

**REPORT OF G8 LABOUR LEADERS' MEETING WITH GERMAN CHANCELLOR  
ANGELA MERKEL PRIOR TO THE HEILIGENDAMM G8 SUMMIT  
BERLIN, 7 MAY, 2007**

One month before the G8 Summit, *Chancellor Merkel* welcomed the international delegation at the meeting of the G8 Summit Host with trade union leaders. She was accompanied by State Secretary Wilhelm and officials from the Federal Chancellery. This followed social partners' consultations with the G8 Labour Ministers meeting in Dresden the day before.

*Overview of the G8 Agenda*

*Chancellor Merkel* said that it was important that the Labour Ministers' meeting preceded the leaders' summit because the central issue that she wished to discuss was how globalisation can be made acceptable to people? Reacting against globalisation through protectionism was wrong because it would amongst other things harm developing countries, but it was necessary to ensure respect for both social and environmental standards in the global economy. It would be unrealistic to set up a Global Government – but it was essential to show that people can shape globalisation and it was for this reason that she had chosen “Growth and Responsibility” as the theme of the Heiligendamm Summit.

In identifying key subject areas for the Summit she said that they had a very tight agenda but on the 7<sup>th</sup> June the Leaders would discuss: the transparency of financial markets including hedge funds; labour markets; climate change; and energy and development. They also hoped to tackle the currency imbalances in the global economy – where the United States had a huge deficit whilst China was in large surplus. The “G5” (Brazil, China, India, Mexico and South Africa) would join the meeting on the 8<sup>th</sup> June and discuss opportunities for establishing a more structured dialogue between these countries and the G8 in the future on such issues as climate change and currency imbalances. The NEPAD leaders from Africa would also be invited to discuss how to strengthen follow-up on African development.

When she looked at the enormous cost and effort of security arrangements for the Summit she sometimes asked herself whether it was worth it and what was the added value from the meeting? However she was convinced that it was essential that the Leaders meet in a small group to discuss the challenges of globalisation and the discussion could create a dynamic for action. It was also very important that she was meeting with trade unions and would also be meeting with business in particular on the Africa Partnership and she would also be meeting with NGOs.

*Michael Sommer (DGB)* introduced the trade union delegation and reported that in addition to meeting with the G8 Labour Ministers they had met jointly for the first time with the Director-Generals of the WTO (Pascal Lamy) and the ILO (Juan Somavia) and had found themselves in broad agreement on some key points in particular the need for better dialogue between the two organisations. The issues on the G8 agenda – notably the regulation of financial markets and regulating the world economic system were very important.

*John Sweeney (AFL-CIO and TUAC)* introduced the written trade union statement. He noted that with the onset of market globalisation, the global labour force has effectively doubled in just 15 years and the 1.4 billion new entrants worked for wages and in conditions far inferior

to those of workers in the developed countries. He feared that unless appropriate policies to balance globalisation and provide decent work and sustainable development were adopted, this enormous expansion of the global labour force would produce even greater inequality between rich and poor; between capital and labour and this was now already being shown in the declining share of wages and increasing wage inequality in all the G8 countries.

He recalled that the trade union statement called on G8 leaders to take firm, aggressive steps toward regaining control of globalisation. He said that goals should include: rebalancing growth among OECD regions at high levels of employment; engaging with social partners to ensure equitable benefits of growth by raising minimum income standards, investing in social protection and upgrading skills, education and innovation; guaranteeing the rights of workers to organize and join unions and protecting workers from all forms of discrimination in industrialised and developing countries alike; strengthening rules covering social and environmental responsibilities of business and investigating the practices and social impact of hedge funds and private equity firms; meeting commitments to help developing countries reach the Millennium Development Goals through creating decent work and fulfilling promises of broader debt cancellation, doubling of development assistance and providing universal access to treatment for HIV/AIDS; and implementing programmes for just transition and the creation of “green jobs” to help control the social and economic impact of climate change.

*Chancellor Merkel* responded that there would be a section in the Heiligendamm conclusions that dealt with “Freedom of Investment” – but including “environmental and social responsibility” and the “social dimension of globalisation”. This would amongst other things call on WTO members to support the work done by the ILO on the observance of core labour standards, encourage the transparency of companies’ performance on social responsibility, and urge adherence to the OECD corporate governance principles. It was highly encouraging that ILO standards existed and were being developed and she would be meeting with ILO Director-General before the Summit.

### *Financialisation*

*Ken Georgetti (CLC)* introduced the points in the statement on financial market regulation – he drew attention to the extreme inequality being created by CEO pay hikes and in particular that of hedge fund and private equity partners and said that in his experience it was unrealistic to try to persuade companies to voluntarily behave responsibly – they had to be regulated by government.

*Frances O’Grady (TUC)* said that they had to show to workers that globalisation was in their interest and in the case of the UK one in five workers in the private sector was now employed by private equity controlled firms as a result of leveraged buy-outs. Yet the social impact so far had been negative with de-recognition of unions and reduced wages. There was tax-subsidised bubble in private equity appearing and this could burst with damaging effects on the banking sector and workers’ pension fund savings. The trade union statement called for the G8 to set up a major enquiry into the private equity and hedge fund sector.

*Chancellor Merkel* noted that London was a major financial centre and the resistance to discussing this in the G8 was strongest from the UK Labour Government, whereas public concern on the effects of private equity seemed to be increasing in the US. She said that she was struck by the divide within business on this issue between financial firms and industrial

firms. For unions she understood that membership was strongest in the industrial sector and there was a gap in representing the interests of workers affected. She urged the unions to keep on pressing on this issue as she would like to go further.

### *Development*

*Michael Sommer* introduced *Guy Ryder (ITUC)* and explained the significance of the creation of the International Trade Union Confederation in November 2006. *Ryder* said that global markets and governance needed to serve development better. When he met with membership, workers in the South felt that they were the losers from globalisation, whereas in the North workers felt threatened. Where were the blockages to better governance? He urged the G8 leaders to deliver on promises given to developing countries on development assistance and drew attention to social protection where it would take only 2% of world GDP to introduce basic coverage for the global population. It was also essential to improve coherence of governance by the global institutions.

*Chancellor Merkel* said that there was no longer a clear cut distinction between developing and emerging countries on the one hand and industrialised donor countries on the other. China was receiving assistance for example from Germany on the issue of clean energy technology but was pursuing its own agenda as a donor to many African countries – not bound by international rules for example to stamp out corruption. It threatened to undermine the efforts to coordinate development assistance through the OECD Development Assistance Committee (DAC). *John Evans (TUAC)* intervened to stress nevertheless the need to encourage the development of trade unions in developing countries through assistance programmes – where workers were free to join unions, there was less corruption.

*Fred van Leeuwen (EI)* addressed the issue of education and in particular the message that the responsibility for education could not be left to the market. He criticised the World Bank approach to partnerships. The private sector could be involved in partnerships but governments had to remain responsible. He also emphasized that governments had to commit more resources to investment in education so as to provide sufficient numbers of motivated teachers and finally that this particularly applied to the Fast Track Initiative to provide education for all in developing countries – this was still lacking adequate funding. He also drew attention to the section in the trade union statement on “health: fighting AIDS.”

*Chancellor Merkel* said that the time for setting goals and benchmarks for development was now over and governments now had to deliver on the commitments that they had given. Donors should concentrate on certain countries and structure aid so as to achieve results. At the moment aid was channelled through NGOs which prevented a more strategic approach. Governments needed to set the aid agenda and needed to institutionalise this. The OECD should follow-up on aid effectiveness. In 2005 governments had written off significant debts under the HIPC arrangements that had counted as foreign aid – this had initially inflated the figures but now real money had to be injected. There was great difficulty in meeting the Millennium Development Goals with the current system and the ODA system should be debated in the OECD as taxpayers’ money should not be wasted.

### *Social protection, climate change and employment*

*Mikhail Shmakov (FNPR)* said that in Russia the G8 process had helped establish a dialogue between Russian government and trade unions and external exposure had been helpful. He

addressed the section of the statement dealing with equity and emphasized the importance of good social security systems in giving workers the confidence that they would not lose out from change. Market developments were leading to less security in the labour force and creating anxiety and the government had to respond by ensuring adequate social security including decent living standards for the retired workforce.

*Tsuyoshi Takagi (RENGO)* spoke about the section in the trade union statement dealing with climate change. He said that it was essential for governments to move to a post-Kyoto framework that ensured larger reductions in CO2 beyond 2012. Trade unions realised that they had to raise awareness and support amongst their membership on the need for this and ensure that they were engaged at the workplace and as consumers – he gave several examples of the actions that RENGO had taken as part of wider environmental action. He called on the G8 to initiate action to study and create “green jobs” to move away from the sterile “Jobs versus the environment debate”; he drew attention to the fact that climate change would be central to the agenda of the 2008 G8 Summit in Japan and action was needed before then;

*Luigi Angeletti (UIL)* emphasized the need for the G8 to treat employment in the context of globalisation and to develop a strategy for creating good jobs that also led to a fair distribution of wealth. Central Banks needed to focus on ensuring that growth took place and not just be obsessed with curbing inflation.

### *Conclusions*

In concluding *Chancellor Merkel* thanked the union leaders for their views and said that she would bring these to the attention of the G8 leaders meeting in Heiligendamm. Politicians had to find solutions to the issues that had been raised – she hoped that G8 partnership would have deepened by the time they would meet in Japan in 2008.