

TRADE UNION STATEMENT¹
TO THE EVIAN G8 ECONOMIC SUMMIT
AND OECD MINISTERIAL COUNCIL
April-June 2003

I Introduction and Summary

1. Against the grave background of the impact of the armed conflict in Iraq, the G8 and OECD leaders must use the Evian Summit and OECD Ministerial Council meeting to rebuild multilateral co-operation and reform and give legitimacy to international institutions. The international trade union movement stated that the decision to go to war in the absence of United Nations authority was unjustified, but the urgent priority must now be the reconstruction of Iraq under the UN including an active role by the International Labour Organisation. Moreover, the political fractures evident in the current crisis must not be allowed to undermine already inadequate economic and social coordination. In the industrialised economies deflation remains a real danger whilst unemployment and job lay-offs are rising. The poverty crises in many developing countries remain unresolved. Three years into the new millennium, the world is further from achieving the UN's millennium development goals than it was when they were agreed by all nations as achievable and necessary objectives. In addition, global warming and environmental degradation are worsening daily.

2. The G8 and OECD governments have the responsibility to give the political leadership required to achieve three central priorities:-

- The promotion of employment, so as to provide decent work for all;
- Sustainable development and trade, integrating its economic, social and environmental dimensions within a strengthened democratic framework;
- The reduction of the gaps between developing and transition countries and the industrialised world.

3. The dogma that unregulated markets provide global wellbeing has been shown to be false. Global markets including financial markets need to be matched by an international framework of rules and institutions to ensure that public policy objectives are met and that the potential benefits of trade and investment are harnessed and distributed in the interests of sustainable development. Governments must draw the correct conclusions from public concern over the negative aspects of globalisation which are illustrated by the widening gaps in wealth and growing insecurity of many in their own populations. They must engage in more effective consultations with trade unions. On economic and social issues we represent a pre-eminent stakeholder of civil society - working people and their families. The results of

¹ This statement has been prepared by the Trade Union Advisory Committee to the OECD (TUAC) in co-operation with our partner organisations, notably the International Confederation of Free Trade Unions (ICFTU), the World Confederation of Labour (WCL) and the European Trade Union Confederation (ETUC).

this dialogue must also be translated into action in developing a socially acceptable vision of globalisation.

4. Governments must clearly commit themselves to making the institutions that underpin multilateralism work for working people and their families, and in particular they must attain the objective of decent work for all, along with a commitment to implement agreed Conventions and Protocols. As immediate points for action, the trade unions in G8 and OECD countries together with the global trade union movement call on governments to:-

- Lead the way by initiating a global stimulus plan aimed at raising the consumption of those on lowest incomes and bringing forward public investment expenditure on regions and development, environmental improvement and education (§ 5-8);
- Re-assess employment strategies with a renewed focus on institution building to foster human capital investment, skills adaptation and income security in a changing job market (§ 9-14);
- Give practical meaning to the concept of the socially responsible economy through the re-enforcement of rules on human rights including core labour rights, tax havens, bribery, corporate governance, implementation of the OECD Guidelines for Multinational Enterprises, and financial markets. In maritime transport, negotiations must begin to establish a new regime to give transparency of ownership, and set standards in flag states (§ 15-24);
- Initiate broad public involvement in new structures and forms of international economic governance including the establishment of an Economic and Social Security Council to ensure coherence between the strategies of existing international organisations (§ 25);
- Implement sustainable development by delivering the promises given to developing countries on debt relief, development assistance, access to life-saving drugs, food security and access to agricultural markets and live up to promises given on NEPAD (§ 26-30);
- Take concrete measures at or before the Fifth WTO Ministerial Conference to protect public services and the right to universal access to basic goods and services from the GATS negotiations, address serious concerns about restrictions of national sovereignty in the investment and competition policy proposals for WTO negotiations and advance core labour standards (§ 31-34).

II Restoring Growth and Getting on Track for Full Employment

The Growth and Jobs Imperative

5. The world's three major economic regions face spiralling into a synchronised recession. IMF and OECD growth forecasts have been cut and the potential impact of the Severe Acute Respiratory Syndrome (SARS) epidemic on Asian growth raises new concerns. The risk of deflation is real. Job losses and firm closures are accelerating and OECD-wide unemployment is rising. In some countries wages or household incomes are falling, while poverty levels rise. The ILO estimates the number of unemployed worldwide has grown by more than 20 million

since 2000 to reach a total of more than 180 million today, with tens of millions more under-employed or forced into unregulated work.

6. Sustainable employment creation has to be the prime objective of economic policy-making. Monetary policy easing in the United States is welcome, but it remains too restrictive in the Euro zone. Both regions are failing on fiscal policy. The US Administration's planned fiscal give away to the rich will do little to boost domestic demand, jobs and growth, while a rigid interpretation of the Stability and Growth Pact is a fiscal straight jacket on European growth. Japanese policy paralysis has locked deflation into the system, while the banking crisis is casting a further shadow over the economy.

7. Many developing countries have become trapped in inappropriate macroeconomic policies, largely determined by IMF and World Bank conditionality. The failures of the externally imposed neo-liberal policies of the IFIs are starkest in Argentina. Many parts of Africa and Asia too are suffering, while most transition economies stagnate. Developing countries therefore face further declines in domestic and export demand, and a further setback to achieving the millennium development goals of poverty reduction.

8. Complacent responses or the argument that all problems are structural will no longer suffice. We agree with the International Institute of Finance that G7 and OECD Finance Ministers and Central Bankers must formulate a global stimulus plan combining concerted and coordinated monetary and fiscal policy action to kick-start economic and employment growth and reflate the global economy:-

- Given the higher interest rates and sound external position in the European Union, it is the European Central Bank and European policy-makers that must lead on global economic recovery by significantly reducing interest rates and by boosting capital, environmental and human investment as part of a counter-cyclical recovery programme. The Stability and Growth Pact must be intelligently reformed to bring it into line with the "Lisbon Strategy" commitment to full employment;
- In the US, fiscal policy must prioritise real measures to boost investment and infrastructure spending, along with the restoration of social safety nets and tax reductions for those on low incomes, while easing the restrictions on state-level borrowing;
- The Japanese authorities have to inject significant liquidity into the economy to stimulate private sector job creation, create direct employment, and maintain and improve the social safety net so as to reduce worker insecurity. Reform of the Japanese banking sector necessitates an enforced role for the public authorities. But subsequent restructuring will only be credible if an emergency employment pact to create new jobs, and protect existing ones is implemented with the full involvement of the social partners.

Interaction of Macroeconomic and Structural Policy

9. The recent experience of a number of European countries, including 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. A recent World Bank

analysis also shows that economies perform better in coordinated labour markets. High rates of employment are compatible with well-funded and efficient welfare states and decent systems of employment protection. Government must work together with business and trade unions in areas beyond labour market policies to have effective economic development strategies.

10. Against this background the OECD must:-

- Monitor member countries' implementation of the recommendations of the OECD Growth Study and undertake a thorough reassessment of the Jobs Strategy to promote decent work;
- Develop appropriate policy-based analysis to support the implementation of a global stimulus plan, including improving and modernizing public infrastructure in the fields of lifelong education and training, health care, transport, access to water services and protection of the environment;
- Assess how social dialogue can contribute to reducing income inequalities, especially gender-based discrimination, and increase productivity.

Investing in Skills and Managing Change

11. One lesson of the OECD Growth Study and its Review on Adult Learning was that policies aiming to build human capital through joint action by governments, firms and trade unions must be based on a broader agenda for the socially acceptable management of change at the workplace. Trust and confidence play a key role in explaining longer term economic growth. This requires better anticipation and advance notice of change at the firm and local level so that restructuring can take place in a socially acceptable way. Trade unions need to be able to negotiate change.

12. In the knowledge-based economy, competitive advantage will flow to those countries that have built and are maintaining social capital based on trust, social cohesion and solid industrial relations that give workers an effective voice. Yet in a number of sectors in OECD economies there is evidence of a weakening of the attachment between firms and their employees and an increase of both contingent employment and precarious work. All too often corporate culture and employment strategies view employees as costs to be cut rather than assets to be developed. Moreover, inequalities in access to training are widespread: part-time employees, workers on low incomes, those in precarious or contingent work, older workers, migrant workers and all too often women, are in practice denied access to further training and lifelong learning.

13. The OECD and G8 Governments must live up to the unmet promises in the Cologne Charter on lifelong learning in particular by:-

- Implementing active labour market policies in order to allow socially acceptable restructuring and supporting company-based paid educational leave schemes;
- Providing adequate financing for education and lifelong learning: here, the responsibility cannot be shifted away from employers nor can individuals be left to fend for themselves;

- Encouraging and facilitating agreements between employers and trade unions that make participation in lifelong learning feasible in practice;
- Pursuing policies to strengthen equal opportunities and close gender gaps and any other form of discrimination in education, training and employment;
- Pursuing policies to combat age discrimination against older workers, facilitate their employment and retention by promoting the adaptation of work organisation to suit older workers and implement measures to provide training options;
- Pursuing policies to promote both the implementation of high performance work systems and the effective use of the skill potential of the workforce, especially the insights and experience of workers;
- Commissioning a thorough stocktaking of lifelong learning policies, focusing especially on what has worked and what hasn't in order to better inform the implementation of the Cologne Charter on lifelong learning.

Trade unions are prepared to strengthen their activities as negotiators of training and in managing change in order to support the “high-road” approach; they must however be given the role of key actors in this process.

14. High quality general education for all is the foundation for life-long learning. Governments must maintain their responsibility for general education enabling all young people to acquire the skills and competencies that will enable them to take their places in society as responsible citizens. At a time when globalisation has led to increasing mobility of families, special attention must be given to the education of migrant children and young people. G8 and OECD governments must also develop concrete proposals for the fulfilment of the commitment made at the 2002 G8 to support Education for All in the developing countries.

III Principles of a “Responsible Economy”

15. The French G8 Presidency’s initiative to launch a debate among G8 leaders, international institutions and social partners on the required principles to underpin the concept of a “responsible economy” is welcome and timely. For trade unions, the erosion of effective national level public regulation, along with the failure to create a values-based multilateral framework of rules and institutions to govern markets is the most serious concern. It is this that lies behind the succession of corporate crises that have rocked the global economy over the last ten years. Elites have lined their own pockets, and the result has been severe social costs. The priority cannot be to give confidence to financial markets; rather, the rest of society must be given just cause for confidence in systems of regulation of corporations and financial markets. When trust and confidence break down the economic costs can be enormous.

16. The “responsible economy” must be based on three principles. Firstly, a system of effective law and regulation backed up by enforcement that at international level includes the respect for human rights and the core standards of the ILO. Secondly, and resting on that there must be transparent and accountable systems of corporate governance. Thirdly, even with

effective regulation and governance there is a need to develop corporate social responsibility and accountability, where governments also have a role to set standards and ensure compliance. Specific action is needed in the following areas.

Outlawing Tax Havens

17. A key element of the “responsible economy” requiring international regulation relates to the payment of taxes by corporations, especially multinational enterprises. A halt has to be called to the ability of corporations to move offshore to tax havens, which enables them not just to avoid paying taxes, but also social security and pension payments to their workers. But the cost to society goes beyond that: many such havens are culpably involved in the funding of terrorist organisations, money laundering, people smuggling, civil wars, deaths of workers, and irreparable damage to the environment. Such havens offer corporations located there a veil of secrecy that extends to total anonymity of ownership, responsibility, liability and accountability, in addition to tax avoidance. There is an urgent need to reinforce the OECD work to outlaw tax havens.

18. Action needs to be taken to achieve fairer tax rules at the national level. The degree to which Enron was able to avoid its corporate responsibility by not paying taxes is truly staggering. Between 1996 and 1999 it reported a \$3bn loss to the tax authorities, while simultaneously declaring \$2.3bn in profits to shareholders, with a shocking \$1.4bn being paid to executives in salary, bonuses and share options in the year 2000. This is not an isolated example. Countless corporations are able to manipulate the tax system in their favour, yet parade themselves as good corporate citizens.

Transparency in Maritime Transport

19. The flags of convenience system in maritime transport is based in tax havens. It lies at the heart of a shipping industry that is out of control, and which is a direct threat to the multilateral trading system and to achieving sustainable development: around 95 per cent of global trade is transported by sea. The sinking of the Prestige in November 2002 was merely the latest in a long list of disasters of vessels that have completely opaque structures of ownership and control. The G8 and the OECD have a duty to restore transparency and proper regulation. A co-ordinated horizontal multi-agency work plan is needed that brings together the relevant UN agencies, the OECD, and development assistance agencies. An Agreement must be negotiated that brings full transparency and disclosure on the beneficial ownership of all commercial fleets. Simultaneously, flag states must exercise effective jurisdiction over vessels flying their flags, subject to sanctions for non-compliance.

Financial Market Regulation

20. Global unions have put forward over the last several years a range of measures designed to establish better regulation of international financial markets, which remain urgently necessary in the present context of stock market decline and exchange rate instability. These include:-

- Improved fiscal and monetary policy co-ordination between the main reserve currency blocs of the Dollar, Yen and Euro in order to generate more stable parities, along with the progressive removal of large long-term current account deficits and surpluses;

- Recognition of the right of states to control short-term foreign capital inflows and outflows in the interest of domestic macro-economic stability notably through serious examination of the implementation of an international tax on foreign exchange transactions (a Tobin tax);
- Binding international standards for the prudential regulation of financial markets covering capital reserve standards, limits to short-term foreign currency exposure, controls and certification on derivatives trading and other forms of leveraged investment built in credit;
- Ensuring that banking systems are transparent and bound by effective disclosure criteria;
- Improved information on currency flows, private debts and reserves;
- Various initiatives have been taken by G7 Finance Ministers over the last five years on financial market architecture. But up to now this has been discussed behind closed doors by bankers and finance ministries officials. Meanwhile more countries and their populations are impoverished by financial market crises. The time is now ripe to establish a commission on financial market reform with trade union involvement.

Corporate Governance

21. Recent corporate scandals have graphically shown that in many countries the system of corporate governance itself is in crisis. Corporate governance cannot simply be concerned with increasing shareholder value. Enterprises are – or should be - social as well as economic vehicles for long-term sustainable wealth creation, and they require a licence to operate from the public. Globalisation has freed corporate management from many national level checks and balances, and even those countries with seemingly secure systems are not immune from future scandals. Public trust in corporate management will not be restored by self regulation, whose limitations have been shown. The system has to be legally accountable and must ensure that enterprises fulfil their wider role. Profits must be shared equitably, including to workers and investors, and those groups should have a right to a voice in corporate decision making, and full transparency of financial and non-financial information. A framework must have an international dimension and the OECD must take account of these issues in revising its Guiding Principles of Corporate Governance.

Corporate Social Responsibility and Accountability

22. The principles of a responsible economy extend equally to the concept of corporate social responsibility and accountability. But for those related principles to have practical value, governments must take ultimate responsibility to ensure that the corporate sector is both responsible and accountable. Government rhetoric on corporate accountability has to be matched by action for example by ensuring the global application and enforcement of the OECD Guidelines for Multinational Enterprises.

23. The majority of governments are failing in their duty to achieve this. Almost three years have passed since the revised Guidelines were adopted by governments in 2000. During this period there have been both successes and setbacks. National Contact Points (NCPs) have been set up in all the adhering countries. The Guidelines have contributed to improve

corporate conduct, but attempts have also been made to limit their scope instead of developing them further, and too few governments have shown a serious commitment to their implementation. This could change if the responsibility for the Guidelines lay at the highest political level. It would give a clear signal to business, trade unions and civil society in general that governments take them seriously. Furthermore, one key to the implementation of the Guidelines is transparency. If measures taken by governments and NCPs to implement the Guidelines are not transparent, they will lose their credibility.

24. The OECD should put in place a programme to improve the effectiveness of the Guidelines so as to:-

- Ensure that all NCPs are operating and meet the standards of the best performers;
- Set targets on efforts to promote the Guidelines;
- Raise awareness of the Guidelines, both in the OECD - so that the Guidelines are included in relevant meetings and activities - and also in other relevant intergovernmental fora;
- Establish an outreach programme with non-members on the Guidelines including regional meetings/seminars to raise awareness of the Guidelines;
- Review the experience with particular chapters of the Guidelines and,
- Provide guidance on the time frame for dealing with cases.

The Guidelines should also be used to create synergies with other instruments and organisations. State aids such as investment guarantees and export credits should be made conditional on observance of the Guidelines. The OECD should involve the ILO in its work on the Guidelines.

IV Delivering Sustainable Development and a Fair World Trading System

An Economic and Social Security Council

25. 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. The social pillar of sustainable development remains a token. The United Nations Environment Programme (UNEP) has now been given de facto observer status at the World Trade Organisation (WTO) Doha Round but the ILO remains excluded. There must be both better coordination and a rebalancing of the power of international institutions, with the ILO given equal weight alongside economic organisations such as the International Financial Institutions and the WTO. The trade union movement also supports the call for an International Economic and Social Security Council. A central task would be to co-ordinate the work of the relevant UN agencies, the IFIs, and the WTO to

achieve the objective of sustainable development. The OECD with its horizontal capacity working in concert with the relevant agencies and particularly the ILO could undertake the policy analysis to underpin such a Council. The Council must fill the “democratic deficit” in international governance. Such integration must start with the following.

Follow-up to Johannesburg

26. Though insufficient, the outcomes from the World Summit on Sustainable Development (WSSD) provide an opportunity to make inroads on poverty reduction by promoting decent employment as well as enhancing corporate social responsibility by building trust and commitment among governments and civil society stakeholders. This requires the strengthening of multilateral agreements and processes, especially through the UN Commission on Sustainable Development (CSD), which is charged with responsibility to coordinate implementation of WSSD for the next decade. First and foremost 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. The relationship of the CSD with intergovernmental bodies such as the ILO, UNEP, OECD and others must then reflect a strong commitment to translate principles about integrating the three pillars of sustainable development into effective tools that both address WSSD objectives for water, energy, health, agriculture and biodiversity (WEHAB) whilst promoting democracy and accountability, through concrete activities at the workplace and community levels.

27. For this to take place Governments must assume their role in establishing and enforcing trustworthy frameworks for stakeholders to engage in partnerships that can deliver measurable results. The lack of proper training and education for workers and stakeholders must be highlighted as a common weakness that cuts across most aspects of WEHAB implementation. Providing workers with the knowledge base and the encouragement to participate in joint workplace monitoring and reporting of activities should be considered one of the most direct avenues for ensuring employer accountability. In water and health direct government oversight and involvement is crucial. The Third World Water Forum in Kyoto shared the deficiencies of dogmatic pursuance of water privatisation. There needs to be the development of “public to public” not just “public to private” partnerships.

A New Compact for Debt Relief and Development Assistance

28. The goals of sustainable development must shape a new compact for debt relief, and herald the introduction of a meaningful and revised HIPC (highly indebted poor countries) initiative, and parallel PRSP (poverty reduction strategy papers) programme. Judged by the IFI’s own narrow concepts of sustainability the HIPC isn’t working. A new compact for debt relief would include an accelerated and expanded HIPC, both in terms of the number of countries made eligible, and in the amount of relief granted. The requirement that those countries hoping to benefit from debt relief or new concessional lending should prepare PRSPs, and within that involve civil society in the preparation of the papers was a welcome initiative, but one that has led to mixed outcomes. Some countries have involved trade unions, but most have not. This has led to an uneven pattern of new approaches to poverty reduction, and ownership of the programmes themselves. A mandatory approach to the involvement of trade unions and other civil society groups in the preparation of PRSPs is required, along with mechanisms to ensure that the views of non-governmental actors are incorporated into the

papers, and then implemented. The programmes need to recognise decent employment generation as being at the heart of successful poverty reduction strategies.

29. The international community must consider new proposals to increase official development assistance. These initiatives also need to take account of the OECD Development Assistance Committee's Poverty Reduction Guidelines. In this regard, the proposal by some G8 governments to double aid to developing countries over 2003-15 in order to meet the MDGs through a new International Finance Facility is welcome and requires serious consideration, as does the proposal of President Lula da Silva of Brazil for a new international fund to fight poverty and hunger in developing countries. Beyond the needs of the least developed countries, action is also needed to put a floor under commodity prices to stop middle income countries from slipping behind in terms of sustainable development. And, urgently required is the creation of a sovereign debt restructuring mechanism that puts the needs of the debtor countries' people first, and not those of private lenders and creditors.

Delivering Commitments on NEPAD

30. Already at the Kananaskis G8 Summit, African trade unions noted that the New Economic Partnership for Africa's Development was an initiative that had to succeed. However, they wanted it to become a partnership between African governments and their people in which there was shared ownership, reflected through the active engagement of African trade unions and civil society. One year on it is essential that effective consultation mechanisms are established within the NEPAD and that it reinforces its commitment to engage in participatory development, respect human rights including labour rights and ensure good governance. If NEPAD is to succeed the initiative must also be backed by new development funding provided by the OECD and G8 countries.

Making the Trading System Work for Sustainable Development and Higher Living Standards Worldwide

31. One of the biggest risks to multilateralism is the failure to make the current international trade and investment regime led by the WTO consistent with the broader objectives of sustainable development, and in particular the failure to develop a social dimension to globalisation. Trade and investment liberalisation has become an end in itself, where all other policy trade-offs are subordinated to that goal.

32. The trade union movement will look with great attention at the report of the ILO's World Commission on the Social Dimension of Globalisation. But already redressing this imbalance should now be the first goal of Cancun. For that to happen, the G8 and OECD governments must turn their attention to reforming the WTO, to make it consistent with the goals of the UN system, and in particular to put in place rules to protect and promote the UN promulgated fundamental human rights of workers. In this regard, it is a priority for WTO members to reach agreement on measures to put an end to the continual erosion of respect for core labour standards that is accelerating as a result of globalisation, in particular due to China's entry into the WTO. This requires a series of measures including making a renewed commitment to respect core labour standards; establishment of a WTO committee, together with the ILO, to look at the relationship between trade and core labour standards; the organisation of a first-ever meeting of Trade and Labour Ministers; the incorporation of labour, social, gender and environmental concerns into the trade policy reviews of the WTO;

and amendment to Article XX of the WTO GATT treaty to clarify the primacy of UN human rights agreements over trade rules.

33. Furthermore, greater democracy within international institutions is required in meeting the needs of developing countries, with enhanced transparency, and a consultative process for legitimate stakeholders, along with an inclusive form of dispute settlement. Following that, progress can be made on other key goals set by the Doha agenda to: eliminate all forms of agricultural export subsidies, within an industrial policy for sustainable post-farming rural development; solve the TRIPS crisis in favour of developing countries, with similar outcomes over special and differential treatment; re-evaluate non-tariff barriers covering developing country exports as regards legitimate consumer and environmental protection. At the same time the GATS agreement must be amended to, among other things, formally exclude public services, including at sub-national levels of government; to include an explicit clause to enable governments to “roll back” commitments made under the GATS; and to give primacy to the right of governments to regulate with a greater degree of democratic security over services sectors where they have made GATS commitments. Any discussions on government procurement should cover the protection of workers employed on government contracts, including migrant workers; and must remedy the flaws in the existing Government Procurement Agreement (GPA) by removing the ban on the use of “non-economic” criteria and authorising public authorities to engage in ethical purchasing policies.

34. The so-called Singapore issues have generated much controversy. As regards Cancun giving the green light to negotiations for a multilateral framework on investment (MFI), nothing has been tabled at the WTO that gives Global Unions any confidence that the outcome will accord with our vision of how an MFI would help deliver sustainable development. While in principle an MFI is desirable, unless radically new proposals are tabled, trade unions will oppose such negotiations in the WTO. Similarly, the current discussions on competition policy are not on the right track. While there is a case for international co-operation on competition policy and for controlling market abuses by multinational companies, the WTO may not be the best forum for such a discussion, and this should be addressed ahead of Cancun.