal trade in drugs, precious minerals and other goods, clandestine arms sales, offshore tax havens and the activities of terrorists and other armed groups. International cooperation to achieve effective global oversight, regulation and enforcement must take place in order to break the connections between terrorism and organised crime.

11. Religious and nationalist extremism, often arising from poverty and injustice, are major factors in many internal and cross-border conflicts taking place around the world. The rise in

fundamentalism underlines the need for the promotion of sustainable and equitable development, good governance, democracy and human rights, and education for tolerance and mutual respect. The G8 must recognise that trade unions are key allies in this process.

12. Workers in maritime and air transport are also in the front line in combating terrorism. Unions are working to make transport safer whilst ensuring that the human rights of transport workers are protected and enhanced. A non-permanent workforce in transport damages security. It is also essential that whistle-blower protection be negotiated to ensure that workers can speak out when they believe something is wrong. G8 governments must regulate transport security, provide effective funding, to ensure an intermodal approach between different forms of transport and respect the human rights and privacy protection of transport workers in both air and maritime transport.

III JOBS AND DEMAND WORLDWIDE

Increasing Growth and Expanding Employment: Resolving the growth and jobs paradox

13. Although the G8 meets at a time when short-term economic prospects appear to be brightening in some countries, the world's three major economic regions are becoming dangerously imbalanced, with macroeconomic and currency misalignments threatening further global destabilisation. Inflation remains low, but deflationary fears persist in the Euro zone, requiring strengthened expansionary measures. Unemployment remains unacceptably high across the OECD with stagnant or falling wages and rising poverty levels in some countries. The ILO has stated that global unemployment has reached over 185 million, the highest level ever recorded, with 550 million people working in extreme poverty on US\$ 1 or less a day, a number unchanged since 2002.

14. The policy priority of raising job growth must be achieved through higher and more balanced economic growth across the three major regions, with a focus on increased domestic demand. This requires first and foremost that the Euro zone finally becomes an accelerated engine of growth, through a significant easing of monetary policy, alongside, in the short term, flexible implementation of the existing Stability Pact, allowing coordinated growth orientated fiscal policy. The nascent recovery of the Japanese economy is welcome and all policy measures must be taken to sustain it at a higher rate. The United States' recovery remains fragile and monetary policy must remain expansive, while fiscal policy must be reoriented both to raise the incomes of middle and low-income families as well as the unemployed, and to begin to restore the depleted infrastructure. That will pave the way for much needed job growth and allow internal and external imbalances to be reduced without transmitting a shock to the global economy.

15. Higher sustainable growth built upon domestic demand is needed in most developing countries. Yet, unemployment, or unprotected employment continues to plague much of the developing world, along with growing informal employment in those countries suffering from low growth, driving further in-work poverty. The legacy of market-driven adjustment packages, often externally imposed with an over emphasis on export-led growth, has had a deflationary effect, weakened overall investment, led to depleted infrastructure and hollowed out the public sector to the point that it simply fails in many countries. The excessive focus on export-led growth in some countries is creating huge problems of internal migration.

Financial market liberalisation and de-regulation have meanwhile led to an explosion in the level of financial reserves, diverting scarce resources away from productive investment. The main beneficiaries from this have been wealthy elites whilst the working poor and the unemployed have paid the price.

16. In the OECD area an opportunity exists for an activist macroeconomic policy to promote growth and employment, against the low-inflation backdrop, but ad-hoc unilateral action is insufficient in today's interlinked globalizing economy. To maximise this growth potential and to avoid negative spill over effects, G7 and wider OECD Finance Ministers and Central Banks need to implement a coordinated package of measures to boost the global economy and jobs growth:-

- The European Union must put the Lisbon Strategy back on track, with its three per cent growth target and social policy orientation. In addition to flexibly interpreting the Stability and Growth Pact in the short term so as to support growth, policy makers must revise the Pact so as to encourage public investment and allow fiscal initiatives to boost domestic demand in times of economic downturn, while undertaking fiscal consolidation in upturns. The European Central Bank (ECB) with its obligation to foster growth and employment, against a backdrop of disinflation and an over-valued Euro must support the Lisbon goals of high economic growth and social cohesion. The economic and social situation demands a cut in interest rates, while policy makers need to set exchange-rate guidelines for the ECB, in cooperation with other Central bankers to help address imbalances in the world economy, and thereby enhance growth. A scenario of sustained above-trend non-inflationary growth would boost investment and productivity and give the social partners' confidence to negotiate employment-creating pacts based on innovation and up-skilling.
- The United States' monetary response to the economic slowdown has helped to kick-start growth, but the recovery remains fragile and jobless, largely due to a badly targeted fiscal policy. The fiscal give-away to the rich through tax cuts for wealthy individuals and large corporations has failed the US economy and working families. It must be re-orientated to those most in need – the working poor and unemployed, and job-creating small and medium-sized firms, underpinned by much needed public investment to improve infrastructure and create jobs. A sustainable recovery requires rising wages and employment growth, implying a fairer sharing of the current productivity gains. Such a policy mix will boost non-inflationary growth with jobs whilst increasing tax revenue to reduce the federal budget deficit.
- The Japanese economy at last seems to be turning the corner. However, the recovery is fragile, and over-dependent on the export sector. Meanwhile, consumer confidence is remains low in the face of continued deflationary expectations. The Central Bank must maintain its policy of pumping liquidity into the economy through the banking system, though policy should also focus on bolstering domestic demand through consumption, alongside effective investment to create a better balanced recovery. Simultaneously a signal should be sent that interest rates will be maintained at their current levels for the foreseeable future. Measures must be taken to increase consumer confidence and spending, so as to stimulate domestic demand and reduce unemployment including a signal by the government that real wage increases are to be encouraged.

The Need for a “High Road” Approach to Job-Creation

17. The OECD’s Growth Study and the recent growth and employment performance of a number of European countries, in particular those in the Nordic area that have chosen a “high road” to reform, shows that labour market success and high employment rates can be achieved through appropriate and interlinked policies in the fields of social dialogue, macroeconomic policy and labour market policy. One-sided measures that merely reduce welfare provisions and “punish” the unemployed are unjust and ineffective.

18. Investment in education is of crucial importance in the “knowledge society”. Public investment in general education must be a priority for OECD governments, and be sufficient to ensure quality and equity of access. The target for investment in education for each OECD country should be 6% of GDP. Globalisation is also leading to increased movement of peoples across borders, increasingly into OECD countries and special attention must be given to the education and recognition of the existing qualifications of refugee and migrant families, in order to avoid “ghettoization” with dangerous consequences for social cohesion and security. Pre-school education programmes are important in creating opportunities and overcoming disadvantages due to ethnic, cultural or socio-economic differences.

19. The G8 Governments must deliver on past commitments to invest in lifelong learning by:-

- Implementing active labour market policies in order to allow socially acceptable restructuring and company-based schemes for paid educational leave;
- Providing adequate financing for education and lifelong learning, ensuring that employers also invest in skills and that all individuals have the motivation to undergo lifelong learning, overcoming the well-known tendency for the market to under-provide training;
- Encouraging and facilitating agreements between employers and trade unions to make participation in lifelong learning feasible;
- Pursuing policies to strengthen equal opportunities and close gender gaps and other forms of discrimination in education, training and employment;
- Pursuing policies to promote both high performance work systems and the effective use of the skill potential of the workforce, especially workers’ insights and experience.

20. Trade unions are prepared to step up their action as negotiators of training and manage change in order to support the “high-road” approach; but they must however be given the role of key actors in this process.

IV CORPORATE ACCOUNTABILITY AND RESPONSIBILITY

Corporate Governance

21. Public distrust of the corporation is now widespread in G8 countries and beyond. At the start of the new millennium unrealistic profit expectations and the accompanying equity

market bubble came to an abrupt halt amid a series of corporate and financial scandals. These crises have continued and spread from the spectacular corporate failures of Enron and Parmalat to a wide array of companies across the international scene. Powerful corporate insiders have been manipulating widespread conflicts of interest to enrich themselves; not by creating wealth, but by redistributing income to themselves at the expense of employees, shareholders, taxpayers and the public. These cases have revealed lax corporate regulation, cosy corporate boards and passive shareholders. Meanwhile employees have lost their jobs, retirees have lost their retirement security, and the productive resources of corporations have been diverted and destroyed. A wedge has been driven between the private interests of insider business elites and the wider public purpose of the corporation.

22. National level responses have gone some way to help restore the public's confidence in corporations, but still fall short of what is needed. Self regulation, without a robust and enforced regulatory regime is inadequate. Stakeholders, including employees as well as responsible investors and shareholders must be empowered to hold CEO's and boards to account for their actions, while ensuring responsibility to external constituents. At the international level OECD Ministers have endorsed the newly revised OECD Principles of Corporate Governance, which are the only international standard to guide national level debates around corporate governance reform. This recognises stakeholder rights whether by law or mutual agreement. Governments must now give a clear mandate and resources to develop a multi-stakeholder dialogue, alongside a monitoring process of member government's corporate governance reforms, so to inform a forward looking work programme to further develop and strengthen the Principles in all areas.

The Role of the OECD Guidelines for MNEs

23. If properly enforced, the OECD Guidelines for Multinational Enterprises are of key importance in developing a strategy to manage globalization since they regulate corporate conduct worldwide. As they apply to non-adhering countries, they can make a difference for workers in non-adhering countries where labour rights are often violated. But workers can only take advantage of the Guidelines if they are widely disseminated. TUAC therefore calls on G8 governments in particular to increase efforts to raise awareness of the Guidelines particularly in developing countries. The OECD must also assist countries that wish to adopt the Guidelines, thereby increasing their global reach.

24. Trade unions regard the Guidelines as a tool for social dialogue, which can assist the negotiation of framework agreements between Global Union Federations and multinational corporations. The Guidelines can contribute to conflict-solving not only through the efforts of National Contact Points (NCPs), but also because the social partners make active use of the Guidelines procedures. But for this to happen, they have to be backed up by capable and forceful NCPs. Several NCPs are still remiss in their handling of cases. TUAC calls on the G8 governments of Japan, Italy and the United States in particular to review and invigorate their NCPs.

25. The Guidelines have a role to play in trade and other international agreements. They should set the floor for investors as well act as a benchmark of behaviour required to lead to the receipt of public subsidies. Only companies that respect the Guidelines should be eligible for export credits and other subsidies. They should also be used as minimum requirements in contracts between international organizations such as the World Bank and multinational enterprises.

V FOR A JUST GLOBALISATION

26. The collapse of the 5th WTO Ministerial Conference in Cancun demonstrated the inability of the current multilateral system to cope adequately with the multiple social and economic challenges of globalisation. If negotiations are to restart, WTO members must recognize that trade is only one of the elements in the three pillars of sustainable development endorsed at the World Summit on Sustainable Development in 2002, and give full attention to the social dimension of development including the respect of fundamental workers' rights. Greater democracy and transparency within the WTO will be required along with progress on other key goals set by the Doha Development Agenda including eliminating agricultural export subsidies. Trade unions look to the latest EU initiative to remove all agricultural export subsidies as a positive step in the negotiations aimed at responding to the demands of developing countries for access to agricultural markets and for food security.

27. The G8 Labour Ministers meeting in Stuttgart in December 2003 called for work to establish an inter-institutional forum in the multilateral system to ensure the respect for workers rights. It also proposed action to develop international industrial relations. The ILO's World Commission on the Social Dimension of Globalisation also made strong pleas for there to be far more attention paid to the social dimension of globalisation. Both have called for coherence to be established in the multilateral system in the respect for workers rights by all international institutions including the IMF, World Bank and the WTO. The G8 Summit should endorse these conclusions and the governments should agree action in particular to:-

- Examine their own procedures to ensure that there is coherence of action based on a sustainable and responsible economy and with respect to universal values and human rights to better implement them in practice;
- Launch Policy Coherence Initiatives in which they work together on the design of more balanced and complementary policies for achieving a fair and inclusive globalization;
- Launch a Globalization Policy Forum by relevant international organizations. The Forum will be a platform for regular dialogue between different points of view on the social impact of developments and policies in the global economy;
- Deal with international economic and labour policies in a more integrated and consistent way;
- Establish structures for consultation with the social partners in the International Financial Institutions and the WTO.

28. The *laissez-faire* approach of some governments to the offshore outsourcing of jobs from developed to developing countries threatens to undermine support for the multilateral trade and investment system. The adequate response should encompass OECD governments creating a permanent space for dialogue and negotiations between trade unions and businesses, supported by targeted regional and industrial policies along with active labour market policies to help those communities whose jobs may be affected. Trade unions and forward-looking employers are negotiating these issues both at the national and international level through the sectoral Global Union Federations. The focus is on early negotiations to

maintain sustainable employment, avoid compulsory lay-offs, and to promote internal firm-level redeployment and up-skilling, whilst at the same time ensuring that workers rights are respected and developed everywhere and that companies recognise and negotiate with trade unions. Governments have a role to support the outcome of negotiations. More could be done by the OECD Development Assistance Committee and its members to encourage international trade union cooperation and capacity building in the developing countries. A specific focus is needed on stopping the proliferation of labour rights abuses in export processing zones. The OECD Trade Committee horizontal project on Trade and Structural Adjustment also has a key role to identify the gaps and reform requirements within the architecture of the global trade and investment system, and to promote socially inclusive flanking policies at the national level, with an active role for the social partners. The OECD and the ILO need to step up cooperation on these issues and transform the project into a continuing one beyond its cut-off date in 2005.

Sustainable Development

29. Despite a plethora of Summits, inter-governmental agreements and pledges, the UN's millennium goals of poverty reduction remain a mirage, while environmental destruction and global warming move the planet inexorably toward an unsustainable future. Successive G8 initiatives and commitments have not been lived up to. The multilateral institutions with the responsibility to integrate the three pillars of sustainable development – economic, social and environmental - lack the needed horizontal and integrated policies and work programmes to effectively deliver on the ground.

30. Globalisation is deepening the inter-linkages between previously independent decision-making processes related to social, environmental and economic issues. Decision-makers are increasingly aware of the costs of failing to integrate policies, especially at the national and local levels. Programmes that capture synergies between the three pillars of sustainable development will win public support for change. The OECD should maintain and develop its interdisciplinary capacity for work on Sustainable Development.

31. Additional resources must be allocated towards debt relief for low-income indebted countries. The level of debt relief provided by the HIPC programme must be increased, the number of eligible countries must expand, and structural adjustment conditionality that may hamper the achievement of MDGs must not be part of debt relief requirements. The IMF and World Bank should examine other policy options, such as the proposed International Financial Facility, in order to channel more financial resources towards developing countries, and to support the New Partnership for African Development (NEPAD). They should ensure that their loan conditions do not prevent the implementation of poverty-reduction measures as defined in poverty reduction strategy papers.

32. The UN target for allocating 0.7% of GNP as official development assistance must be treated as an achievable target by all countries. Such aid should serve the interests of recipient countries and not continue to be characterised by privatisation-orientated “tied-aid” policies. Nor should the current link between aid and security issues boost military expenditure at the expense of humanitarian assistance and poverty reduction. Moreover targets adopted by governments and stakeholders at the United Nations Millennium Assembly of 2000 and the Earth Summit in Johannesburg in 2002 must become the beacons for change, especially with respect to public health, education and the alleviation of poverty, as well as social and environmental imperatives. Dedicated efforts must translate targets into concrete and

measurable regional, local and workplace programmes for change. However, programmes are doomed to failure unless their workers and the wider public participate actively in their design and implementation.

33. Sustainable development should be an inherent feature of decision-making and reform. In practical terms governments must:-

- Promote research and development cooperation to improve understanding of employment implications of change, and its role in poverty eradication. Make employment policy an instrument of Millennium Development Goals fostering worker involvement in production and consumption change;
- Promote workplace partnerships which encourage employers and trade unions to set joint targets for education, water, health, hygiene and habitation and to engage in joint monitoring measures. Engage in workplace actions to promote worker and public health and put workplaces at the centre of Government and Corporate accountability measures;
- Address the distributive social effects of market-based instruments for implementing environment and economic targets. Ensure that trade and investment decisions support the integration of social policy in environment and economic planning;
- Align their programmes of work with the yearly thematic cycles of the UN Commission on Sustainable Development (CSD) and to join international efforts to address water and sanitation issues for 2004-2005;
- Implement previous G8 decisions to support “Education for all” targets set by the UN institutions and the World Bank to be achieved by 2015.