

TUAC EVALUATION OF THE OUTCOME OF THE G8 HEILIGENDAMM SUMMIT June 2007

Overview

1. The G8 leaders issued two lengthy and major declarations on the outcome of their discussions: “Growth and Responsibility and the World Economy” (URL http://www.g-8.de/Content/EN/Artikel/_g8-summit/anlagen/2007-06-07-gipfeldokument-wirtschaft-eng.property=publicationFile.pdf) and “Growth and Responsibility in Africa” (URL http://www.g-8.de/Content/DE/Artikel/G8Gipfel/Anlage/Abschlusserkl_C3_A4rungen/WV-afrika-en.property=publicationFile.pdf). An overall assessment must be mixed. The former declaration covered new ground on both climate change and the social dimension of globalization whilst the latter gives cause for alarm on the failure of the G8 to implement their commitments to double aid to Africa given at the Gleneagles summit two years ago. A general theme repeated throughout the documents is the targeting of international institutions to follow up the declarations and more institutionalized dialogue to be established with the major the five major non-G8 countries (Brazil, China, India, Mexico and South Africa) through a “Heiligendamm Process” to be housed at the OECD.

2. With regard to trade union policy concerns expressed in the trade union statement to the G8 (URL http://www.tuac.org/statemen/communiq/G8_Heiligendamm2007_E_FinalWhp.pdf) the following can be noted:

Social dimension of globalisation: It significant that the relatively positive language in the Dresden G8 Labour Ministers’ meeting is also reflected in the Heiligendamm declaration (§21-29). Particularly important are the references supporting implementation of Labour Standards and the ILO’s Decent Work Agenda and the invitation to WTO members to promote these and the commitment to respect core labour standards in bilateral trade agreements and multilateral fora. With regard to CSR, the references to improving OECD MNE Guidelines’ National Contact Points is particularly important, as well as the invitation to developing and emerging economies to associate themselves with the Guidelines and to take part in a High Level dialogue on CSR. The references to investing in social protection systems are also important.

Private equity and hedge fund regulation: The G8 leaders’ declaration (§7-8) reflects the G8 Finance Ministers’ meeting on 19 May that could not make progress on the German government’s efforts to establish a code for regulation of hedge funds. In their conclusions they simply “reaffirm the need to be vigilant” on the systemic risks of hedge funds and looked forward to a report back from the Financial Stability Forum (FSF) to Finance Ministers as from October. The UK in particular and the US governments have resisted going further. The leaders did not respond to the call in the union statement to the G8 for a regulatory task force to be set up on the social and economic effects of private equity and hedge funds that received support on June 4 from a joint statement by the Party of European Socialists and leading US

Democrats. The Global Union campaign on the social impact of financialisation will continue and we will seek to engage with the FSF.

Climate change: The German Chancellor's efforts to get a strong statement for the need for greenhouse gas emission cuts after the expiration of the Kyoto Agreement in 2012 originally met strong opposition from the United States. The US administration's proposals for removing all references to cuts in the draft communiqué had been leaked in advance to the press. In the end the declaration for the first time states that "global greenhouse gas emissions must stop rising, followed by substantial global emission reduction" and that they (i.e. the US and Russia) "will consider seriously the decisions made by the European Union, Canada and Japan which include at least halving global emissions by 2050" (§49).

Delivering promises to developing countries: Aid groups including GCAP with which the Global Unions have been working are strongly critical of the deliver on past commitments. The issue has been past G8 promises to increase aid as agreed at Gleneagles including doubling aid to Africa by 2010. The G8 is off-track, aid fell in 2006. It needs to deliver on its commitments. There is also concern at the shifting downwards of targets for universal access to treatment for Aids sufferers. The Global Unions Campaign on Aids has in particular called for the establishment of a G8 Working Group to monitor past commitments on Aids, here some progress can be noted with a mechanism for follow-up to be put in place even if not called a Working Group.

The social dimension of globalization (§21-29)

3. The G8 declaration takes forward the statements made by the G8 Labour Ministers in Dresden in May. For the first time at a G8 Heads of State summit there are clear references to the social dimension of globalization and an expression of "support for the ILO's Decent Work Agenda. The G8 "invite the WTO members and interested international organisations, in close collaboration with the ILO, to promote the observance and the implementation of internationally recognised core labour standards". They also "commit to promoting decent work and respect for the fundamental principles in the ILO Declaration in bilateral trade agreements and multilateral fora." This must be recognised as significant step forward.

4. On Corporate Social Responsibility (CSR), the references and commitment to promote the OECD Guidelines for MNEs and the ILO Tripartite Declaration, and in particular, the call for better governance through the National Contact Points is welcome. It is also interesting that the G8 encourages emerging economies to adopt the Guidelines and proposes a "High Level dialogue" with emerging economies on investment. Furthermore, it should be noted that the G8 requests the OECD, in cooperation with the ILO and the Global Compact, to compile the most relevant CSR standards in order to improve their visibility and clarity.

5. General language is included on the need to invest in social protection systems – although they "agree to keep this issue on our development policy agenda".

Hedge funds and stability of financial markets (§7-8)

6. The Declaration reflects the conclusions of the G8 Finance Ministers' meeting on 19 May that could not make progress on the German government's efforts to establish a code for regulation of hedge funds. However the Declaration recognises the "potential systemic and operational risks" associated with hedge funds. It calls on the hedge fund industry to

strengthen its own voluntary standards and codes, and announces future cooperation between the G8 Finance and the Financial Stability Forum (FSF) on the implementation of the latter's 2007 revised Recommendations on highly leveraged institutions. It is not surprising that agreed text does not go further given the initial strong reservations of the US and the UK as reported in the media. The capacity of the FSF to engage open and inclusive dialogue remains to be seen - past experience points on the contrary to secretive talks and selective consultations. The G8 declaration's focus on hedge funds also means that private equity investment is left unexplored. The leaders did not respond to the call in the union statement to the G8 for a regulatory task on June 4 from a joint statement by the Party of European Socialists and leading US Democrats. However, press and media tend to lump "hedge funds" and "private equity" under one unique issue. The G8 text on hedge funds may have some indirect impact on public and media treatment of private equity industry as well. The Global Union campaign on the social impact of financialisation will continue and we will seek to engage with the FSF.

Climate change and energy efficiency and security (§40-78)

7. For the first time in a G8 statement there is agreement for the need to avoid dangerous climate change; take urgent action to reduce greenhouse gas emissions; and have a target - they will "consider seriously" the EU, Japan, Canada decision which includes halving global emissions by 2050. There is shared responsibility to work within the UN Framework Convention on Climate Change (UNFCCC) on a post 2012 agreement. They will continue meeting with other "major emitters" and set with them policies, targets, plans. This is a shift from the past US administration position, but all depends on follow-up and whether this turns out to be a genuine shift reflected in future negotiations or just a holding position because the US was isolated. The test will be in the upcoming UNFCCC workshop in Vienna – last week of August designed as a "dialogue" about the next commitment period. This should reanimate COP13 Indonesia meeting next December.

8. It is also important that there is a commitment to common but differentiated responsibilities and a strong focus on energy efficiency, conservation and renewable energy, which was called for in the trade union statement to the G8. The G8 selection of priority areas of work, conform somewhat to trade union concerns and can be supported: technology, sustainable buildings, transportation, power generation, energy diversification. Transportation is included in the discussion on CO2 mitigation efforts which maybe opens the way for its inclusion in the next agreement. However it is regrettable that there is no mention of employment, just transition measures or world of work.

Declaration on growth and responsibility in Africa

9. The Africa statement, must give cause for concern - the G8 appears to be off track on development aid – they recognize that further action is needed to meet their commitments given at Gleneagles but they do not offer any convincing solutions. The promise to increase aid to Africa is buried with that of other donors beyond the G8 (§2).

10. The ingredients to promote investment do not include human rights (but property rights) – the reasoning behind the creation of more and better jobs is purely economic, functioning financial and capital markets but nothing to reflect the good objectives of the broader declaration on the need for decent work including social protection and core labour standards

(§27). Importantly, the participation of all stakeholders including the social partners in countries' development is encouraged (§19).

HIV/AIDS

11. Whilst elements of the action proposed on HIV/AIDs are important, trade unions join with HIV/AIDS activists in expressing alarm at the G8 backsliding on their promise of universal access to treatment, care and prevention by 2010 and reaching 10 million people with HIV treatment by 2010. The G8 communiqué also cuts this goal at least in half to five million people “over the next few years”. Millions of sufferers are now in need of life-saving treatment and UNAIDS says that the current figure of 11 million people needing antiretroviral treatment is a conservative estimate. This is a disaster for the global response to HIV and AIDS. We call on the G8 leaders to live up to their past promises and commitments. The G8 has vaguely promised to spend \$ 60 bn on AIDS, TB, malaria and strengthening health systems, without clarifying aims or timelines, specifying only that it will be spent ‘over the coming years’. UNAIDS estimates show that \$ 23 bn will be needed for AIDS alone each year by 2010, and the G8 fair share of this figure would be almost \$ 16 bn . If, for example, the G8 announcement was delivered over 5 years, it would provide just \$ 12 bn per year for all 3 diseases and strengthening health systems – far short of overall need.

12. It is essential that accountability mechanisms are now put in place - the G8 agrees to regular AIDS monitoring from now on and has invited the stakeholders, African countries, along with the WHO, UNAIDS and World Bank to help deliver “next steps” for universal access. The G8 has also welcomed the UNAIDS mandate to report on and monitor progress for “universal access” and for it to assess country monitoring, thereby identifying an on-going means to measure progress on HIV and AIDS. Trade unions now propose that UNAIDS with the WHO to organise an initial consultation with the organisations mentioned by the G8 and to outline a process for formulating “next step” recommendations to the G8.

13. Convincing follow-up is also now needed on the range of more detailed points that the G8 has set out including:

- The development of ‘National AIDS Plans’, linked to promotion of health system strengthening and ‘country-led efforts to coordinate stakeholders’.
- Human resource capacity within the health sector, including working conditions and salaries with the aim of recruiting, training and retaining additional health workers.
- An environment where healthcare workers see a long-term future in their own countries and will work with the Global Health Workforce Alliance, interested private parties, the OECD and the WHO to build the evidence base on health workforce management and international migration.
- Concrete steps to work toward improving the link between HIV/AIDS activities and achieving the Millennium Development Goals. The G8 agreed to a multi-sectoral approach to fostering community involvement and participation.
- A focus on fragile states, “We will build viable state institutions” – this must include industrial relations frameworks. The G8 calls for significant improvements in governance that build local capacity and enable long-term growth.

Promoting innovation

14. G8 Leaders agreed to bring forward an international economic and political environment that promotes and protects innovation. What is neglected in this respect, however, is the fact that organisational and managerial structures are of particular importance in order to get the most out of innovation strategies and new technologies. Both the path of innovation and the consequences of technology for workers and societies are strongly if not entirely shaped by society itself, through the influence of culture, politics, economic arrangements. The conclusion to be drawn from that is to link policies promoting research and development as well as the implementation of new technologies to strategies managing organisational change. Workers must be given a voice in that process.

15. The call to “strengthen intellectual property rights” (IPR) is not enough for the future development of rules covering IPR. Because intellectual property is complex, and because there are a number of specific design features that determine whether an IPR regime promotes or retards innovation, we need a balanced IPR regime. In particular we need one that balances interests of users and producers, of academic researchers and of researchers in the private sector, of those in the developing world and in the developed. That are the issues a potential IPR Task Force, the G8 is considering to establish, should primarily focus on instead of “focusing on anti-counterfeiting and piracy to look together at how best to improve the working of the international IPR protection and enforcement, and produce recommendations for action including improved peer review” as stated by the G8 summit declaration.

Heiligendamm process

16. As a new form of a topic-driven High Level Dialogue, the *Heiligendamm Process* is meant to provide a Forum for more substantive discussions and leading to regular meetings between ministers from the 13 countries with various portfolios. During the initial period of the dialogue a particular focus will be on four issues:

- Promoting and protecting innovation,
- Enhancing freedom of investment through an open investment environment including strengthening corporate social responsibility principles,
- Defining common responsibilities for development with special regard to Africa,
- Sharing knowledge for improving energy efficiency and technology cooperation with the aim to contribute to reducing CO₂-emissions.

17. The OECD has been asked to provide a platform for the proposed new dialogue process, assisted by the IEA as the relevant organisation in the field of energy efficiency. It is intended to kick off the dialogue process in the second half of 2007 with the aim to submit a first interim report to the G8 Summit in Japan in 2008 and to provide a final report on the outcomes of the Dialogue Process at the G8 Summit in Italy in 2009 (§94).

Conclusions

18. The G8 leaders in Heiligendamm have endorsed their labour ministers’ call for a “social shaping of globalisation”. For the trade union movement the Summit Conclusions clearly represent a step forward in G8 commitment to a social dimension and possibly on tackling climate change, but we share deep concern at the failure to live up to past commitments on aid

to Africa and for universal treatment for AIDS sufferers in particular. The issue is now how commitments will be followed up. The trade union delegation meeting Chancellor Merkel prior to the Summit meeting raised many of these issues. Global Unions will be seeking to follow these up in the weeks ahead. In particular TUAC will be seeking to ensure that the Heiligendamm process of dialogue between major emerging and developing countries and the G8 for which the OECD will provide a “platform” will ensure the effective involvement and voice of trade unions.