

Making Globalization equitable

*With this declaration, the **DGB** (German Federation of Trade Unions), **VENRO** (Association of German Development NGOs) and **attac** have set the goal of demanding that the new Federal Government and the newly elected Bundestag take on greater commitment for a socially and ecologically more equitable world order with a democratic countenance. The declaration is the result of an intensive debate carried out over the past two years concerning the political challenges of globalization. At the same time DGB, VENRO and attac demonstrate with this declaration that they and their respective member organizations – in spite of the existing differences of their respective social policy fields of action – wish to actively support and co-design this process jointly as actors in civil society. Representatives of the **Forum Umwelt und Entwicklung**, the **Forum Menschenrechte** and of the **Social Watch Deutschland-Forum Weltsozialgipfel**, which also uphold the fundamental objectives of this declaration, also took part in drawing up this declaration.*

Global markets must be based on global regulations and institutions that place humane development and the public welfare before the interests of enterprises and national advantages. A return to a nation state focused policy is not a desirable alternative.

Globalization in the form of a great increase in the exchange of goods, investment flows and financial capital has come to influence nearly all fields of politics and in many aspects has contributed to polarization and differentiation.

For example, in its final report dated June 2002, the Commission of Inquiry “Globalization of the World Economy” of the German Bundestag ascertains: “We observe that around the world the gap between the poor and the rich is continually growing further. In the world as a whole, the gap between the most prosperous fifth and the poorest fifth of the global populations has doubled in the past decades.”

Even if developing and threshold countries have increased their share in world trade on the whole in the past twenty years, only a few of them were able to increase their share in the world income, while the poorest developing countries are practically excluded from the world market.

In industrialized countries, the international division of labour accelerates structural change. Hereby less well-qualified workers tend to have more difficulties on the labour market than well-qualified employees in highly productive and innovative sectors.

Intensified liberalization of trade and the activities of multinational corporations are accompanied by considerable hazards to economic and social rights. Also, in many countries grave limits to civil and political rights are still part of the daily agenda. Until

now it has not yet been possible to realize the programmatic objectives of the Universal Declaration of Human Rights of 1948 or to effectively implement the two UN covenants on civil and social rights.

Globalization in its present dominant form did not generate itself. The expansion and hence the intensification of global competition were politically intended. Decisive driving forces were not only the enterprises, but also the governments of the USA, Japan and the EU member states. They paved the way for liberalization of markets and to cutting the totality of public services. Influence of the parliaments is practically non-existent, and the direct influence of the citizens on the decisions that directly affect them is minimal. On principle, though, the vast advancements in the information and communication technologies offer new opportunities for global cooperation in solidarity.

Globalization needs a social and democratic countenance. It is not a matter of escaping globalization, but of politically shaping it.

1. The fight against poverty

The present global political situation makes clear more than ever how important it is to eliminate the extreme injustices and inequalities on earth with all the power at our disposal. Battling extreme worldwide poverty is a precept of solidarity and a human rights duty. At its Millennium Summit in September 2000, the United Nations resolved to cut the number of the extremely poor in the world (now roughly 1.2 billion people) in half by the year 2015. Achieving the objectives formulated in the UN Millennium Declaration – according to World Bank calculations – will require not only a change in global structures, but also a doubling of worldwide development aid (now roughly €50 billion). The Federal Government supported the objectives of the UN and put them into concrete terms in its “Aktionsprogramm 2015” resolved in April 2001. It is now a matter of also implementing the objectives sketched by this Action Programme. Germany, as one of the richest countries in the world, must take up greater international responsibility than it has in the past. Greater coherence of overall policies with the aims of the fight against poverty and of sustainable development is important. We in particular demand

- that the Federal Government produce a binding time schedule ensured by a law on development policy, so that German development financing (ODA) can be doubled by the end of the present legislative period and its share in the gross national income (GNI) of currently 0.27 percent be increased to 0.7 percent in the year 2010;
- that the Federal Government multilaterally work for a further-reaching remission of debts for the Heavily Indebted Poor Countries (HIPCs) and for new mechanisms for permanent disencumbrment (in particular a fair and transparent insolvency procedure). Also the IWF and World Bank must turn from the previous policy of structural adjustment obligations;

- that the debate on innovative funding sources on an international level (such as Tobin Tax or use fees for global common goods) be actively pushed ahead;
- that German development cooperation focus regionally primarily on the Low Income countries (LICs) and Least Developed Countries (LDCs);
- that all measures of German development cooperation, including its investment projects, be largely orientated by sector to the following areas:
 - directly to fight against poverty and to social services (such as education, health, water supply, ensuring food and social security);
 - human rights, including core labour standards;
 - environmental protection;
 - the needs of women and the population of rural regions.
- that the Federal Government work towards a better use and further development of the UN agreements on human rights, in particular with regard to drawing up a behavioural code for the right to food;
- that coherence problems be eliminated and that the development policy tolerability of German and European agricultural and foreign trade policies be ensured, particularly through the eradication of all ecologically and socially damaging export subsidies.

2. Sustainable development and environmental protection

In the last two centuries, industrialization and greater use of the soil have led to a drastic expansion of the consumption of natural resources and hence to global environmental problems. The global greenhouse effect, the increase in UV rays and certain types of pollution are worldwide phenomena. Tropical and subtropical regions are particularly affected by the changing climate due to an accumulation of extreme weather events. The recent flooding catastrophes in Europe show that not only the developing countries bear the brunt of these environmental catastrophes, but also increasingly the rich countries, which now get a taste of what it means when there are not enough financial and technical means to take compensatory and assistance measures. The poor population is especially affected by the extreme weather events, having no escape options. Global environmental policy therefore is crucially related to the fight against poverty and must begin chiefly in the industrialized countries, which are the principle causers of many global environmental problems.

We therefore demand:

- New global funding instruments must be introduced to realize the environmental and development targets of Johannesburg. An important role can be played by globally uniform charges for the use of global common goods such as air space and the seas. The Federal Government should take up the relevant proposals of its Scientific Advisory Council on Environmental Changes (*Wissenschaftlicher Beirat Globale Umweltveränderungen* - WBGU) without delay and take the required initiatives in the competent international bodies. One first step in this

direction should be the EU-wide repeal of tax exemption for aviation fuel. Subsidies with detrimental environmental effects must be drastically cut down or reformed. Comprehensive agricultural reforms are needed. Agricultural subsidies must be aligned to social, ecological and animal protection services. The agricultural reform proposed by the European Commission must be supported.

- Before further steps are taken in the bilateral and multilateral liberalization of trade, their effects on the environment, poverty, social circumstances and development should be examined. Studies by independent experts and the equal participation of social interest groups are needed.
- Priority of multilateral environmental conventions over the trade and investment provisions of the WTO.
- Nuclear energy may not be defined as a sustainable form of energy production, as the European Commission attempted to do in early summer.

At the same time it is essential that the share of domestic renewable energy sources be further expanded.

3. Reform of the international financial architecture

The present structures of the deregulated global financial markets are responsible for the instabilities and financial crises of the past decade. Modern communication technologies, new financial market products such as derivatives and speculative hedge funds enabled the short-term mobility of previously unimaginable financial masses and promoted speculation attacks on national currencies. Financial market crises are linked with huge social costs in the affected countries and have contributed to enlarging the economic and social inequalities of the world.

In view of the global character of the present economic weakness, international cooperation in economic policy is dreadfully meagre. In particular in the field of exchange rate policy, the lack of cooperation by the G3 (USA, Euroland and Japan) has negative consequences. There is a lack of "crash barriers" for the exchange rates, which could credibly be asserted vis-à-vis the foreign exchange market. This lack narrows the leeway for growth-promoting, confident short-term economic policy and impedes the overcoming of recessive tendencies that have lasted since the second half of the 1990s. In addition the trade and credit relationships of the threshold countries are impaired by the high fluctuation intensities of the exchange rates. Uncontrolled sudden price drops such as those in Brazil, Argentina or Turkey create huge macro and microeconomic problems, which extend far beyond the borders of the country directly affected.

Considerable reforms are therefore necessary so that the potentially beneficial function of the financial markets can be effective for sustainable economic development.

Financial markets need a solid institutional framework, which limits speculation and controls illegal movements of funds.

We therefore demand:

- Stricter duties of disclosure for the banks, risk-adapted minimum reserves and tougher banking supervisory provisions, to promote great risk awareness. However, small and medium-sized enterprises may not be cut off from the supply of credit and may not be discriminated against with poorer ratings by comparison to larger enterprises.
- Creditors must bear a larger part of the disencumberment costs when their behaviour leads to states coming into financial market crises or payment difficulties (bail-in). The development of an international bankruptcy and insolvency law, the formation of committees of creditors, debt rescheduling clauses and the approval of moratoria can serve this purpose. Also, intensified monitoring and controls of derivatives and over the counter trading are necessary.
- A market-economic instrument to restrict financial fluctuations is an increase in transaction costs of capital flows. This should be effected with a currency transaction tax, stricter equity capital provisions for banks, a registry of loans or enterprises at the Bank for International Settlements as well as the regulation of financial and tax havens.
- Promotion of the establishment of functional and stable national financial systems in developing countries. Controls on the movement of capital can also be a good instrument for protecting the financial markets of developing and threshold countries.
- Improved cooperation by the three major currency regions of the dollar, the euro and the yen, in order to overcome the recessive tendencies in the global economy and regain short-term economic policy leeway.
- Effective controls of tax havens and unregulated offshore financial centres. In addition to the improvement of such international initiatives, the haven countries must be included in an exchange of information between national regulatory authorities and the eradication of the excessive banking secrecy. Additionally the offshore business of domestic enterprises must also be subjected to intensified investigations on the part of the German financial regulatory authorities.
- Sanctions against those countries cited on the OECD blacklists of uncooperative financial centres.

In the scope of the OECD project on harmful tax practices, over 30 offshore financial centres have committed themselves to the principles of transparency and information exchange. Now, relevant legislation should be rapidly implemented and applied in these financial centres.

4. Working to shape social world trade

The DGB and its member unions, the German non-governmental organizations and movements in environment and development policy advocate just participation of developing countries in world trade and social economic policy on an international level. This encompasses:

- the elimination of trade barriers vis-à-vis developing countries (e.g. export subsidies in agriculture, escalation of customs duties, import restrictions, antidumping);
- prolongation of the implementation deadlines of the Uruguay Round;
- the possibility for exceptions in certain liberalization obligations in order to promote sustainable development in developing countries. If necessary, existing conventions must be amended. The need for reforms in intellectual property rights (protection of species diversity and life-saving drugs) and in the agriculture sector to ensure the food security (introduction of a development box) is apparent;
- the integration of fundamental workers' and human rights as well as ecological minimum standards in the multilateral trade and investment regimes;
- for this purpose, a standing forum between the International Labour Organization, the World Trade Organization and other international institutions should be established;
- another module in the scope of a structured cooperation between the international organizations is the observer status for the International Labour Organization at the WTO, the IWF and the World Bank;
- strengthening the International Labour Organization and its financial means for implementing the internationally accepted Core Labour Standards;
- placing Core Labour Standards on the agenda of bilateral trade policy of the European Union;
- making the ILO Core Labour Standards, the internationally accepted environmental standards of the World Bank and the international conventions for the protection of human rights criteria for the granting of investment guarantees and for export credit guarantees in developing countries.

5. No unrestricted liberalization of the service markets

Internationally traded services are a new topic in world trade. This sector is considered the most dynamic growth sector, reaching a value of \$1.34 billion in the year 1999 alone, or one fifth of world trade. Particularly because liberalization of the services market affects the future market and social order of the global labour market, the anchoring of the universally accepted ILO Core Labour Standards in the WTO Agreement is crucial. Migrating workers in particular must have the opportunity to

organize in trade unions and conclude collective bargaining negotiations. It also cannot be accepted that the regulation of the services market – especially of the public sector – is a trade barrier and therefore that international obligations aim at evading EU law or that the right of nations to higher quality standards and norms is restricted as distortions of competition.

We therefore demand:

- that distinct market order principles be observed. Public services and important social service sectors, such as education, health, environment and water, must be excluded from the General Agreement on Trade in Services (GATS). For this it is necessary to make the unclear GATS provisions on sovereign tasks more precise. The WTO countries must continue to have the right to regulate their own public services;
- that market opening for financial services should only take place in national economies with developed financial institutions, which can deal with the liberalization of the financial market. This does not exclude temporarily restricted capital movement controls;
- that a universal supply of affordable and high quality services is guaranteed by the principle of universal services (e.g. telecommunications);
- that social and ecological composition of competition in the transport sector is necessary to balance out external costs;
- that a sustainable market order for tourism services is strived for, dedicated to the protection of natural and cultural environments;
- that social order principles must prevent unfair trade caused by social and wage dumping in the electronics trade, in freedom of establishment, in public procurement and in cross-border freedom to provide services;
- that GATS obligations not be taken up in the case of serious market disturbances (unemployment, wage and price dumping). If liberalization obligations have already been taken up and should such serious market disturbances occur, it must be possible to defer the GATS obligations for a temporary period;
- that the work place and favourability principles with regard to wages, working conditions and workers' rights be generally anchored in the GATS agreement;
- that the German Federal Government therefore advocate a European policy in the totality of public services.

6. Regulations for multinational enterprises

The political reformation of globalization processes must also be accompanied by a binding regulation on the activities of multinational corporations. Multinational enterprises must acknowledge their social, ecological and human rights

responsibilities and obligations and take these into consideration in their actions. Voluntary standards or codes of conduct are an important first step, but are not enough. The objective must be the creation of legally binding international regulations with effective controlling mechanisms and sanctions. The draft of the UN Subcommission on the Promotion and Protection of Human Rights or the International Framework Convention on Corporate Accountability proposed in Johannesburg by the trade unions and NGOs can serve as the basis for such regulations.

In the meantime, we expect of the Federal Government

- that it vigorously follow up on its obligation to promote the implementation and application of the OECD Guidelines for Multinational Enterprises (MNEs), for example through information and public relations work as well as relevant consulting programmes;
- that all interested social groups be equally involved in the work of the national contact office according to the principles of transparency and accountability;
- that it vigorously demand that multinational enterprises headquartered in Germany comply with the OECD Guidelines and with the ILO Code of Conduct for Multinational Enterprises in all of their social activities, including the cooperation with supplier enterprises; in this context it should encourage enterprises to conclude framework agreements with the trade unions;
- that it only then grant export credit and investment guarantees when the applicant enterprises pledge to comply with the OECD Guidelines.

This raises the issue of a suitable international code of rules for foreign direct investments.

We do not fundamentally reject such a code of rules. A multilateral investment framework, which links basic investment protection for direct investments to the compliance with international environmental and social norms and includes them in the development policy priorities of the investment country, could strengthen the contribution of direct investments to development and employment as well as to higher social and ecological standards.

At the WTO Ministerial Conference in Doha, the subjects of investments and competition were taken up for the work programme of the WTO for the next 2 years.

However, the WTO is not the suitable framework for these subjects; for the objective of the governments that advocate investment negotiations in the WTO is solely to liberalize national investment regimes and to limit already restricted national regulation competencies. In addition, the application of general WTO principles such as national treatment of investments can stand in the way of development policy objectives, for example if preferential treatment of resident small and medium-sized enterprises is needed to form a solid industrial basis. In the past, the negotiations in GATT and WTO have brought about little progress in the priority for international environmental agreements and entirely ignored human rights and core labour standards. This is no

foundation upon which an investment order can be expected within the WTO, the aim of which is not liberalization, but rather development and social progress.

We therefore demand that the Federal Government:

- advocate an international investment order beyond the WTO, which is based on minimum social, environmental and human rights standards. An international investment order may not undermine governmental freedom of action, but must expressly enable the government of the investment country to set investment conditions according to its own opinions and decisions about the development process.

The preliminary WTO negotiations regarding competition are also headed in the wrong direction. We therefore demand:

- an international competition authority capable of intervention, which is given the responsibility for controlling major mergers, market-dominating positions and business practices that restrict competition. Such an institution should be situated outside the WTO due to the possible conflict of objectives in trade and competition policy. For on the basis of objectives made for the public welfare, such as Universal Service Obligations, restricting market access and granting certain exclusive rights, e.g. regional monopolies of local waterworks, may be justified.

Because of location competition for investments, many governments have allowed for tax competition that endangers the income foundations of the states. Hence, the tax burden has continually developed to the advantage of the enterprises and to the disadvantage of wage-earners and consumers.

We therefore demand that the Federal Government do all that is possible to restrict unfair international tax competition in corporate taxes and to achieve a minimum taxation of enterprises also internationally.

For this purpose, the following measures may be suitable:

- long-term harmonization of the bases of assessment and alignments, perhaps also harmonization of tax rates within the EU;
- short-term consistent application of the headquarter country principle. The tax authorities of the investment country should notify the tax authorities of the headquarter country of the profits of internationally active enterprises. Subsequent taxation can then be made if foreign taxation was less than domestic taxation.

7. Democratization of the globalization process

The signers of this declaration agree that extensive democratization is also part of the political design of the globalization process. Since neo-liberal globalization is being pushed forward on national, regional (European) and international levels, all of these levels require democratization. A smooth transition for the advancing liberalization of trade is being paved, for instance, in the Federal capital of Berlin, in the EU

Commission in Brussels as well as at the headquarters of the WTO in Geneva. However, in all of these three cities, civil social groups (trade unions, non-governmental organizations, civic movements) have less ease of access to information than the lobbies of industry. Often even parliamentarians are informed by the respective competent ministries late, poorly or misleadingly. Nevertheless, effective participation is not only limited to equal access to information. It also requires hearing rights and procedures for the early involvement of civil social actors in important international economic policy decisions.

But democratization of the globalization process also involves distinct improvement of the representation of the developing countries and their respective civil societies in international institutions. In many cases this requires the development of democratic structures and sufficient capacities in these countries. It must be remembered that democracy needs proximity. Effective political participation demands that decisions are made as locally as possible and as internationally as needed. Which concrete decisions should be made best on which levels must be reconsidered case-by-case.

We therefore demand of the Federal Government,

- that it support the democratization processes and efforts made in developing countries through counselling and funding the establishment of democratic institutions and structures;
- that it advocate timely information and the participation of *all* social interest groups on the national, the European and the international levels;
- that it back the equal participation of developing countries in the decision-making bodies of international economic and financial institutions, in particular in the WTO, the IWF and the World Bank. Political participation opportunities must be anchored for civil society actors from industrialized and developing countries;
- that it advocate the introduction of an individual appellate procedure in the Social Pact of the United Nations.
- In addition, it must support independent consulting institutions, for example in international business law, as well as promote the political participation opportunities of civil society actors in the developing countries themselves.
- Furthermore, the Federal Government should take up a pioneering role itself and inform trade unions, non-governmental organizations and all other interested groups in due time of upcoming negotiations on the European and international levels and develop effective forms of participation for such.
- Important negotiation documents may not be addressed only selectively to the interest groups of industry, but must be equally accessible to all social groups.

Only the successful creation of a broad social participation in issues of international economic policy will make it possible to counter the social and ecological reprehensibility of neo-liberal globalization with a globalization of social justice and ecological sustainability.

Berlin, 5 December 2002