

# **ICEM World Conference for the Chemicals and Pharmaceuticals Industries**

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**- Global Report -**



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## Introduction

The chemicals and pharmaceuticals industry is a key player in the global economy. Advances in health care, new active substances and the introduction of future-oriented and environmentally friendly technologies are the key words that frame the special role, but equally the special responsibility of this sector of industry.

The ILO estimates employment in the chemicals and pharmaceuticals industry at 14 million people worldwide. In 2005 chemicals and pharmaceuticals industry companies together marked up sales of € 1,776 billion.

The chemicals industry is globally networked like scarcely any other sector. In many cases it is the forerunner of developments in the international division of labour. To cite recent examples:

- ⇒ Pharmaceuticals industry research centres are becoming concentrated in the vicinity of leading universities, in particular on the U.S. east coast.
- ⇒ Increasingly, drug testing is being done in India, where medical practitioners are equally qualified, but test patients much cheaper.
- ⇒ First stage downstreaming in petrochemicals is shifting steadily but surely towards the Middle East.

In addition to this, trade unions and their members are finding themselves exposed to increasing “horse trading” of business units between multinationals. Competing companies are being taken over, whilst other business areas are being sold off because management sees them as no longer belonging to the core business. This is producing uncertainty among employees, who in many cases foot the bill with their jobs, when managers’ strategies, implemented with the help of expensive consultants, fail to bring the desired effects.

This rapid development has led, among other things, to the disappearance of a number of erstwhile global companies:

- ⇒ Hoechst (D)
- ⇒ Rhône-Poulenc (F)
- ⇒ Ciba-Geigy (CH)
- ⇒ Union Carbide (USA)

New global players are also appearing, either through acquisitions or strong regional growth:

- ⇒ Koch Industries (USA)
- ⇒ Huntsman (USA)
- ⇒ Ineos (UK)
- ⇒ Sabic (Saudi Arabia)
- ⇒ Sinopec (PR China)
- ⇒ Dr. Ranbaxy (India)

It is no accident that more and more Indian and Chinese company names are appearing on the world market. The enormous economic growth in the world's two most heavily populated countries has led to almost all well-known chemicals groups setting up production facilities there. Local companies from these countries are also

buying into foreign companies and competing successfully on the world's main markets.

The same process is at work in the Middle East, where companies are using their huge oil and gas reserves to undertake the first petrochemicals refining stages in their own countries and deliver these products to Europe or Asia at their choice.

These are only some of the striking developments in this economic sector which affect all trade unions across the world in one way or another. These developments call for particular industrial policy and organizational policy skills, which is one of the subjects of the present report.

## 1. Individual sectors

Individual sectors are examined in terms of their current situation, mentioning the challenges of future developments. The ICEM Secretariat has decided to forego a chronological review back to the last ICEM Chemicals and Pharmaceuticals Industry World Conference in 2001, except where this is needed for the better understanding of individual aspects. The many changes in the function of the responsible Industry Officer are just one reason among many for this decision.

The ICEM Secretariat is concerned rather to make constructive use of this year's world conference to help us, through assessing future developments and adopting the action plan for the coming years, to arrive at a definition of our worldwide industrial and trade union policy and work priority.

### 1.1. Crop sciences and agro-chemicals

With the merger of Ciba-Geigy and Sandoz to form Novartis (1996) and the merger of Rhône-Poulenc and Hoechst to form Aventis (1999), we have seen the chemicals industry shift from offering as wide a range of products as possible to concentrating on specific business areas. The idea of the so-called life sciences group led the two above-named groups first to create pharmaceuticals and agro-chemicals companies. But just a few years later this concept was abandoned and the crop sciences and agro-chemicals fields were hived off.

This has led to a further concentration of companies in the seed and plant protection industries. Today 6 multinational companies dominate almost 80% of the world market.

Company	2005 market share
<i>Syngenta (CH)</i>	18.5 %
<i>Bayer (D)</i>	16.8 %
<i>Monsanto (USA)</i>	14.5 %
<i>DuPont (USA)</i>	11.5 %
<i>BASF (D)</i>	9.4 %
<i>Dow Chemical (USA)</i>	7.7 %
<i>Other</i>	21.6 %

Source: Wirtschaftswoche, 19.09.2006

Whilst Syngenta and Monsanto are pure agro-companies, the four others are business sectors of broader chemicals groups, but each having more or less its own business responsibility.

For example, the manager of BayerCropScience announced in September 2006 that his group was shedding 1 500 of its 19 000 workplaces worldwide, because the return was just 22% and not the targeted 25%, yields that other sectors of the chemicals industry and other business areas can only dream of. BASF's plant projection area is said to be already earning such yields. Syngenta too stated that it was shedding 500 jobs out of 19 000 worldwide.

The greater part of turnover continues to be earned with traditional plant protection products (herbicides, insecticides, fungicides and pesticides). In the meantime, however, the major companies are moving to sell off outdated or low profit products to smaller companies, mainly in developing countries, or to clean up their portfolios by sharply reducing the range of substances offered.

At the same time research and development into new substances is again on an up. One interesting fact here is that more and more developments are coming from Japan, according to consulting agency Agranova (ICIS Chemical Business, 12-18 June 2006).

Another trend is the increase in the seeds business. Here the big companies in the sector are buying up seeds companies, in particular in the USA. This business field is set to become even more important in the coming years.

Cultivation of genetically modified crops is growing enormously in many industrial countries with scant regard for the reservations of their populations. In 2000, 44.2 million hectares of GM crops were grown. By 2005 this area had doubled to 90.0 million hectares.

These crop areas are divided up as follows:

Country	Percentage share
USA	59 %
Argentina	20 %
Canada	6 %
Brazil	6 %
China	5 %
Other	4 %

Source: VCI: May 2006

Even if genetic technology is being pushed forward apace, as illustrated above, large portions of the population, in particular of industrialised nations, continue to have major reservations against the use genetically modified food. The reactions to the pollution of American long corn rice with Bayer's genetically modified LL 601 rice make this only too clear.

Where, however, GM plants do not enter the food chain, but form the basis for other products (e.g. biodegradable plastics and plant oils for refining into biodiesel), green technology is an attractive growth field for companies.

*But it is precisely this branch which is the focal point of public criticism. Reports on the use of crop protection agents that present a danger to health (many court cases in the USA relate for example to DuPont and its Benlate fungicide, since withdrawn from the market), reports on the use of child labour for planting seedlings in India's seeds industry, and strong scepticism towards the modification of crop genes in Europe and Asia are damaging companies' reputations and at times directly affecting their business development and/or financial rankings.*

*Certain companies like Syngenta accept their social responsibilities, and are open for discussions with NGOs and trade unions. This should be used for negotiations on global framework agreements with ICEM.*

## 1.2. Paints and lacquers

The paints and lacquers sector has not yet suffered any downturn since the start of the new century, contrary to many other parts of the general chemicals industry. The reason lies in the unbroken boom in the worldwide construction sector. This sector is dominated by a handful of companies worldwide. These not only distribute interior and exterior paints and lacquers, but are also at home in other chemicals sectors. Examples here are Akzo Nobel, BASF and PPG. Others again have specialized within the segment in a series of very special paints.

The 10 largest firms by 2005 sales are:

Rank	Company	Country	Employees	Sales (not just paints!)	Other business areas
1	Akzo Nobel	NL	61,340	USD 15.4 billion	Salt producer, paper chemicals, fire protection agents and pharmaceuticals (Organon)
2	PPG	USA	30,800	USD 10.2 billion	Chlor-alkali chemistry, flat glass production
3	Sherwin-Williams	USA	29,434	USD 7.19 billion	Pure paints chemicals with own distribution network
4	DuPont Coatings & Color Technologies	USA		USD 6.15 billion	World largest car lacquer producer and world's largest titanium dioxide producer
5	Imperial Chemical Industries	UK	31,910	USD 10.0 billion	Starch, industrial adhesives, aromas and fragrances (Quest)
6	BASF AG	D	80,945	USD 50.6 billion	Plastics, performance products, basic chemicals, oil and gas extraction (Wintershall) and agrochemicals
7	Valspar	USA	7,540	USD 2.71 billion	Almost pure paints and lacquers company
8	SigmaKalon	NL	10,000	USD 2.32 billion	Spin-off from Total lacquers for a broad area of applications
9	Nippon Paint	J	2,152	USD 1.88 billion	Pure paints and lacquers company
10	RPM	USA	9,213	USD 3.00 billion	Paints, lacquers and other DIY materials

### 1.3. Industrial gases

With their many applications, industrial gases have been in growing demand for some time. Chemicals groups are busy building new plants across the world and new chemicals complexes always need industrial gases, supplied either by tank truck (rail or road) or by building air separation units (ASUs). Many chemical processes need pure gases to control chemical reactions or to prevent undesired reactions (use of so-called inert gases).

High purity gases are also used in microchip production.

Another growing business field, which is sucking in at least the engineering and process technology expertise of the largest industrial gas companies, is gas-to-liquid (GTL) technology. With natural gas increasingly replacing crude oil for producing plastics monomers and their derivatives, this technology comes into its own where large deposits are found far from the final user and a pipeline connection would be too long and unprofitable.

The first large facilities in Hammerfest (Norway), the northernmost city of Europe and in Qatar on the Arabian peninsula are at the project stage or are already under construction. The project for Statoil in Norway represents a contract volume of € 800 million and is the largest construction assignment in Linde's history.

A further application of industrial gases is the medical area. The need for respiratory gases is rising with population ageing in many industrialised countries and the growth of an affluent middle class in rapidly developing countries like India, China or Brazil.

Worldwide sales in this sector amounted to USD 44.5 billion in 2004, up 12.5% on the year before. Sales for 2005 rose another 10% to USD 49 billion (source: Spiritus Industrial Gas Consulting).

The world market is dominated by 8 groups, which together cover more than  $\frac{3}{4}$  of total industrial gas requirements. The remaining 22.3% are divided between 4000 smaller and mostly regional companies. The takeover of the BOC Group by Linde AG in September 2006 has since reduced this to just 7 global players.

Company	Employees	Market share
Air Liquide (F)	35,900	19.6 %
Praxair (USA)	27,306	13.9 %
Air Products (USA) <sup>1</sup>	19,500	12.6 %
BOC Group (UK) <sup>2</sup>	30,572	11.8 %
Linde (D)	41,383	11.0 %
Taiyo Nippon Sanso (J)	7,496	04.6 %
Airgas (USA)	10,300	03.0 %
Messer (D)	3,762	01.4 %
Other		22.3 %

Source: Spiritus Industrial Gas Consulting, own calculations

<sup>1</sup> Including all joint ventures

<sup>2</sup> Including all joint ventures

In December 2005 an initial meeting of employee representatives and their trade unions from different European countries was held at Blankenberge at the initiative of ICEM member organizations FNV Bondgenoten (NL) and Centrale Générale (B). At this meeting the ICEM Secretariat reported on developments in the branch and in individual groups, and on project of the Linde AG European Works Council to improve mutual communication.

#### **1.4. Body and household care products**

This is one of the few sectors in the chemicals industry that delivers direct to final consumers. Despite its limited size, this consumer goods production area includes very different product groups, and in part specialist enterprises.

The customary market development statistics even include a traditional paper group, Kimberley-Clark. This US company earns the majority of its profit from paper handkerchiefs, toilet paper, diapers and paper towels. All the other companies distribute specifically chemicals products: cosmetics, household cleaning agents, body care products.

However, the lead group worldwide is the British-Dutch Unilever Group, primarily a foods group.

As well as targeting new markets with a growing group of affluent customers (Asia-Pacific and the Middle East), these groups are also discovering target areas they had tended to ignore in the past. For a number of years, for example, we have seen growing sales and product offerings of male care products and cosmetics, in particular for the growing number of older men.

Despite these rising sales, concentration continues. In October 2005, for example, Procter & Gamble completed its entry in the men's body care business by acquiring competitor Gillette for USD 57 billion

A different strategy is being pursued by Unilever, where management has sharply pruned the product range and is hard at work selling business units whose ROEs do not come up to its in-house requirements.

At the end of 2005 and 2006, when Unilever was selling its deep-frozen foods sector, the European Works Council used a series of press releases and other initiatives to draw public attention to the fact that economic problems are not solved just by selling companies and to its concern that the management was weakening the substance of the company. ICEM member organizations also took part in this protest.

The world's 10 largest bodycare and household cleaning product producers in 2005:

Rank	Company	Employees	Sales (in USD billions)
1	Unilever (NL/UK)	223,000 (04)	54.4
2	Procter & Gamble (USA)	110,000	68.2
3	L'Oreal (F)	52,403	17.2
4	Kimberley-Clark (USA)	57,000	15.9
5	Colgate-Palmolive (USA)	35,800	11.4
6	Gillette (USA)	28,700 (04)	10.5
7	Kao (J)	19,143	8.7
8	Avon (USA)	49,000	8.15
9	Reckitt Benckiser (UK)	19,900 (04)	7.46
10	Shiseido (J)	24,184	5.98

## 1.5. Plastics and polymers

Process chemistry is the starting point for a wide range of basic materials.

### Olefin-Chemistry:

Many olefin groups like HDPE, LDPE, polyester and PVC are synthesized from ethylene and propylene. In many cases manufacturers have closely interlocking relations with the oil majors. The international extent of this business today is shown by a glance at the 9 largest global players in olefin chemistry in 2005:

Rank	Company	Sales	Employees
1	BASF, D	USD 50.63 billion	80,945
2	ExxonMobil Chemical, USA	USD 27.78 billion	n.a.
3	Mitsubishi Chemical, J	USD 18.23 billion	33,496 (2004)
4	Innovene (INEOS), UK	USD 15 billion	over 8,000
5	SABIC, Saudi Arabia	USD 18.23 billion	16,000 (2004)
6	Asahi Kasei, J	USD 11.87 billion	25,401 (2004)
7	Reliance Industries, India	USD 15.21 billion	12,113
8	Huntsman Inc., USA	USD 12.96 billion	10,800
9	Sumitomo Chemical, J	USD 10.97 billion	19,036 (2004)

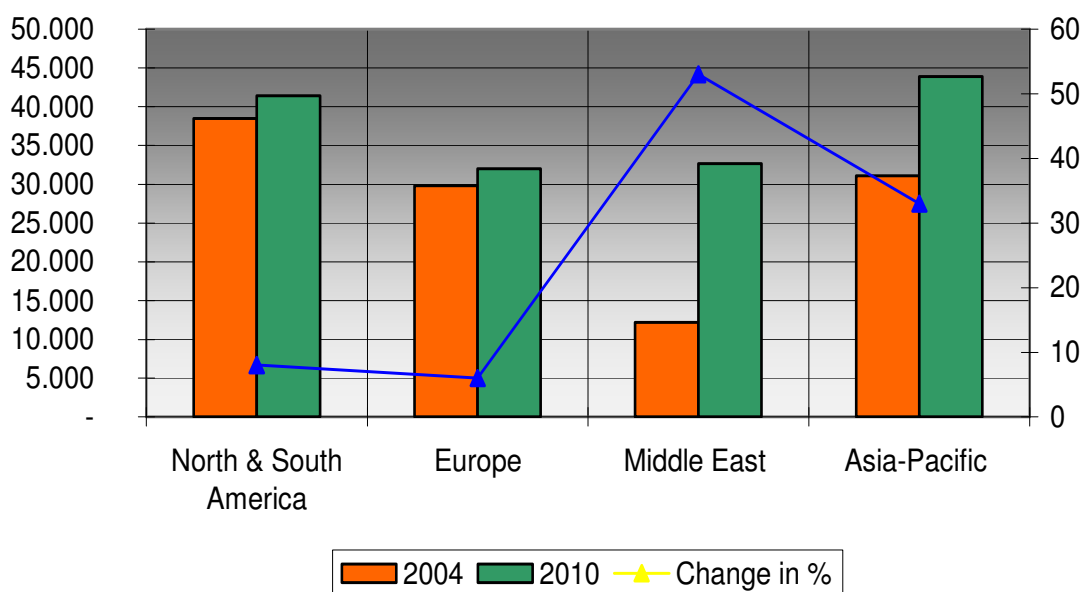
An interesting fact here is that India's Reliance Industries Ltd (RIL) is now the world's largest manufacturer of polyester, used mainly for processing into textile fibres.

The fact that, for example large groups like BP or BASF are moving out the first petrochemicals refining stages (sale of shares in the Basell joint venture to the

INEOS group in 2005) and other firms are buying up these market shares and the related European and American sites (SABIC, Huntsman and INEOS) shows the new strategic direction in this sector.

Region-wise, refining capacity is also going to change decisively, as the development of the worldwide ethylene market shows:

### Capacity changes in 1000 t



Source: ICIS Chemical Business, June 2006

The Chinese economy's huge need for further cracking capacity in the coming years is estimated as follows by consultants Nexant:

### *China's additional need for world-scale facilities by 2015*

Substance	Number of facilities
Ethylene	8 or 9
Propylene	15 crackers
Styrol	13
LLDPE	20 or 21
PP	28 or 29
PVC	20
PTA	29

Source: ICIS Chemical Business, March 2006

### Plastics

Apart from pure olefin processing, there exists a series of plastics which are based on further refining. These have very specific qualities and are widely used in industry. Polyurethane, for example, is used not only in the construction industry, but in shoes and in cars. Polycarbonates are processed in CDs and DVDs and also in the car

industry. Rounding off this palette of products are more specialist products for the electronics industry and a host of synthetic rubbers.

Among the 10 largest companies (2005) in this sector we again find the world's largest chemicals companies (BASF, Dow Chemical, Bayer and DuPont)

Rank	Company	Sales	Employees
1	BASF, D	USD 50.63 billion	80,945
2	Dow Chemical, USA	USD 46.3 billion	42,413
3	Du Pont, USA	USD 28.45 billion	60,000
4	ExxonMobil Chemical, USA	USD 26.78 billion	n.a.
5	Bayer, D	USD 32.43 billion	93,700
6	Total, F	USD 26.44 billion	112,877
7	Formosa Plastic, Taiwan	USD 3.67 billion	4,892
8	Innovene (INEOS), UK	USD 15 billion	over 8,000
9	Shell Chemicals, UK	USD 29.50 billion	8,500
10	Mitsubishi Chemical, J	USD 18.23 billion	33,496 (2004)

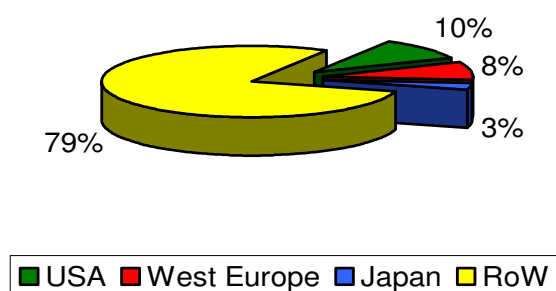
## 1.6. Chemical fibres

Chemical fibres represent 60% worldwide of all yarn production, followed by cotton with 38% and wool with 2%. Total worldwide fibre production amounted in 2005 to 63.7 million tonnes (source: CIRFS).

In chemical fibres we can distinguish between two types of production. Cellulose chemical fibres are chemically altered natural raw materials (e.g. cellulose). These include viscose, acetate, rayon, etc.

The other way of obtaining chemical fibres is synthesis. In these names of such fibres we easily recognise the monomer building blocks. This group includes polyacryl, polyamide, PVC, polyester, polyethylene, etc.

### Chemical fibre production by region



Source: IVC

Here we should note that the 79% relate mainly to the Far East, but the Secretariat unfortunately has no more detailed breakdown. What we do know is that India's RIL is the world's largest manufacturer of polyester, the most important of all chemical fibres.

The world's largest producer of short-fibered viscose is also an Indian company, Aditya Birla.

Chinese production of chemical fibres amounted last year of 16.29 million tonnes. This gives PR China 25.58% of world production.

From the fact that Chinese production has increased by 5 million since 2003, we should assume that chemical fibre production in China will continue to expand and will take a greater share of the world market in the coming years. On the other hands certain observers of the Chinese market are warning of overcapacity. Indeed, capacity usage has fallen over the past three years from 78% to 62%. One reason lies in rising raw materials costs combined with constant price pressure on the products of China's chemical fibres and textile industry.

European, Japanese and US companies have since specialized in high tech fibres for protective work clothing and the constantly growing outdoor clothing market. We have to wait and see how this market will develop further.

### **1.7. Pharmaceuticals industry**

Worldwide sales of prescription medicines, both original and generic, plus OTC drugs, amounted last year to over USD 300 billion.

The largest sales areas currently are ulcer medication, cholesterol-reducing drugs and anti-depressants

Global aging is a real boost for the pharmaceuticals industry: over-65s take three times as many tablets and medicines as younger generation.

But continuing economic growth and growing affluence in countries like China, India, Brazil and Russia is leading to improved health care. Rising incomes and change lifestyles, producing more of the ailments associated with affluent societies. Novartis, for example, writes in its 2005 annual report that an estimated 160 million Chinese suffer from hypertension and 20 million from diabetes.

The improved economic situation in the so-called threshold countries is producing an over-proportional rise in demand for effective treatment. In 2004 China's economy grew by 9.8%, but drug sales shot up 22.5%. In India, just 35% of the population have access to the drugs they need. Novartis chairman of the board Daniel Vasella forecasts that this will rise to 80% by 2020.

Since no later than 1976 and the founding of the first biotechnology company in the USA, the number of companies specifically researching new drugs, almost all with the help of genetic engineering, has risen. This research surged in the 1980s and 1990s. We note that the pharmaceuticals majors are mostly tending to cooperate with these newly-founded companies.

For example the active substance of the much spoken-of 'flu protection drug Tamiflu, sold by Roche, stems from a US genetic engineering laboratory. In such cases the

pharmaceuticals group provides distribution and large-scale production, and the biotech company shares in the profit. Should an active substance, however, flop, it is always the biotech company that carries the greater risk.

Once solidly established, however, biotech companies frequently become subsidiaries of major pharmaceuticals groups. Chiron now belongs to Novartis and Serono has recently been acquired by Germany's Merck KGaA. Examining the ten largest biotechnology companies, we are struck by the over-representation of US companies, as well as the now sizeable headcounts.

<b>Company</b>	<b>Sales</b>	<b>Employees (2005)</b>
Amgen, USA	USD 12.43 billion	<b>18,000</b>
Genentech, USA	USD 6.63 billion	<b>7,000</b>
Biogen Idec, USA	USD 2.42 billion	<b>4,000</b>
Genzyme, USA	USD 2.73 billion	<b>8,500</b>
Serono, CH	USD 2.59 billion	<b>4,750</b>
Applera, USA	USD 1.95 billion	<b>4,500</b>
Chiron, USA	n.a.	<b>5,400</b>
Gilead Science, USA	USD 2.03 billion	<b>2,500</b>
MedImmune, USA	USD 1.24 billion	<b>2,400</b>
Invitrogen, USA	USD 1.19 billion	<b>4,800</b>

In April 2006 Chiron was taken over in its entirety by Novartis, so no separate figures are now provided.

Developing a new drug devours horrendous sums of money. World market leader Pfizer put a price tag of USD 1.5 billion on developing a new drug, whilst its competitors mention an average of USD 0.8 billion (Reuters 27 November 2005). Hence a greater pressure on these groups to achieve corresponding profits.

In this context it is particularly important to have at least one blockbuster, that is a drug generating more than USD 1 billion of sales, on the market. Once the patent of a strong-selling drug runs out, it is vital to bring another one quickly to market. If the research pipeline is empty, it is time to think of new mergers.

Certain market observers predict a good future for GlaxoSmithKline, with many promising active substances at the trial stage. Other companies are looking anxiously at the expiry of their patent protection. This year Sanofi-Aventis took legal action in the USA against distributors of a generic drug (cheaper imitation product with the same active substance as the original), which caused considerable loss of income for their blood-thinner Plavix, despite patent protection until 2011. Plavix is the group's second largest-selling drug.

With the exception of the USA, practically all major pharmaceuticals markets are regulated by national health systems. Governments in all European countries are looking to cut health expenditure. Drugs are their second largest cost factor after hospital treatment. Companies are being increasingly forced to justify their pricing policies.

Two developments are becoming clearly visible here. On the one hand world number 2 generics producer Sandoz has announced a 25% price cut on 40% of its drugs in Germany from 1 June 2006 (Handelsblatt, 24 May 2006).

Generally we are seeing a concentration among generics companies in the world market. Teva has acquired its American rival IVAX, Sandoz the German company Hexal, Actavis from Iceland the U.S. company Alpharma, Ranbaxy Germany's Betapharm and Barr Pharmaceuticals the Croatian Pliva Group, to list just the largest transactions of the past two years.

The world's 10 largest generics producers, since 2005, are:

Rank	Company	Sales	Employees
1	Teva, Israel	USD 5.25 billion	14,700
2	Sandoz, D/CH	USD 3.05 billion	13,397
3	IVAX, USA	n.a.	n.a.
4	Watson Pharmaceuticals, USA	USD 1.65 billion	3,844
5	Alpharma, USA	USD 553.6 million	1,400
6	Barr Pharmaceuticals, USA	USD 1.31 billion	1,900
7	King Pharmaceuticals, USA	USD 1.77 billion	2,795
8	Ranbaxy, India	USD 1.27 billion	7,195
9	Mylan Labs, USA	USD 1.26 billion	2,900
10	Andrx, USA	USD 1.06 billion	1,680

The second development in the European pharmaceuticals market is a medium-term shift in marketing. The predominance enjoyed by marketing departments until now is set to decrease, at least according to consultants Brüggemann & Freunde (B&F). This estimate is based on a survey of 250 marketing and distribution managers of German pharmaceuticals firms. Call centres, mailings, product websites, e-mail newsletters and online-advertising will become increasingly important and reduce the considerably higher costs of sales representative networks. In simple terms this means job losses.

*In these heretofore not particularly well organized areas, trade unions have been able to demonstrate their competence and question the effectiveness of the new concepts.*

The ten largest pharmaceuticals companies, by sales, in 2005 were:

Rank	Company	Sales	Employees
1	Pfizer, USA	USD 51.3 billion	106,000
2	Johnson & Johnson, USA	USD 50.5 billion	115,600
3	GlaxoSmithKline, UK	USD 37.27 billion	100,728
4	Sanofi-Aventis, F	USD 33.77 billion	97,181
5	Novartis, CH	USD 32.56 billion	90,924
6	Roche, CH	USD 26.98 billion	68,218
7	AstraZeneca, UK	USD 23.95 billion	64,900
8	Abbott Labs, USA	USD 22.34 billion	59,735
9	Merck, USA	USD 22.01 billion	61,500
10	Bristol-Myers Squibb	USD 19.21 billion	43,000

In the second half of 2006, after years of mergers in the pharmaceuticals top league, we started to see the more mid-size (*Mittelstand*) pharmaceuticals companies seeking to improve their market positions through acquisitions.

This began with the take-over battle for Berlin's Schering AG, won by Bayer, even if the € 17 billion price tag made it the most expensive takeover ever in the entire chemicals branch. The resulting Bayer-Schering is now quite a major company. The loser, German's Merck KGaA, then went on a few months later to acquire Europe's biotechnology leader, Switzerland's Serano AG, for € 10.6 billion.

This was followed by the purchase of Altana Pharma by Denmark's Nycomed for € 4.2 billion, that of Schwarz Pharma by Belgium's UCB for € 4.4 billion and U.S. group Gilead's purchase of Myogen for USD 2.5 billion. Clearly the consolidation process in the pharmaceuticals midfield is still far from over.

GlaxoSmithKline (GSK) has recently presented a totally new price policy model. A company representative explained that it has recently come to an agreement with two European governments to introduce a flexible pricing system. Should clinic studies show the drug to be more effective, GSK would be allowed to raise the price, vice-versa the company would have to cut its price if the drug in question proved considerably less effective.

We have to wait and see how far this marketing strategy will work and a totally different pricing policy take hold.

Pharmaceuticals companies' pricing policies are also playing a key role in the intensive worldwide debate on combating AIDS, tropical diseases (malaria, dengue fever), tuberculosis and other very rare but serious diseases (commonly referred to as "orphan diseases").

In particularly the frighteningly high number of HIV infected persons – in particular in the poor countries of southern Africa – has led to this topic being taken up not only by the UN and its corresponding sub-organizations like the WHO, but also a whole range of NGOs, foundations and other institutes. Of major importance here is not only education but the medical care of patients. Pharmaceutical companies have been heavily criticized here in terms of sense of responsibility.

There are also, however, numerous initiatives by the pharmaceutical companies themselves or by foundations specially set up for this purpose. These efforts have made it possible to improve care services in many regions. Pharmaceutical companies have reacted to public criticism and significantly lowered their prices for their AIDS drugs in developing countries.

Despite all this, ICEM continues to believe that prices for these drugs are still too high. Pharmaceutical groups continue to offer antiviral cocktails consisting only of their own drugs, rather than mixes of the best active substances. It is also incomprehensible that, faced with mass misery, these companies are not ready to have generic versions of their products produced in the particularly affected poor countries.

As part of ICEM's worldwide HIV/AIDS project, we are trying to play our part in improving care, in particular for workers and their families.

Other tropical and orphan diseases also kill countless people every week. Here too the pharmaceuticals industry has a major role to play, which it needs to accept more than heretofore. The enormous and marvellous financial support provided by the Bill and Melinda Gates Foundation, especially for tropical diseases, needs to be matched by the pharmaceuticals industry.

## **1.8 Specialties chemistry**

The term fine and specialty chemistry covers a huge number of substances, each sharing at least one common feature, that of involving smaller quantities of highly complex molecules, which need to be synthesized in several stages. In extreme cases such complex structures can take weeks to produce.

The structure of such materials means that specialty chemicals firms produce in all kinds of niches, but mostly intermediates between raw materials processors and final manufacturers. Most of them also start from petrochemicals products. Surging oil prices have sharply pushed up their feedstock costs, whilst final producers are exerting pressure on the fine chemicals groups to keep their prices stable.

This led, for example, to CIBA Specialty Chemicals, one of the world's largest specialty chemicals companies, announcing that it wants to shed 2500 jobs worldwide. In the specialty chemicals area raw materials prices represent around 40 to 50% of total costs.

Specialty chemicals cover a wide range of business areas: aromas and fragrances, plastics additives, food supplements, pigments, colorants, catalysts, flame retardants, water purification components, adhesives, active pharmaceutical substances, and many more.

In certain areas new countries are pushing onto the market. India now has a large number of companies offering active pharmaceutical ingredients that they produce more cost-effectively than many other companies. A recent ILO report points to the

fact that, with 70 FDA-tested pharmaceuticals companies, India has the largest number of companies in this area outside the USA.

Added to this is the fact that when sales reduce, pharmaceuticals majors tends to produce more in-house, thereby placing additional pressure on the specialty chemicals firms.

The world's largest specialty chemicals companies in 2005 are, in alphabetical order:

Company	Sales	Employees	Products
Chemtura, USA	USD 2.99 billion	6,600	Plastics and petrol additives, flame retardants, swimming pool additives
Clariant, CH	USD 6.22 billion	23,383	Textile dyes, cleaning agents, industrial chemicals, paint pigments, textile additives
Cognis, D	USD 4.19 billion	8,059	Oleochemistry, food additives, fatty acids, synthetic solvents
Dainippon Ink, J	USD 45.0 billion	25,634	Inks, paints, building chemistry, lacquers, PET bottles
Degussa, D	USD 13.92 billion	45,553	Lacquer and fillers, fine and industrial chemicals, performance materials and specialty plastics
Eastman Chemical, USA	USD 7.06 billion	12,000	Chemical fibres, PET, lacquers, adhesives
Hexion Specialty Chemicals, USA	USD 4.47 billion	7,000	Heat-resistant surfaces, epoxy resins, formaldehyde, paints
Hitachi Chemical, J	USD 5.13 billion	17,065	Chemicals for the electronics industry, lacquers and coatings
Lubrizol, USA	USD 4.04 billion	7,500	Petrol and lubricant additives
Rohm and Haas, USA	USD 7.99 billion	16,519	Binders for paints, plastics additives, acrylate, salt

## 2. Industrial policy topics

The particular importance of environmental protection and employee safety, in particular when handling chemicals, has determined the central fields of action for the chemicals trade unions for many years. Tragic catastrophes like Seveso and Bhopal have demonstrated, on people's TV screens, just how important is the responsible handling of chemical production processes and of chemical substances for man and the environment.

Industrial groups have been increasingly forced to accept responsibility here. Both trade unions, representing their members' interests in the factories, and a highly critical public are calling industry to account, wanting to know about processes in factories and potential environmental hazards.

Industry has since taken numerous initiatives like introducing closed production circles, recyclable substances and environmentally friendly processes.

But much remains to be done. For this reason ICEM is a participant in all global initiatives and agreements which lead to improved working and living conditions for workers and their families, in particular in those situations where it is possible to enter into constructive discussion with representatives of chemical companies or their associations. The most important of these initiatives are set out below.

On top of this there are a number of cross-sectoral industrial policy topics, which in the view of the ICEM Secretariat require positions to be taken. These include the development of energy and raw materials costs. These influence total expenditure in the chemicals industry much more than pay rises, fluctuating exchange rates or environmental protection requirements. They are also a central competitive factor in multinational groups with facilities in various countries. For this reason also ICEM member organizations are becoming increasingly involved in the national and/or cross-regional energy debates of their respective governments.

The same applies to the issue of new biotechnologies. Additional opportunities for new and secure jobs in countries with high pay levels and lots of highly qualified employees can be successfully created only where companies invest in the future technologies of the 21<sup>st</sup> centuries. Examples from the USA, Israel and Japan show how this can work.

### 2.1. Responsible Care und Sustainable Development

*Responsible Care* is a voluntary initiative of the worldwide chemical industry. The idea originated in Canada, where in 1984 the Canadian Chemical Industry Association published guidelines for "Responsible Care" (RC). This example has been followed over time by all other associations.

Responsible Care has set itself the goal of improving health, safety and environmental care in the chemicals industry. After strict examination of its energy consumption, waste disposal, chemicals storage, work and health protection and internal environmental care, a company is given a certificate entitling it to use the RC emblem for three years in its corporate (but not product) advertising. After three years the company has to be re-investigated in order to be re-awarded the certificate. Companies operating several plants need to pass the RC examination for each plant separately.

In 2003 the International Council of Chemicals Associations (ICCA) gave new impetus to this process by promulgating a Global Charter. Obligations were also extended to the entire product chain, including suppliers, transporters and chemicals dealers. The Council is also intending to further extend the number of participating companies.

Herein lies also one of the problems of this initiative. On the one hand many NGOs criticize the lack of legal and binding rules in place of this voluntary, non-binding initiative. On the other hand it has to be said that the Responsible Care criteria extend far behind what is normally imposed, for example, by the European EMAS Environmental Audit and the international ISO 14001 standard. It is precisely the inclusion of safety and health protection at work which makes this initiative interesting also for plant workers' representatives and their trade unions.

It should also be pointed out that, according to the industry itself, 100 chairmen of major chemical companies and 44 of the ICCA's 52 member associations have so far signed up to the Responsible Care initiative. This leaves room for increasing the number of participating companies.

*In one way or another this initiative gives trade unions a particularly good opportunity to call companies to task.*

The concept of *sustainable development* goes back to the UN report of the so-called "Brundtland Commission". In short it means "development which can satisfy today's needs without compromising future generations' ability to meet their own needs".

What is perhaps lost in this abbreviated definition is the central thrust of the limitation, precisely with regard to the resources of the eco-system. In general the achievement of sustainability is described as the balanced and simultaneous achievement of environmental, economic and social goals on a basis of equal rights.

This somewhat unclear definition has been followed over the years by increasingly binding declarations at UN level, like the Agenda 21, as part of the Kyoto protocol, at the Rio Conference (1992), and in the Johannesburg action plan.

Many of these and other initiatives have since become included in UNEP's SAICM process, which was adopted in February 2006.

## **2.2. SAICM**

In February 2006 the UNEP invited those concerned to the International Conference on Chemicals Management (ICCM) in Dubai. At this conference a new, worldwide programme, the *Strategic Approach to International Chemicals Management (SAICM)*, was adopted for chemicals management.

SAICM comes in three parts, first the Dubai Declaration on International Chemicals Management, second the Overarching Policy Strategy (OPS), and third the Global Plan of Action (GPA).

The objective of the SAICM initiative is to encourage a process, to be as binding as possible, in every country, which will bring governments, the chemicals industry, trade unions and NGOs around a table in order to establish, for each country separately, the rules of chemicals management and what regulations, bans or protective rules need to be decreed.

The fact that this is the declared will of the individual states is established in the Dubai Declaration, which was signed by all states taking part in the conference. How these national processes are to be transposed by the different states, and how this is to be controlled administratively, is governed by the Overarching Policy Strategy. Lastly, the Global Plan of Action includes a list of all possible and conceivable topic areas, to be tackled both nationally and internationally.

SAICM is still in its infancy. It is roughly comparable with the EU's REACH initiative, though SAICM is a voluntary initiative, with only limited binding force. 5 regional launch conferences are right now taking place across the world.

*Examining the content of SAICM at this year's ICEM world conference is at once very much topical and necessary, as we need to avail of the intentionally included opportunities for trade union involvement, regardless of potential resistance from governments in one or the other country. It is precisely in such cases that it is important to bring in ICEM to develop international pressure to bring the trade unions back into the game.*

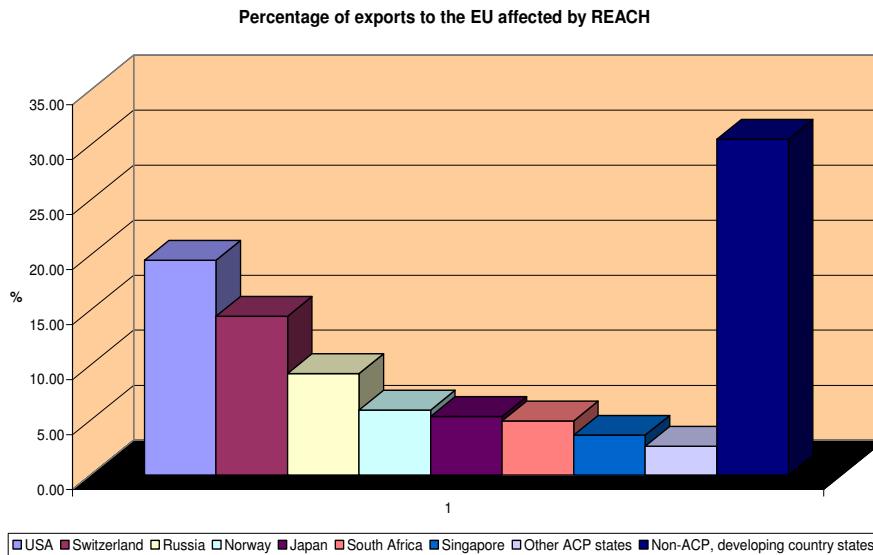
### **2.3. REACH**

In 2001 the EU Commission published its "White Paper on Chemicals Policy": the core item of which was the registration, evaluation and authorization of chemicals, in short REACH, by a European Chemicals Agency (EChA) to be set up in Helsinki. The EU Commission's declared goal was the reversal of the burden of proof: in future it will no longer be the authorities' task to prove the hazardous nature of individual substances, but that of chemicals producers and importers to prove their non-hazardous nature.

The necessarily related additional costs to the chemicals industry and the possible consequences for employees in the sector fuelled a years-long battle on the legal form of the EU directive. Right now it is assumed that the directive will come into force in 2007.

In the political debate within the EU, the ICEM's sister organization, the European Mine, Chemical and Energy Workers' Federation (EMCEF) played a pre-eminent role.

REACH is also a topic for ICEM, as all countries exporting to the EU need to adhere to this directive. A study by the European Parliament in March 2006 has shown what percentage of exports of individual countries and regions will be affected by the legislation:



Various studies and estimates put the cost of registration of the new chemicals at around € 3.5 billion in the first 11 years.

### [What exactly will REACH govern?](#)

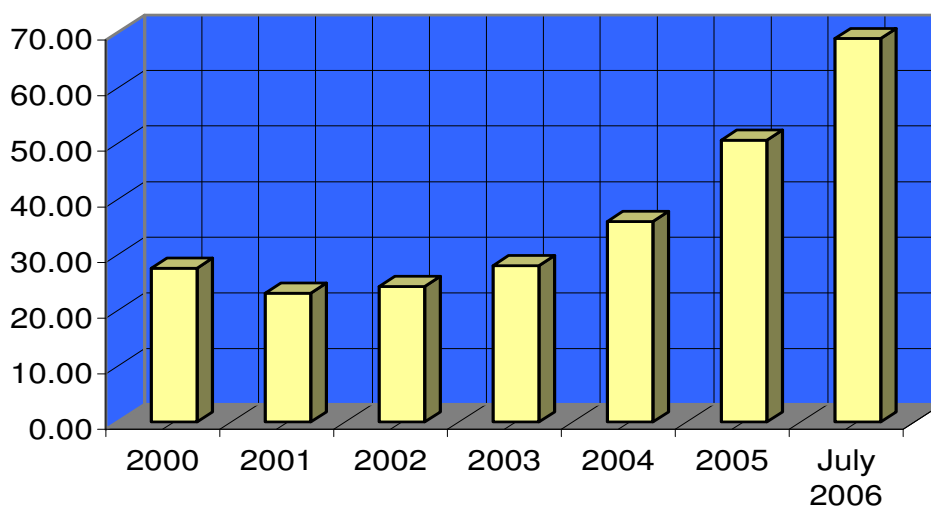
- All chemical substances (cosmetics and pharmaceuticals are excluded) of which more than 1 tonne a year is produced, must be registered.
- Upwards of a production volume of 10 tonnes a year, a Chemical Safety Report (CSR) has to be produced.
- Companies distributing one and the same chemical may form consortia in order to keep down the number of animal experiments and costs. This is the “One Substance – One Registration” (OSOR) model.
- Dangerous substances and those presenting a health hazard will be given only temporary authorization by the EChA, until substituted by a non-dangerous substance.
- The total number of chemicals to be registered in the EU is estimated at around 30 000.
- 18 months after pre-registration of the substance, the data presented will be published on the EChA internet presentation.

## 2.4. Energy and raw materials costs

Energy costs and raw materials prices play a significant role in the chemicals industry. Predominant here are the prices of crude oil and natural gas, as a large portion of the substances processed in the chemical industry are synthesized from them. Experts tell us that these can represent 40 to 50% of the total costs of chemicals production.

It is against this background that the development of the crude oil price in the past two years has been of major significance for the chemical industry, and has given a new impetus to investment decisions by multinational companies.

**Crude oil price in USD per barrel**



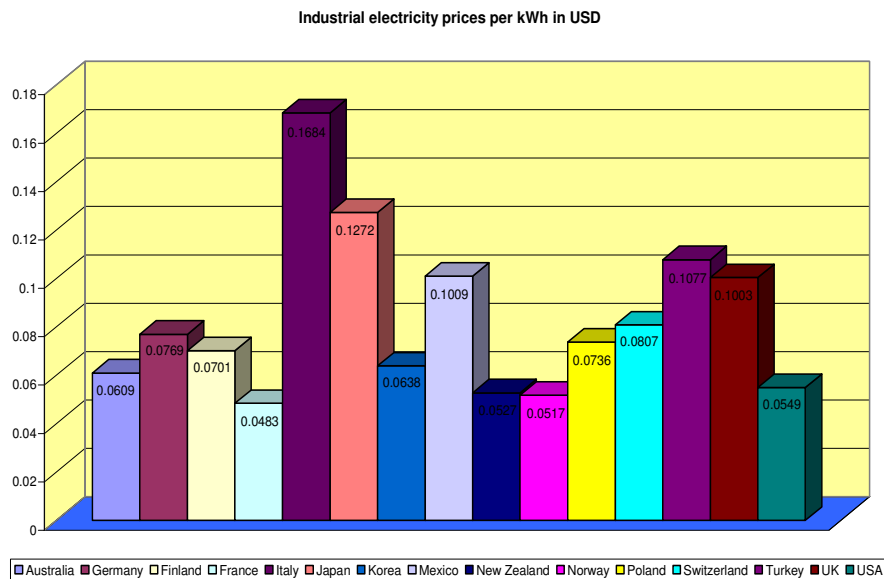
Source:  
OPEC Bulletin, Petroleum Intelligence Weekly;  
data based on average values of selected OPC crude oils

Whereas many experts had expected the crude oil price to pass through the USD 80 barrier before the end of 2006, the price has been constantly falling since the second half of September to below USD 60. Euphoric hopes are already being expressed of a further fall down to USD 40. Even if current spot market developments show just how difficult it is to calculate prices, we need to note that the crude oil price will remain high, compared with 2004.

Whilst companies in the first processing stage are more easily able to pass on the higher price in their products, companies in the fine and specialty chemicals sector are caught between two stools as strong competition is preventing them from passing on the higher prices. The resulting falling returns are then all too easily compensated by job cutting.

Electricity prices are another important factor when chemical companies decide where to locate their plants. The chemicals industry as a whole is well-known as one of the most energy-intensive sectors of industry. Within the EU alone the industrial electricity price for a company consuming 70 gigawatt hours or more a year varies considerably. The highest costs are born by Italy with 8.24 eurocents per kWh, and the lowest by Latvia with 3.27 eurocents. In between come member states Germany (8.21), France (5.0), Spain (4.93), the U.K. (4.89), Poland (4.60) and Romania (6.38). (Source: EUROSTAT; July 2005).

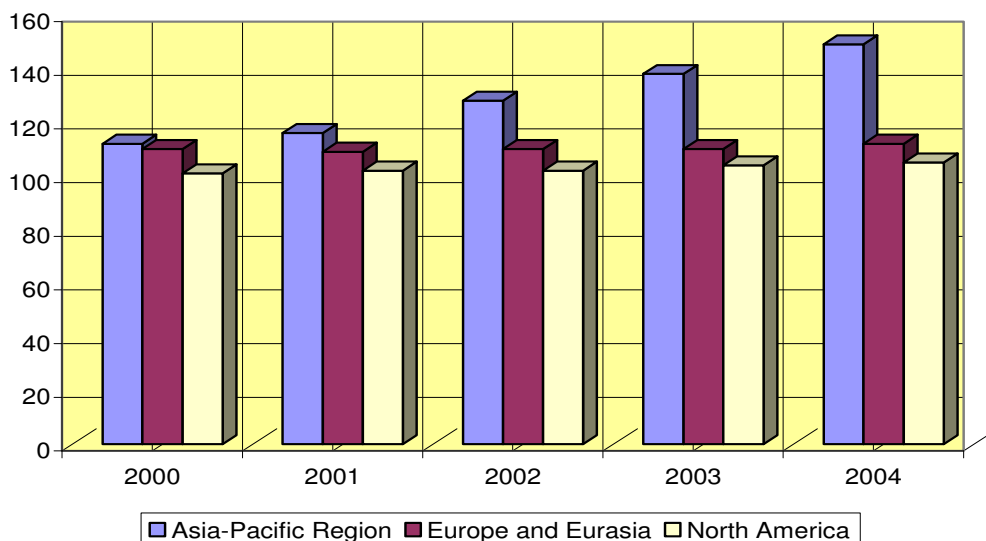
In a global context the picture is as follows (insofar as corresponding data exist):



Source: International Energy Agency (IEA), 2006  
US data do not include tax!

A further factor which will continue to affect both raw materials costs and electricity costs is the imminent rising hunger for these products, in particular from the Chinese economy. This is also shown by the BP world energy statistics (situation at June 2005)

#### Development of global energy consumption (1994=100%)



## 2.5. Biotechnology

Biotechnology is generally seen as one of the technologies of the future. In public discussion, the term biotechnology refers, not to traditional biotechnologies like beer brewing, the fermentation of soya or the lactic fermentation of sauerkraut, which have been known worldwide for thousands of years, but to the targeted genetic engineering of organisms or crops to achieve specific qualities.

In more recent times this modern branch of biotechnology has been divided into three working areas:

⇒ *white biotechnology* uses renewable raw materials as the starting point for new products.

⇒ *red biotechnology* concerns itself with obtaining novel drugs and other medical applications like diagnosis and therapy.

⇒ *green biotechnology* concerns itself with mutating crops to make them resistant to pests and to increase individual nutritional contents, for example vitamin A in rice.

It is precisely the results of white biotechnology that are greeted most everywhere in the world as contributing to reducing the wastage of finite raw materials like crude oil, and as being naturally biodegradable and not environmentally harmful. Examples include the obtaining of biodiesel from rape or sugar beet, renewable detergents, new cotton species with new fibre qualities and the production of plastics from maize or potatoes.

Red biotechnology is also widely accepted, as new drugs or organic active substances are invented with hitherto unattainable therapeutic capabilities. These are active substances that were once obtained from rare plants and which are now produced in a targeted manner using mutated bacteria. Many biotech companies across the world have already been founded in this lucrative research area, with a focus on developing of novel medicinal active substances.

Many of these small founder-firms offer their inventions to pharmaceutical majors in return for a share in the economic success of the drug that enables them to continue their research. This business model can be highly lucrative. If, however, no new successful products are found, these companies are rapidly in economic peril, owing to the fact that the research risk has been shifted from the pharmaceutical majors to these biotech companies.

Once, however, they have gained a permanent place on the market, such companies quickly become coveted take-over targets, as in the cases of Chiron (USA) and Serono (CH).

Hotly disputed in many industrial countries is the genetic mutation of plants which then move into the food chain. The EU for example has placed an import ban on genetically modified plants like soya, rice and wheat. Genetically mutated plants will certainly not eradicate hunger in the world, but nutrition could potentially be improved by the targeted enrichment of crops with important nutrients. The insertion of pest or fungus-resistant genes means that considerably less pesticide has to be sprayed on crops, to the benefit both the environment and the farmers in the field.

There is still, however, overwhelming scepticism that new hazards could lurk in these mutated foods when eaten. Given, however that other parts of the world, and in particular in both Americas, genetically modified crops are grown on a large scale and enter the food chain, one would expect any threat to health to have been already noticed. But until now none have been reported.

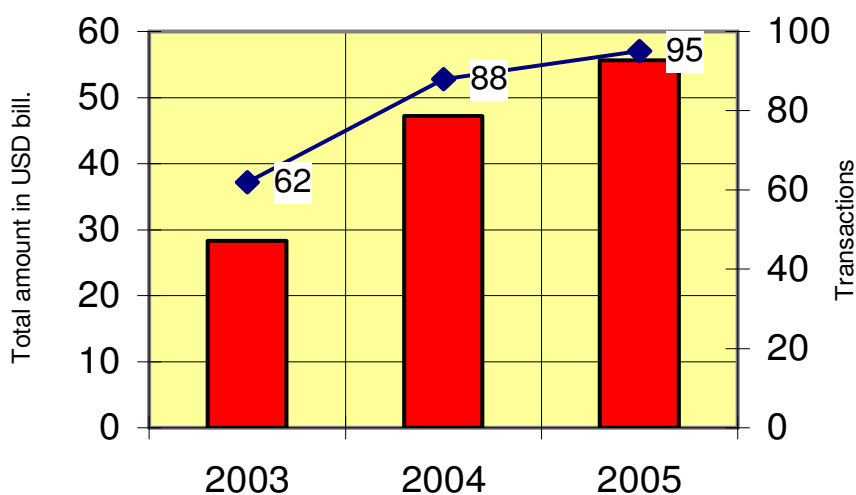
### 3. Challenges for trade unions

Global economic changes and attendant major shifts in the international division of labour particularly affect an industrial sector like the chemical industry, which already operates on a global basis.

This presents particular challenges to employees and their trade unions. Some of these key challenges are set out in the present chapter.

#### 3.1. Mergers and acquisitions

Acquisitions of companies and mergers have increased considerably in recent years. A study entitled “Chemical Compounds” by PricewaterhouseCoopers (PwC) examined M&A transactions in the past years involving amounts in excess of USD 50 million. The study showed that:



Whilst total expenditure on all transactions almost doubled to USD 55.6 billion in 2005, this amount was already exceeded in the first half of 2006 alone, with around USD 58 billion.

The amounts paid have also increased enormously. In 2003 the largest deal was just USD 4.4 billion (Acquisition of Ondo Nalco). In 2005, the merger of Innovene with INEOS already cost USD 9 billion. The most expensive acquisition of the current year is Linde’s take-over of BOC Group for USD 17.1 billion.

Measured by transaction volumes, around 46% of all mergers in the past 3 years took place in Western Europe, followed closely by the USA with 41%.

The chemical sectors involved have also changed significantly: whilst initially the majority of the acquisitions were in the fine and specialty chemicals area, in 2005 the basic materials industry was the dominant field. Another feature was the growing number of company acquisitions by so-called equity funds.

*All current figures are pointing to continuing consolidation in the chemicals and pharmaceuticals industry. This makes it all the more important for trade unions to be involved in good time in the process of the acquisition or sale of business areas, in order to be better able to protect employees from the negative consequences.*

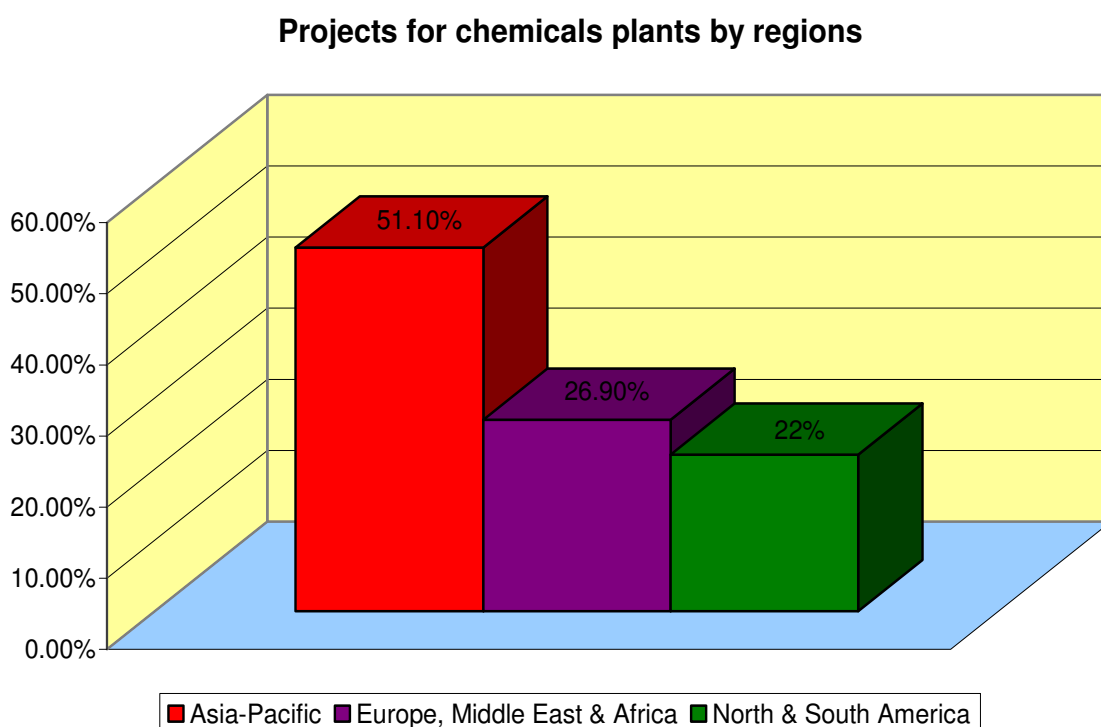
*Precisely in this area it would make sense to organize an international exchange of experience, in order to better coordinate trade union activities and to develop various possibilities of influence. The increasing activities of, for example, Indian and South African groups in company acquisitions show that such an exchange of experience will not be a one-way street but a global topic.*

*Back in January 2005, Simon Smith of Celerant Consulting pointed out in European Chemical News that more than half of all successful mergers and acquisitions destroy more value than they create. In most cases this has led to job losses in the new companies, which would not have been necessary had the mergers not taken place. This is another argument that trade unions need to mention to management.*

### 3.2. Prognoses for the future: Changing markets – changing jobs

More and more investments will be made and new plants built in the growth regions of the Arab world and in Asia, in particular China and India. A few figures serve to demonstrate this.

According to a survey by IBM (in: Chemical Week – 21 September 2005), in the first half of 2005 investments by the chemical industry according to regions were as follows:



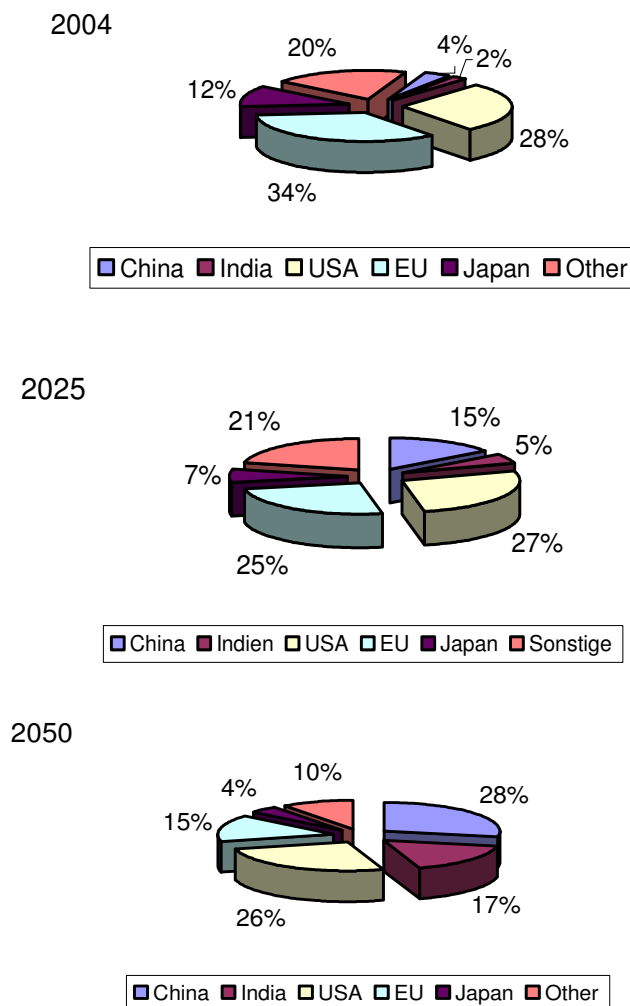
For the research and development area, the situation looked surprisingly similar: Asia-Pacific 49%, Europe/Middle East/Africa 28% and the two Americas 23%.

First of all growing affluence in these regions means that more and more people are demanding goods and services they were previously unable to afford. To this extent industry is first serving new and growing markets. If current patterns continue, by 2050 half the world's population will be living in China and India.

With its relatively young population and many well-qualified workers, many companies face the question whether Asia would not be a better choice than, for example, a heavily over-aged Europe. With today's very low transport costs it is already possible to produce anywhere in the world for another place – aside from

other criteria like just-in-time production which require short and accurately-timed delivery chains.

The long-term development pattern shows that India and China's share of worldwide economic performance will increase not just absolutely, but also relatively:



Source: UN, Deutsche Bank Research, Die ZEIT and Wirtschaftswoche

The same assumptions apply to the chemicals industry. For example the European Chemical Industry Association (CEFIC) has pointed in its thesis paper "Horizon 2015" to the fact that the European chemicals industry had 28% of the world market in 2002, that the US chemicals industry was stagnating at just 26%, that Asia (ex-Japan) had reached 24% (compared with a miserable 13% in 1990) and that Japan's share had sunk below 10%.

CEFIC estimates that the European chemicals industry will have lost its lead role by 2015 and, depending on which prognosis one follows, will retain between 16% and 23% of the world market.

As an example for such a change one can cite the development of the profits of China's petroleum and chemicals industry. At RMB 370.79 billion in 2005 these were up 32.3% on 2004.

On top of this almost 30% of all current investment in the chemicals industry is going to China. Between 2002 and 2005 this amounted to USD 120 billion of direct investment (from: ICIS Chemical Business, 11-17 September 2006).

These changing market shares represent a challenge to trade unions, as they also mean further falls in jobs in Europe. Multinational companies are building their plants across the world, but workers cannot follow. And on the other hand, well-paid jobs are being created in what have until now been poor regions.

This development presents a new challenge to worldwide trade union solidarity. Is it, for example, conceivable to assist Chinese employees in setting up democratic trade unions, starting from multinationals and together with the trade unions from the parent company countries? Or is it possible to help Indian trade unions organize in the same way as has been partially successful in Latin America since the 1980s?

The first, uncomplicated petrochemicals processing stages like PE and PP are being extended not only in China, but also increasingly in the Middle East (Saudi Arabia, Qatar, Kuwait, Iran, Abu Dhabi).

India is also increasingly becoming a global location for the production of pharmacological active substances.

As well as different regional growth prospects, and the attendant creation of new jobs in areas traditionally reserved for Europe, America or Japan, other forms of labour organization also deserve the full attention of trade unions.

*Meanwhile, almost everywhere in the world the proportion of direct, permanent employees is being reduced and their place taken by temporary jobs or temporary workers. The increase in precarious employment, even in a prospering industry, and worldwide and not only in the so-called high wage countries, was one of the reasons for developing the ICEM project on this topic.*

*In many case temporary workers and those on short-term contracts are paid less and enjoy significantly fewer negotiated supplementary benefits than permanent employees. On top of this their jobs are considerably less secure and in many countries trade unions are unable to organize and represent this employment group. Here we must further strengthen the common efforts of all ICEM member organizations and all global trade union federations, in order to prevent a further erosion of employee and trade union rights within companies.*

### **3.3. Social dialogue in Europe / EMCEF and ECEG**

The possibility of social dialogue between trade unions and employer associations is institutionalized in the legislation of the European Union (EU).

It was only when the European Chemical Employers Group (ECEG) was founded that ICEM's European sister organization EMCEF was able to start with social dialogue on industry level.

In their joint declaration of April 2005 both sides agreed, for example, to undertake further efforts in the fields of vocational training, further education and lifelong learning and to state their demands of EU vocational training policy.

*Even if at international level there are no binding rules governing such talks, nor is there any "world chemical employers' association", an attempt should be made to come into conversation with company representatives who have gathered good experience with social dialogue in Europe, and to develop discussion on individual topics of global importance.*

## **4. Trade unions organize global solidarity**

Trade unions are not just faced with challenges. They have always been able to represent their members' interests in a wide variety of ways. This includes providing worldwide support to employees and their trade unions wherever necessary.

*This form of solidarity is no more a one way street. We describe below the instruments that ICEM has developed until now, and how they function. From them it becomes clear that we need to succeed in calling companies to task when it comes to concluding global world agreements. At the same time we need also to successfully develop and make fuller use of existing instruments.*

So example the Secretariat has put together a database of addresses of different Rhodia facilities. We have surveyed member organizations to find out how far they are organizing the national locations, but unfortunately only 20% of those we have written to have responded.

Them ICEM solidarity initiatives in the chemicals industry that are listed at the end of this paper are evidence of succesful bottom-up communication in individual cases.

### **4.1. Global agreement: Rhodia, France**

The agreement with Rhodia was signed in February 2005. Since then company management has intimated to ICEM that it is interested in extending the agreement and starting joint activities. In 2007 the Secretariat will set to work on this, and ICEM member organizations will be brought in to play an active role in regionally-based activities.

### **4.2. Global trade union networks**

Where multinationals are not prepared to conclude global agreements with ICEM, but where international interest exists in cooperation between the trade unions, ICEM helps organize and set up global trade union networks.

Particular responsibility lies here with the parent country trade union, whose task it is to coordinate communication and disseminate information to all network participants.

A further network, not discussed in detail in the present report, is right now being set up: Germany's IG BCE has used bilateral cooperation between trade unions in Brazil to build up a Bayer network in Brazil and is hoping to extend this across Latin America with ICEM help.

#### **4.2.1. BASF**

This network has taken a different path to all the others. With support from IG BCE, a regional network was first set up for Latin America (1999), followed one year later by a network for the Asia-Pacific region.

These regional networks meet every two years. Representatives of company and trade union interests prepare their central topics and questions and then discuss ideas and complaints with representatives of regional and central management. Following this a work plan for the coming years is agreed between both sides.

*With these two networks up and running, the question for the future will be how far we will succeed in setting up further regional networks.*

#### **4.2.2. DuPont**

American trade unions have a long history of dialogue with DuPont management. DuPont is right now the only US chemicals group to have signed the UN Global Compact. In the requisite report to the UN (the central ILO conventions like freedom of association and the right to collective bargaining are part of the Global Compact), company management has stated blatantly that they respect their employers and are convinced that there is no need for trade unions.

To assist communication with trade unions from elsewhere in the world, the USW has asked ICEM to assist it in setting up a trade union network. In March 2006 a first meeting of European, Brazilian and US trade unions took place in Brussels.

There a network was brought into being, and since then a lively exchange of information has taken place by e-mail. In this context a bilateral contact also took place between the USW and the CNQ-CUT as part of a visit to two Brazilian DuPont locations.

#### **4.2.3. Novartis**

The Novartis network came into being in 2001. Until now it is the only one existing in a pharmaceuticals company. Coordinator is the Swiss UNIA. In recent years, however, individual mutual contacts have been somewhat dormant.

Even so, an interest has been expressed on various sides to reactivate this network, most recently at the ICEM Pharma Conference in April 2004 in Tokyo.

To this end the responsible industrial secretary in the ICEM Secretariat has had initial discussions with network coordinator Roland Conus (UNIA) and Bernd Körner, the Novartis works' council chairman in Basel and European Works Council member. The world conference will also serve as an occasion to come into discussion with interested parties and to extend contacts.

#### **4.2.4. Pharmaceuticals network**

At the last ICEM world conference for the chemicals and pharmaceuticals industry held in 2001 in Bangkok, it was agreed in the action plan adopted there to found a pharmaceuticals network and to hold every two years a meeting with the responsible ICEM trade unions. Following an initial and successful event in Tokyo in April 2004 there has unfortunately been no follow-on meeting. We need to come back to this in the conference discussions.

### **4.3. Solidarity initiatives**

#### [Thailand: Thai Industrial Gases \(September 2006\)](#)

Thai Industrial Gases is a subsidiary of the British BOC Group. Since 2004 it has been refusing to undertake collective bargaining with the plant trade union. It has also illegally dismissed two leading trade unionists.

Support from the responsible British trade union and ICEM member TGWU and negotiation by ICEM General Secretary Fred Higgs on site in Bangkok has achieved

the reinstatement of the dismissed trade unionists and local management is now ready to undertake serious pay negotiations.

[China: Gold Peak \(September 2006\)](#)

Golden Peak Industrial Holding is a multinational battery company. Batteries are all produced in China and distributed worldwide. Two years ago Chinese production workers fell seriously ill sick with cadmium poisoning. Company management has until now refused to provide adequate health treatment to the victims or pay compensation.

In the run-up to this year's annual general meeting of shareholders, the General Secretaries of the IBFG, IMB and ICEM wrote to the chairman of the board, demanding that this company policy be immediately reversed and that the employees be given their rights.

[USA: Medco Health Solutions \(April 2006\)](#)

Medco runs a postal distribution service for prescription medicines out of Las Vegas. The company's main customers include the US trade unions' preventive health care programmes and their members. Despite this, the local management has illegally scaled back in-company preventive health care provision and also locked them out.

ICEM wrote to the chairman of the board, demanding that employees be reinstated and that fair and serious pay negotiations be continued with the USW trade union. The dispute with this American ICEM member was successfully concluded after a few weeks.

[USA: Cognis \(Februar 2006\)](#)

The German multinational decided a year ago to transfer its oleochemicals business sector to a joint venture with the Malaysian Golden Hope group. This affected an operating facility in Cincinnati, Ohio. The local USW trade union wanted to negotiate a transitional collective agreement, but failed owing to the unyielding attitude of local management. Whereupon the trade union members started a strike which has since lasted more than a year.

ICEM has written both to the chairman of the Cognis board and to member organizations asking them to also send protest letters to the company.

[Canada: Invista \(Oktober 2005\)](#)

In the province of Ontario, ICEM member CEP had almost ended a strike in the nylon fibre plant when the final question of the reinstatement of striking trade union members was unsatisfactorily answered by local management. ICEM protested in writing to the chairman of the board and to the majority owner, Koch Industries. The conflict was resolved soon after.

[USA: Celanese \(September 2005\)](#)

The Celanese facility in Meredosia, Illinois began this years' collective bargaining under an exceptionally unlucky star. First of all local management demanded that the employee side, represented by the IBB, accept a 20 to 40% pay cut, stating that if this demand was not immediately met, the company would lock out the entire

workforce. ICEM was requested to use its contacts with trade unions at other Celanese plants to pass on the message of this flagrant blackmailing of the trade union.

[Ireland: Gerard Laboratories \(August 2005\)](#)

Gerard is a subsidiary of the German pharmaceuticals group Merck KGaA. At the Dublin plant local management did everything possible to keep the responsible SIPTU trade union out of the plant. In a court decision, Irish management was ordered to raise wages, to continue to pay wages to sick employees and to accept the trade union as the legitimate employee representative. ICEM made the contact to Merck's European Works Council and asked it for its support in this case.

[Turkey: Jotun \(April 2005\)](#)

Norwegian company Jotun has a paint factory in the Turkish town of Cerkeznoy. To weaken the trade union at the plant, local management used all sorts of unfair tricks, and finally fired 45 members of the Petrol-Is during the present collective bargaining round. The ICEM Secretariat arranged the contract between Norwegian chemicals trade union Norsk Kjemisk Industriarbeiderforbund and Petrol-Is.

After the Norwegian media had been brought in via ICEM and NKI and with the involvement of managers from the Norwegian head office in Turkey, the trade dispute was resolved and dismissed trade union members were either reinstated or received financial compensation. In addition Jotun Toz Boya Fabrikasi joined the Turkish Chemicals Employers Association (KIPLAS).

[Serbia: Government of Serbia-Montenegro \(June 2004\)](#)

In an unprecedented act of disregard of trade union rights, the government of Serbia-Montenegro arrested the leaders of the Chemicals, Non-Metal, Energy and Mining Union, and interrogated them on the collective agreements and the privatization plans of Icelandic generics firm Actavis.

ICEM sent protest letters to the responsible government ministers and copies to Iceland trade union leaders. Shortly after all member organisations were called on to send letters of protest to the Serbian government.

[USA: Continental Carbon \(May 2003\)](#)

Continental Carbon is a subsidiary of Taiwan's China Synthetic Rubber Corp., and produces carbon black for the tyre industry. The Ponca City, Oklahoma plant has been locked in a labour dispute with management since May 2001. For the simple fact of not accepting company management's intention of reducing wages by 30%, employees and their trade union PACE were locked out by management.

The ICEM General Secretary wrote repeatedly to the Taiwanese chairman of the board. Some of the letters were not even answered. Trade union members from the USA even flew to the general shareholders' meeting in Taipei and went on hunger strike. The dispute was finally settled in December 2004.