Trade and labour

Mario Pianta
Global Trade and Globalising Society

Challenges for Governance and Sustainability: the Role of the EU

Proceedings of a dialogue workshop held in Brussels on 14-15 December 2000

Edited by Angela Liberatore and Nikolaos Christoforides

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Preface

Fostering dialogue between researchers, policymakers and citizens

The European Union is undergoing radical changes in its social, economic, political, technological, demographic, cultural and institutional structure. These changes range from the establishment of a common currency to the introduction of a European citizenship, from new family structures to new ways of working, all this while Europe is enlarging and acting in a global context.

Research can play a constructive role in understanding those changes, identifying opportunities and risks, assessing the feasibility, acceptability and impacts of different policy options. Such constructive role however can only be played if research enters in sustained dialogue with those who are at the same time potential users of research, actors of change, and holders of important forms of practical knowledge. In other words, research should not only aim at ‘communicating its results’ to the people ‘outside’ the research system, but should also ‘listen to and learn from’ the experience and concerns of the various social actors or- as it is often said- the various ‘stakeholders’.

The ‘dialogue workshops’ series organised within the Key Action ‘Improving the socio-economic knowledge base’ intends therefore to improve multidirectional communication –as opposed to unidirectional diffusion of information- in relation to a number of different but related issues and functions. Namely in view of supporting policy formulation and implementation, formulating research, providing evidence and arguments for informed public debate.

The dialogue workshop ‘Global Trade and Globalising Societies. Challenges for Governance and Sustainability: the role of the EU’, held in Brussels on 14-15 December 2000 addressed a number of key issues. It addressed the different ‘faces’ of globalisation –economic, social, cultural, institutional- and its different impacts. Moreover it contributed to the assessment of the options to ‘govern globalisation’, focusing on the role of the European Union. Such assessment includes the examination of consistency between different policy goals (e.g. sustainable development and competitiveness) and between internal policies and external positions (e.g. in the agriculture sector); it must also take into account social acceptability of decisions and greater scrutiny of the decision process itself. The workshops identified venues for further research as well as issues to be tackled in the policy arena; the two are distinct but closely related. For example, further research on international equity goes hand in hand with the development and testing of instruments to distribute benefits and compensate for losses.

We hope that these proceedings will be a useful instrument to continue the dialogue held at the workshop on a process, such as globalisation, that is not a matter of exclusive competence of a few experts but rather affects anyone’s life.

Jean-François Marchipont
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Introduction

Angela Liberatore

Trade is a policy of exclusive EC competence where the link and trade-offs between economic and social factors needs further understanding. The Seattle round of trade negotiations showed that the neglect of social and sustainability issues (health, environment, labour conditions, etc.) brings social protest to the door of global negotiations. It is not yet clear why negotiations failed but the above issues might be in the centre of the causes. Why the protests are increasing after many years of trade liberalisation? How can we combine further economic growth with sustainability and social acceptability? Are there consistencies and conflicts between our model of regional development and our project for the globe? How can the accountability of multilateral institutions be improved? What will be the stance of the EU in the “post Seattle” world and its contribution to ‘global governance’? All these are issues for policy and social debate, as well as for frontier socio-economic research.

The workshop –organised within the context of the ‘dialogue workshops’ of the Key Action ‘Improving the socio-economic knowledge base’, and in co-operation with the Key Action ‘Global Change’(with the indispensable cooperation of Nikoalos Christoforides)- tried to answer the above mentioned questions.

True plurality of disciplines (economics, law, political sciences, sociology, etc.), practical forms of knowledge (including practitioners/policymakers knowledge) and ‘stakeholders’ perspectives (NGOs, business, etc.) was a key asset of the workshop which was a forum for real dialogue. The policy relevance of the workshop was also assured by high level presence of the Commission –e.g. Mr. P.DeFraigne and Mrs.G.Chedeville of Cabinet Lamy, of the EP –Mr. Ph.Herzog, and national policy makers N. Gouzèe and L.Tubiana.

Such plurality and dialogue is reflected in the participation of 70 people from: 1) the social sciences community (from a variety of countries and disciplines), 2) international organisations (World Trade Organisation, World Health Organisation; International Labour Organisation was invited but could not be represented at the workshop), 3) non-governmental organisations (Friends of the Earth, World Wildlife Fund; Attac, trade unions and consumers NGOs were invited but could not attend), business (European Business Council on Sustainable Energy; UNICE was invited but could not attend), 4) colleagues from various services of the Commission (prominently DGs Trade and Research, but also Economic Affairs, Employment, Development, Environment, External Relations, Forward Studies Unit; Health and Consumer Protection could not attend), including members of Cabinet Lamy; 5) European Parliament (with a MEP and a colleague working within Science and Technology Assessment Office). The workshop was opened by Mr.A.Mitsos, Director General of DG Research.

The workshop preparation included the writing and circulation of ‘Think pieces’ ahead of the meeting on December 14-15 (23 were indeed prepared, and others followed/will probably follow); the variety and quality of ‘think pieces’ indicates the complexity as well as the scientific, policy and social relevance and urgency of the topics addressed.

Some of the key issues discussed include the following:

1) ‘globalisation’is a very differentiated process which benefits and negative impacts are unequally distributed. Access to markets and technologies, increased speed of communications and changes are increasing certain types of wealth and economic efficiency –as well as efficiency in resources’ use- but are contributing to exclusion of certain social groups, areas and even continents. The image of globalisation as an archipelago where some islands emerge and are connected while entire areas remain under water was suggested to illustrate this point. It is important to examine the implication of such differentiation within Europe as well as at the world scale.
2) An aspect underlined by several speakers is that **globalisation involves forms of instability** (e.g. financial), **social insecurity** (what happens to jobs, safety, etc. being seen as decided at levels ‘out of control’) and **ecological degradation** (in spite of the above mentioned efficiency in use of resources the overall use is increasing, and terms of trade still neglect the real value of natural resources). This calls for assessing the ‘**governance capacity**’ of states and other actors to protect the weaker groups and interests in society and for taking the long-term perspective into account.

3) **Trade policy** is a component of globalisation which is increasingly under scrutiny from **social actors and movements** partly due to the perceived lack of accountability of relevant institutions (e.g.WTO) and lack of transparency of decision processes, partly because it affects (directly or indirectly) all spheres of life –from health to labour conditions, environment protection, safety, cultural values. The ‘splendid isolation’ of trade policy was considered as impossible to further pursue, but different perspectives emerged as of the implications of such assessment. **Three different options for EU trade policy** were debated: a) break the ‘splendid isolation’ of trade policy by including in global trade negotiations and policies issues of labour rights, health protection, environment protection, etc.; b) keep trade negotiations and policies ‘narrow’ and try to build better balance between trade policies and institutions –namely WTO- and other policies and institutions (e.g. ILO, UNEP, etc.); c) enact a sort of ‘moratoria’ on further trade negotiations until the proper linkages between trade and other policies and institutions are properly sorted out.

4) Any options related to trade policy and the ‘management of globalisation’, involves important challenges for governance in terms of: a) improving/balancing the interface between different institutions at international and other levels; b) dealing with conflicting priorities (e.g. in view of achieving really sustainable development); c) developing integrated approaches to assess impacts of options/policies on each other and on various areas of economy and society; d) assessing and reviewing targets and sense of direction (as stated by a speaker, it is not good to run fast but in the wrong direction); e) guaranteeing ‘democratic governance’ as opposed to trends to ‘privatise government’.

5) When examining the increasingly visible role of social movements in challenging ‘globalisation’, it was suggested that anti-globalisation movements include some ‘strange street-fellows’ –that is representatives of interests sometimes opposed within domestic arenas- joining views and mobilising themselves out of shared distrust in institutions, and some shared values (e.g. equity). In addition, while opposing globalisation, some well organised NGOs take advantage of some aspects of it (e.g. use of Internet). Rather than merely opposing ‘global’ and ‘local’ perspectives, it was suggested to examine traditions of ‘cosmopolitanism’ in understanding the possible emerging of ‘world citizenship’ approaches.

6) With regard to **sustainability**, the need to relate sustainable development policies within the EU with (un)sustainable development paths (also) outside the EU was emphasised. **Social, economic, environmental and institutional aspects of sustainability** were considered as related, but the importance of not diluting the environmental component of the notion was also noted. It was suggested that international environmental agreements offer useful indications of ways of tackling issues pertaining to social sustainability (namely inter- and intra-generational equity) and economic sustainability (e.g. concerning valuation of natural resources, ‘internalisation of environmental externalities’).

7) With specific regard to the **role of Europe** in ‘global governance’, several issues were pointed out: a) barriers and prospects for the development of a European ‘common interest’; b) conditions for developing credible leadership (one of them being the consistency between internal and domestic positions, and improved implementation of own policies) and building adequate alliances with non-EU partners, including developing countries; c) ways of increasing democratic legitimacy (not only or necessarily through direct participation –‘input legitimacy’- but also/or through ‘constitutionalism’ and rule of law, and effectiveness in addressing issues of concern for citizens).
8) **Fragmentation of knowledge** was identified as an important problem when trying to identify problems, trends and options related to all issues discussed. Such fragmentation runs along administrative, political, national and ‘professional’ versus ‘practical’ boundaries. **Plurality of research approaches** was demonstrated and recommended; some discussion around the notion of ‘public goods’ –defined in a strictly economic sense or taking into account a variety of social perspectives- well illustrated this point.

The workshop and its ‘deliverables’ are intended to contribute to four main processes/initiatives: a) fostering debate on research priorities for the new Framework Research Programme and the European Research Area; b) mobilising the European research Community on policy and socially relevant issues; c) contributing to the further development of European trade policies and other policies of concern; d) contributing to the work related to the Commission’s White Paper on Governance and on the Sustainable Development Strategy.
Global Trade and Globalizing Societies: Challenges to Governance and Sustainability – The Role of the EU

Synthesis

Sophie Thoyer

Introduction

Context:
The economic globalisation is accompanied by the increasingly acute awareness that many domestic policies do have an impact on global welfare. It is reflected by the multiplication of international fora in which governments seek to improve the co-ordination of their actions. The efforts to co-ordinate the international monetary system and to set-up collective rules for fair trade date from the post World War II period with the setting-up of the International Monetary Fund (IMF) and the signature of the General Agreement on Tariffs and Trade (GATT). The necessity to protect our common environment was initially proclaimed at the 1974 Stockholm Conference on Human Development. The link between development and environment was officially recognised at the 1992 Earth Summit in Rio and gave rise to a number of International Conventions on Environment, amongst which the two most famous are: the framework convention on climatic change seeking to reduce the emissions of greenhouse gases and the framework convention on biological diversity. Global social concerns, in particular health issues, labour rules and poverty, are back on the priority agenda of international negotiations and have reinforced the importance of United Nations (UN) bodies such as the World Health Organisation (WHO) and the International Labour Organisation (ILO). The notion of "global public good" (a good or service, for which there is an international demand, and which cannot be supplied or preserved by one single country without the co-operation of others) has been recently publicised by the United Nations Development Programme (UNDP) and is granted increasing attention by international organisations, such as the World Bank, which foresee it as a principle on which to renew the foundations of international co-operation.

This necessity to rethink the architecture of international co-ordination is all the more crucial that the last five years have seen the multiplication of social movements protesting against the international liberalisation process. The public opinion discontent is increasingly virulent and reflects the distrust and dissatisfaction of citizens who feel that social consequences of global economic choices are overlooked and that they should be associated more closely to the public decision-making system. Protests and lobbying did contribute to the failure of the November 1999 World Trade Organisation (WTO) ministerial meeting at Seattle which did not succeed in launching a new round of trade negotiations. More recent international meetings were also the scene of massive demonstrations.

The European Union in this context faces a number of challenges both internally and on the international scene. At the international level, the EU needs to formulate new trade proposals in the perspective of the next WTO ministerial meeting which will take place in Qatar in November 2001. The mitigated results of existing multilateral environmental agreements (MEAs), and more especially the recent declarations of the Bush Administration, which jeopardise the 1997 Kyoto protocol, in which developed countries took commitments to reduce their greenhouse gas emissions, forces the EU to take firm positions on these issues. The EU also needs to design a strategic line in the perspective of the sustainable development summit in Johannesburg in 2002 (the Rio+10 summit). At the domestic level, the EU faces the challenge of reforming its institutions and its governance system first in the perspective of the planned European enlargement but also to respond to mounting criticisms on the lack of transparency and equity of its decision-making procedures. Despite the Nice EU Council in
SYNTHESIS OF DEBATE

December 2000, much progress is still needed. A white paper on governance is expected to be released in July 2001 by the European Commission. The drafting of the Framework Programme for Research and Development is also an important step since it identifies the relevant research priorities at the European level for the next few years.

This intensification of the international and domestic EU agenda highlights the need for a crossfertilisation of social science research, in collaboration with policy-makers and stake-holders, with two objectives: to develop analytical frameworks which will provide a better understanding of the links between economic, social, environmental and institutional issues; and to analyse the role that the European Union could play in the redesign of a more appropriate global governance system.

**Aims of the workshop:**

The workshop was organised within the context of the “dialogue workshops” of the Key Action 'Improving the socio-economic knowledge base' and in co-operation with the Key Action 'Global Change'. It aimed at providing scientific input to international trade policy-making and to the broader debate on the relations between trade and areas of social concern: specific efforts were made to identify integrated cross-disciplinary approaches to assess the socio-economic impact of globalisation and to improve the understanding of the nature of interfaces between economic, social and environmental issues. The objective at this stage was not to provide answers but rather to point to the areas of research that should be strengthened and to find ways of improving the policy dialogue. Special emphasis was put on the necessary interaction of knowledge supplied by the social science research community but also by decision-makers, non-governmental organisations and international organisations.

The contributions gave rise to a high level debate which we have chosen to summarise by segmenting it into three main topics: (i) problems and opportunities of globalisation, (2) globalisation and governance, (3) the role of Europe as model and as leader.

**1 - PROBLEMS AND OPPORTUNITIES OF GLOBALIZATION**

The first part of the workshop was dedicated to an analysis of the opportunities provided by globalisation as well as the economic and social issues it may have raised and will continue to raise. It is a fact that despite the impressive research work which has already been done, many facets of globalisation are badly known and need to be explored with cross-disciplinary approaches. However, the contributions provided a number of interesting conclusions concerning the dynamics of globalisation and the methods to measure the consequences of globalisation.

**Identification of the globalisation dynamics**

A. Venables emphasises that although trade in goods and service is usually the most visible aspect of globalisation, there are other major globalising flows which are often overlooked: flows of investment capital; emigration movements; transfers of information; and trans-boundary environmental effects. It is the combination of the massive expansion of these flows which characterises the globalisation process. Paradoxically this tendency is also accompanied by a rapid intensification of local flows, which confirms that the traditional home bias in consumption preferences and investment choices still exists and is not jeopardised by globalisation.

This globalisation process is not a smooth one. It is challenged by a number of obstacles: some of them are well-known such as transport costs, information costs, political and institutional barriers; some of them are less flagrant such as what I. Sachs calls the “diversity of the world’s social and legal
orders" and reflected in the heterogeneity of social and cultural preferences across the world. It results in the polarisation of the globalisation which is not a uniformly spreading phenomenon; some countries are left out of the globalisation process (most sub-Saharan Africa for example) while others are becoming rapidly part of the global trade (China, South East Asia). Moreover, within one single country, there are large disparities between the populations participating to the globalisation process and populations who are not. Therefore, the economic and technological convergence at the world level expected by the traditional trade theory is far from being attained. As A. Sindzingre emphasises, globalisation may have in many cases even reinforced inequities.

What are the forces driving globalisation? Is it pulled by the explosion of the market economy, by the good health of private businesses, by the massive progress in technology which, to some extent, compresses distance and time (I. Sachs)? Or is it the outcome of a deliberate political process which organises the deregulation and the liberalisation of markets and therefore shapes the globalisation phenomenon? In other words, what are the most powerful driving forces of liberalisation: are the rapidly evolving economic forces shaping public policies or is there a collective political will capable of governing economic globalisation?

According to G. Szell, an historical perspective demonstrates that markets and business forces alone could never trigger a major change in the trade regime without the support of public policies. Interestingly, M. Lianos underlines the widespread implicit acceptance both by adversaries and promoters of trade liberalisation of "globalisation as an event or a phenomenon rather than a process generated by the socio-economic conditions that underlie it". He argues rightly that it gives to the globalisation process the legitimacy of an unstoppable and therefore unaccountable process. It has to some extent annihilated our capacity to conceive socio-political alternatives and to build a rival paradigm which could represent a credible counterweight to the existing globalisation process.

**How to measure the positive and negative consequences of globalisation?**

Defenders of globalisation as well as its detractors need to measure the consequences of globalisation on welfare in order to give weight to their arguments. The performance of globalisation was traditionally measured by economic growth indicators such as the GDP growth rate: data proved that for most low and middle-income countries, there is a positive correlation between market access and GDP/capita (A. Venables), which is justified, from the economic theory viewpoint, by the improved mobility of resources, the more acute competition, the better scope for economies of scale, all factors expected to improve the allocation of resources and efficiency gains. However, an increasingly large network of decision-makers, experts and representatives of the civil society emphasise that economic tools should distinguish economic growth from welfare and ask for other performance criteria, taking into account measures of revenue distribution, social welfare (health, education, knowledge, technology), environmental assets, diversity of cultures etc.

When trying to measure the consequences of globalisation with different benchmarks, the picture becomes blurred. R. Eglin from the WTO secretariat acknowledges that "the success of economic globalisation is not being matched by sufficient progress in achieving developmental, social and environmental objectives". M. Pianta emphasises that although growth in world trade has been faster than growth in GDP, it did bring very little progress in employment rates and it could even be held responsible for the labour problem (30% of the world labour force is under-employed and 15% of employed people do not earn enough to exit poverty). Despite the conclusions of a large number of reports which show that poor domestic labour regulation do not necessarily translate into greater export growth, the acute competition brought by market liberalisation has encouraged some countries to engage into a devaluation of social standards which undermine the efforts pursued by the ILO to raise workers' primary rights. B. Menne from the WHO reports that globalisation has two contradictory effects on global health. It favours the rapid spreading of contagious diseases but it also facilitates the transfers of curative skills and technologies.
Equity is a crucial issue since it is widely acknowledged that the distribution of globalisation gains between countries and within countries, across sectors and across social classes, is highly unequal. It is also pointed out that by increasing interdependencies between nations, globalisation amplifies the probability of systemic risks. Instability translates into high volatility of prices and exchange rates, as well as sudden surges of financial crises, which hurt mainly the so-called emerging countries and lower-income classes (A. Sindzingre). According to I. Sachs, globalisation favours the upper and middle income classes which can have access to the advantages of globalisation and protect themselves from the risks. The owners of mobile factors have more scope to benefit from the globalisation advantages than the owners of place-bound factors and can shield themselves more easily from the consequences of market instability.

Globalisation is also perceived as a process which induces a loss of state leverage and state capacity. Domestic decision-makers are therefore deprived of a number of policy instruments at a time when the country has to face and adapt to increasing economic challenges. J. Werksman emphasises that globalisation is also interpreted as "shifting power away from individuals and communities towards large corporations; and away from directly representative governmental institutions towards intergovernmental organisations" The words "empowered bureaucrats" and "stateless governors" are often used to denounce the supposedly seizure of decision power by international administrations.

Other, less tangible, fears concern the erosion of our societies: does the globalisation process neutralise the social bond? Can it bring some form of atomisation of the society due to exacerbated competition and loss of political control? D. Rucht emphasises that “if neoliberalism implies ruthless economic competition, the dismantling of the welfare state, and the survival of the fittest, then society is loosing its “civility” in the sense of mutual respect, bonds of solidarity and its moral obligation to protect those who are marginalised and deprived". M. Lianos goes even further, highlighting that collective actions and social structures are challenged by the competition induced by globalisation. A withdrawal into individual concerns is observed and the multiplication of exchange links becomes substitute to the traditional social relations and exacerbates the exposure of individuals to the multiple economic risks brought about by market deregulation.

The concern for a better social and environmental sustainability of economic changes has gained a high political profile in high income countries. Even with the (very) optimistic assumption that extended competition should lead to a greater efficiency in the use of natural resources, the expansion of the volume of economic activity may offset this gain (I. Sachs). It has given rise to a large debate over the promotion of new indicators which could provide an objective measure of the capacity of globalisation to improve welfare without reducing the opportunities of next generations.

Therefore, it is emphasised that the liberalisation process should benefit from a more careful planning in the medium and long term, that pre-assessment would help to guide the decision-making process and that there is a necessity to redraft new/better tools to evaluate the consequences of globalisation (for example sustainable impact assessments, green accounting). It cannot be conducted properly without the supply of more accurate information and better-informed microeconomic data set. The macroeconomic analysis is limited and one way to reach new conclusions is to conduct analysis at a smaller scale with more empirical data. It would help investigate causality links between globalisation and growth.

II - GLOBALIZATION AND GOVERNANCE

The spreading phenomenon of “anti-globalisation” movements

The last few years have seen the development of a growing hostility against globalisation. The intellectual and political debate about globalisation has unfolded fairly late, at the beginning of the 1990s (D. Rucht). Although the proponents of globalisation emphasise the advantages of improved
communication and exchanges for the development of a global integrated and harmonious society, adversaries (many of them claiming that they are against a liberal globalisation rather than against globalisation as such) denounce the risks of a society which would be exclusively governed by the law of the market. They argue that the growing role of internationally-set standards reduces the space for domestic policies reflecting the true national preferences and may impose the priorities of the most powerful countries and transnationals. They therefore express major concerns over the risks that the international decision system be captured by leading countries which will then reinforce their economic and political hegemony on the international scene. At the heart of the protest is the attack on neo-liberalism with particular concern for the fate of the populations in developing countries;

The so-called "anti-globalisation" movement is also a general expression of distrust in face of a phenomenon which is resented as uncontrollable and imposed by political forces which ignore their social basis. However, D. Rucht emphasises that popular protests are no spontaneous movements but are orchestrated campaigns co-ordinated by well organised civil society groups which were already very active before the 1999 Seattle meeting. Although the ideological spectrum of the protesters is wide, they have demonstrated in Seattle their true disruptive power and their capacity to form effective coalitions with more traditional groups such as trade-unions. Will this movement develop in more powerful long-term civil society organisations or it is an opportunist movement which will fade away when the media pressure diminishes? Will these various social society groups compete with each other to gain more power or will they be able to form genuine collaborative strategies in order to develop a real counterweight to the liberalisation process? M. Pianta mentions that the recent coalitions which were built between trade unions, human right groups and consumer associations with the aim of promoting labour rights have succeeded to some extent in imposing new codes of conduct within transnationals. However, following the line of thought of M. Lianos, it is unlikely, at this stage, that the social movement network will be capable of building a renewed paradigm of development which could be efficiently opposed to the liberalisation paradigm. What would be the conditions for associating such social movement to an open trans-border debate which would go beyond the traditional pro or anti liberalisation arguments in order to address the question of sustainable development?

Interestingly, there is a relative lack of reaction of international organisations to social protests. They seem to have adopted two kinds of strategies which are both unsatisfactory and reveal their embarrassment in face of the civil society activity and their low capacity to take on board new partners and ideas (R. Eglin): they raise the issue of the true representativity of non governmental actors contesting their legitimacy as dialogue parties; or they make efforts to incorporate in their strategy papers new concepts such as participation and devolution, at least symbolically, in an attempt to defuse critics but they do not display great enthusiasm for translating these concepts into positive action. To what extent should these international organisations change their structures in order to be more respondent to the needs of the civil society?

**Which global governance?**

The issue of good governance, already crucial at the national level, raises new questions at the international level. Should the usual criteria and benchmarks to assess governance such as participation, democracy, subsidiarity, transparency and accountability, be interpreted differently at the international level? R. Madelin notices that the menu of commonly-envisaged solutions for improving governance is narrow and limited to what can be called an “inter-governmental institutional meccano”. He emphasises that alternative, more experimental, solutions (for example based on the development of new tools for policy evaluation) are not extensively explored and remain controversial. He argues that there is a need to build a consensus on new deference principles at the international level.
**Democracy, participation and subsidiarity**

How to identify and promote transnational democracy in the absence of a direct voting system at the international scale? To what extent would an institutional set-up, guaranteeing a genuine participation of the civil society in the international decision-making system, ensure democracy? A frequently raised question concerns the legitimacy of NGOs: are they reliable partners for international organisations? Do they have a genuine agenda reflecting the preferences of the groups of the society they are claiming to represent or is there a risk that they might be subordinated to specific private interests? Another debate concerns the consultation procedure to fill the gap between civil society groups and policy-makers: this question is high on the agenda with a number of governments and international organisations seeking to establish better governance structures which encourage the direct participation of stakeholders.

It brings forward the issue of the right balance between the need for international regulation which will impose standardised norms to all and the legitimate claim for the respect of local preferences. Which degree of subsidiarity would ensure that global regulatory governance does maintain the connection with local interests and what kind of bottom-up approach can be restored “in order to organise and recognise the rights of individuals and communities to participate both directly and effectively in the institutions entrusted with global governance” (J. Weksman)? Political scientists emphasise that the globalisation wave entails the risk that governments be led to over-invest in international rules and to under-invest in national rules and national regulatory counterweights. The notions of “precaution, subsidiarity, deference and proportionality” (J. Werksman) and their translation in operational terms at the international level need to be explored by the research community associating political scientists, sociologists and law specialists. They must also take into account that it is sometimes argued that too much democracy may bring about political weakness since the consensus-building process might lead to the choice of the least common denominator solutions which are rarely the most innovative. A number of political scientists argue that democracy should be less a question of direct participation than a matter of transparency, information access and accountability at the world level (M. Pollack).

**International equity**

The example of the WTO demonstrates that countries have unequal access to the international decision-making system even when it is ruled by the United Nations’ golden principle of “one nation – one vote”. The hegemony of some leading developed countries in the conduct of international affairs does put into question the equity of decision-making. Developing countries, although they are not a homogenous group, claim a greater "policy space for themselves in the new international environment" (A. Delhavi). Two specific policy areas are particularly subject to dispute. Social and environmental norms are pushed onto the WTO negotiation agenda by developed countries. They argue that the absence of effective and enforceable international regulation encourages social and environmental dumping from developing countries, which jeopardises both our common future and breaks the rules of fair competition. On the other hand, social and environmental problems tend to be regarded by developing countries as matters of strictly domestic concerns. They perceive international standards as a way for developed countries to erode their competitive advantage by imposing new constraints on their economic development. A claim which gets increasing political echo is the trade-off of the South external debt against the North ecological debt (J. Martinez Alier). This does not imply exchanging debt for nature but taking the external debt to the North as paid on account of the ecological debt owed by the North to the South. By skilfully flagging this argument, the emerging coalition of developing countries has regained some weight in international negotiations.

The competition for a leadership role in the international governance system is also very harsh between industrialised countries: the unresolved conflict over international norms concerning the precautionary principle or the multi-functionality of agriculture proves that the defence of national interests ranks high in the negotiation priorities of the most powerful countries.
What kind of solution can be provided to the issue of international equity? Until now, a technical solution such as the "special and differentiated treatment" for less developed countries was accepted as a sufficient response. However, developing countries increasingly claim that such “technical” solutions are only patches covering up the inequity of the international system. They ask for a reform of the global institutional set-up which would give them more leverage in international decision-making procedures.

**International co-ordination**

Globalisation calls for more cross-border and cross-issue policy co-ordination (R. Eglin). By creating new and greater interdependencies across countries, it both amplifies the risks of global negative externalities (financial crises, over-exploitation and degradation of global natural resources, food safety, health issues) and it extends the scope for positive global externalities (knowledge and education, innovation). Such externalities are often associated to the notion of global public goods which a country alone cannot supply and protect without the co-operation of other countries (S. Thoyer). The UNDP has brought this issue to the fore: how to organise the provision of global public goods and avoid that some countries be tempted by a free-riding strategy, letting the others engaging into costly co-ordination efforts and benefiting freely from the advantages of the collective action. The issue is threefold: participation to collective action, compliance to the common agreement and resilience of this common agreement. However, despite the pessimistic predictions of game theory announcing a "tragedy of the global commons", international co-operation has proved that it could be successful or at the least very active. The reasons for international co-operation have to be found, beyond the self-interest of nations, in other complex phenomena which contribute to the convergence of expectations and ideas: networks of NGOs, scientists and even political parties are increasingly successful in transcending national groups and in promoting universal interests. The challenge for social science is therefore to contribute to the initiation of new procedures which would promote international co-operation for the supply of global public goods.

**Private regulation versus public regulation**

Parallel to the efforts of intergovernmental organisations to promote international standards, the private sector, and more particularly transnational corporations which are under the scrutiny of consumer groups, are able to set-up norms which can play a significant role in the process of rule harmonisation at the international level. According to I. Daugareilh, the business sector was able to use globalisation as a basis for setting-up their own cross-border standards concerning labour, avoiding as much as possible the constraints of national social laws. “These codes of conduct developed unilaterally by transnational corporations are often ambivalent: they tend to privatise the rule of law and may be more a “shop window" for consumers and shareholders than a real protective device for workers” (I. Daugareilh). Although it is clear that such experiments in collective bargaining on social standards between firms and trade union organisations are part of the branding strategy of transnationals, it can be argued on the other hand that self-imposed norms and discipline (codes of conduct and social labels), when carefully monitored by civil society groups, might reveal themselves more effective than the unenforceable Charter of the ILO and might contribute to the acceleration of the development of publicly-set standards. In other words, could market forces be more effective than the public drive for the setting-up of international rules? It is worth exploring in more depth the competition and the complementarities of private regulation versus public regulation.

**Governance and international organisations**

The international institutional set-up is perceived as an immensely complex web of institutions dealing with complex and interrelated issues for which none is solely responsible. The lack of visibility, transparency, accountability, and coherence is often denounced by civil society groups but also by decision-makers and governments and induces them to express doubts about the capacity of international organisations to set appropriate international standards.
Trade and other issues: which interface?

A recurrent question is whether global issues should be tackled globally or separately. The most acute example is what is often interpreted as a competency overlap between the WTO and other international organisations. Should the areas of responsibilities be split up or on the contrary should the WTO be given an unlimited agenda for global issue governance?

It requires a clearer understanding of the nature of interfaces between trade and other issues. Following K. Von Moltke, we can define two kinds of issues, which are linked to trade: issues, which were viewed as naturally linked to trade and which were therefore included into the trade agenda (services, intellectual property rights and investment). They are often called trade-related issues. Other issues however were not directly linked to the trade regime but were increasingly put on the negotiation table since it was argued that free trade could interfere with them. It was initially the case of environmental measures, followed by social norms and human rights. There is a strong resistance from the trade policy community itself to include these "issue linkage" within the WTO agenda.

These two series of issues raise different questions. It is clear that intellectual property rights were included within the trade agenda because the WTO offered a much stronger and deterrent enforcement system than any other international convention which could have been signed on counterfeit and pirated goods. According to R. Eglin, "the WTO finds itself at the centre not only because trade is one of the main drivers of economic integration but because the WTO rules and its dispute settlement process are probably the most advanced and comprehensive model of a framework for international policy co-ordination". The environment sector is more complex since it already benefits from a large international governance structure which has proved fairly effective despite the absence of any dispute settlement system. The problem of trade and environment is therefore raised because these two effective regimes might compete. As K. Von Moltke underlines, the issue of the effectiveness of environmental agreements is worth exploring. He suggests that it may be due to the large transnational constituencies which put pressure on states for compliance. On the other hand, the international labour regime being quite ineffective, it may be tempted to use the WTO as an enforcement mechanism in a way comparable to the issue of intellectual property rights. K. Von Moltke also raises the issue of poverty alleviation. Equity and revenue distribution could, to some extent, be treated as trade-related issues. In such case, which components should be left to other negotiation fora and which components could be effectively included in the trade regime?

Another way of analysing the links between trade and other issues is to distinguish between rule interface (such as environment, health which are indirectly in the WTO’s domain of competence through the Technical Barrier to Trade TBT and Sanitary and Phytosanitary SPS agreements) and policy interfaces (such as social development or labour standards because no international agreement have been enforced yet on these issues). Since the nature of the link is different between trade and environment, trade and labour, trade and investment, it is argued that each of them should be investigated separately with specific attention given to the risks of policy incoherence and rule enforcement conflicts.

Co-operation between international organisations

How should the reform of the global system of governance be oriented to tackle the unavoidable overlap of global issues. Three kinds of answers are possible: (i) let the international organisations compete with each other, expecting the most effective organisations for setting standards and enforcing them to impose their ideology; (ii) empower the weaker institutions, such as the ILO and unify fragmented governance systems, ie multilateral environmental agreements could be harmonised within a single world environment organisation, in order to create strong counter-weights to the dominant trade regime; (iii) or create new issue-based international organisations rather than member-led organisations with a strong administration developing their own agenda and objectives.
It is likely that none of these radical solutions would be satisfactory since none of them could adequately succeed in synthesising diverging local preferences. Moreover, it would increase the problems of duplication of competence and competition. The answer could be found first of all by analysing in more depth together with law specialists the range of legal instruments available. R. Eglin emphasises that “institutions ... need to be able to handle more flexibly combinations of hard law (multilateral enforceable rule-making on regulation) and soft law (international indicative standard setting, assistance for capacity building and surveillance)”. A debate over the compatibility and efficiency of instruments across issues would take off the tension associated with competency overlap. Moreover governments which are the ultimate decision-makers should make an effort to co-ordinate their own policy problems and ministries in order to guarantee more coherent positions at the international level, in various international fora. At last it was also suggested several times that an inter-agency "policy-coherence task force" be set-up which would include senior members of international organisations and a selection of member governments in order to make proposals for suitable policy frameworks within which economic, social and environmental policies could be co-ordinated.

Compliance and dispute settlement:

One of the strengths of the WTO is that it is the only intergovernmental organisation so far which was able to set-up an international dispute settlement. Should we draw then as a conclusion that trade sanctions are the only effective enforcement measures at the world level? It is argued that more institutional innovation is needed to develop other forms of compliance systems based for example on promotional objectives rather than threats, based on a mechanism for hearing the concerns of civil society, based on a more credible monitoring and enforcement mechanism.

However, it raises the issue of competing arena of dispute settlement when a conflict arises that can be governed by several regimes: what kind of co-operation between international organisations is needed to set-up enforcement systems which are compatible, mutually enforceable and coherent in terms of the underlying ethics and rules? There is a need to define clearer interfaces between global issues in order to draw the architecture of the global system of governance.

III - THE ROLE OF EUROPE

The EU as an experiment field of supranational governance

The EU provides an interesting example for supranational governance. It has 40 years of experience in intergovernmental negotiation and it has developed an original approach for the progressive integration of European economies. Recently, the increasing complexity of cross-policy issues and the perspective of enlargement have made the need to reform European decision-making structures more acute. The European Union is conducting a reform process which has triggered many criticisms both from political parties and from various civil society groups on grounds of lack of transparency and of asymmetries of power (i.e. between the voting weight of small and large countries within the EU). Which lessons can be drawn from the internal European debate on governance, which could contribute to the renewal of the debate on the architecture of the global system of governance?

In M. Pollack’s article, the governance structure of the EU is compared to the governance structure of other international organisations (IO) with respect to three benchmarks: the governance capacity, the permeability to social claims and the democratic legitimacy. Governance capacity reflects the capacity of the IO to contain the individual temptations of a race-to-the-bottom deregulatory competition and its capacity to raise common standards and to be a driving force for a collective regulation process. It is very dependant upon the diversity of preferences among member states as well as upon the collective decision procedures. The social responsiveness is the capacity of the IO to synthesise social claims and to take them into account in the decision-making process. Democratic legitimacy depends on the accountability of decision-makers to their constituencies. M. Pollack’s conclusion is that the EU
has shown substantial progress along these three metrics whereas other IO associated to globalisation such as the WTO, the IMF and the World Bank need to find ways of improving their governance structure. However, the EU example is very atypical and its institutional structure is of course not adapted to other kinds of intergovernmental organisations. The conclusion from such comparison is that it could be fruitful to investigate the consultation procedures and the analytical works which were conducted in Europe on these matters.

B. Laffan takes up a slightly different stance by measuring governance capacity as the capacity to create institutions, to guide negotiations, to resolve conflict and to enhance co-operation. The evolution of EU governance tends to demonstrate that the EU has a “strong capacity to nurture new approaches to governance and to engage in policy and process-oriented learning” (B. Laffan). For example, the EU is exploring the virtues of benchmarking of good practices to promote co-operation between member states. It also found an array of responses (not always satisfactory) to the issue of diverse preferences, ranging from side payments to derogations and "variable geometry" integration.

European governance is often criticised for relying excessively on expert knowledge and executive power which tend to take a predominant place over political and parliamentary powers. “EU governance is characterised by an uneven patterns of functional co-operation across the range of public policies” (B. Laffan): it has made its success but it is also part of its weaknesses because it does introduce a risk of policy incoherence for cross-cutting issues. One hypothesis is that it is due to the pragmatic approach imposed by the need to reach a consensus. It gave large space to decentralisation and subsidiarity and made it necessary that different policy domains be treated with differently.

B. Laffan also raises another interesting question by exploring whether the Europeanisation process complements globalisation or conflicts with it. More generally, does the regionalisation process participate to the globalisation or it a way for countries to create larger areas of economic sovereignty in order to build powerful blocks capable of resisting the pressures of the world competition and therefore slowing down the process. According to B. Laffan, the answer is twofold. The EU plays the role of a buffer against the constraints of internationalisation in some sectors such as agriculture whereas it can play a catalyst role for accelerated globalisation in others because it relies more on the “transcending strategy” than on the "co-optation strategy" for governance, therefore reinforcing the notion of transnational solidarity.

**The potential leadership of EU in a renewed trade project**

The EU is one of the largest commercial policy actors on the international scene. Its past initiatives for creating a network of preferential trading arrangements with developing countries, and its position as a potential counter-power to the US trading strategies prove that the EU is likely to have a considerable impact on the changes in the world trading system provided it finds the means to establish leadership. According to J. Rollo, two paths can be envisaged by the EU: either push for further global liberalisation and take the necessary steps to improve European competitiveness on the world market; or defend a different stance built around the concepts of sustainability and precaution, including explicitly social and environmental issues and trying to give a new direction to the WTO. In both cases, the EU leaders need to answer three questions: why does the EU lack credible leadership in some key areas of international negotiations? What would be needed to balance out effectively US power? and what would be the best strategies in the WTO negotiations?

The EU lacks credibility both domestically and internationally. Domestically, the European decision-making system needs to be reformed. J. Rollo suggests that the fragmentation of representation and responsibilities within Europe (i.e., the partition of the Commission in different directorates which is also reflected in the partition of collective decision in different councils) accentuates the problem of harmonising positions. The divergence of country members' views on trade weakens the European position at the WTO. The trade Commissioner has little room for manoeuvre in trade negotiations in spite of the fact that trade is an area of exclusive EC competence. Is narrow mandate reveals the lack
of political efforts of country member leaders to push through the domestic reform agenda and to adopt a common view on areas of mixed competence such as environment. Internationally, the EU faces distrust from a number of partners due to its past strategies within the WTO: its refusal to negotiate over agriculture, its unwillingness to implement the decisions of the dispute settlement process, its ambiguous position concerning social and environmental norms (J. Mitchie). By being incapable of defending a coherent and strong position, the EU alienated both its partners from the North and its potential allies from the South.

One way of exercising leadership is for the EU to accept the burden of change and not to try imposing it on others. It thus needs to push forward a sustainable trade agenda based on principles of co-development and to form stable coalitions. Which ones? Is there a constituency in Europe for an alliance with developing countries? Such project will require to build a common will in order to obtain social acceptance. It cannot be done without a social pact including politicians, civil societies and business. It requires first that decision-makers in member states be less preoccupied with their own constituency and be more mobilised by a collective world project (P. Herzog). It also requires to build some form of social consensus over a renewed trade liberalisation programme.

According to M. Lianos, the EU first needs to give a new meaning to trade liberalisation rather than seeking to justify it by the usual economic arguments - growth, surplus - which have no echo in the society. It should develop a coherent framework of justification and an “identifiable frame of reference at the same time for external negotiation, internal divisions and public policies” (M. Lianos). The components of such European model could be based on the principle that the economy must serve the society rather than the contrary and that the globalising processes should be submitted to the assessment of citizens. The objective would be to ”create a basis of critical legitimisation for EU claims at re-orienting, canalising and selectively, limiting globalising processes of little social, equitable or sustainable utility” (M. Lianos). It implies that Europe should launch its own critical appraisal of the globalisation process, acknowledging first that citizens of developed countries are also the victims of this process at least when their “well-being” is taken into account and not only their economic surplus. M. Lianos suggests that “the objective of a useful EC stance on globalisation should be neither to surrender nor to oppose but to demonstrate the necessity of the dichotomy between beneficial and detrimental globalisation”. A policy statement of the DG trade (P. Defraigne) also emphasises that "founded on the principles of sustainability, inclusiveness and transparency, trade policy is not an end in itself but aims to develop trade in the interests of growth and the European social model".

From a more strategic viewpoint, J. Rollo writes that the EU can only regain leadership if it is able to bring two groups on board and to associate them to its project. Alliances must be made both with developing countries and with the USA and the Cairns group¹, which implies a subtle strategy in terms of the agenda setting for the next negotiations. It first requires changes at the organisational level to make the EU more coherent in negotiation fora. One practical recommendation made by J. Rollo is to “make the Commission a more credible actor by extending competence across the whole field of commercial policy” which means that the trade directorate must take responsibilities for negotiations agriculture together with other subjects. It also implies finding to restore its credibility by promising to implement fully its earlier commitments concerning market access and anti-dumping actions. At the same time, it requires the EU to take positions in favour of sustainability principles and social objectives without putting its partners from the South on the defensive. It is probably here that the EU must be the most innovative and must demonstrate the need to preserve collectively global public goods. M. Green suggests that it implies increased market access for LDC products combined with improved resource transfers to the poorest countries.

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¹ coalition of countries (net exporters of food and agricultural products) in favour of accelerated liberalisation of international markets, amongst which Australia, New Zealand, Argentina, Canada etc.
CONCLUSION: AGENDA FOR POLICY AND RESEARCH

The debate which took place during this two-day seminar has highlighted three methodological priorities for research.

Many examples during the workshop have illustrated that the cross-fertilisation of approaches could bring into light new aspects of globalisation issues. There is an urgent need for developing a research agenda which associates various social sciences. For example, the notion of public good, initiated by economists, has been enriched when applied at the global level by the concepts and questions brought from political sciences and law. Whereas economists seek to develop efficient economic instruments to supply and preserve public goods, political scientists analyse the emergence of collective preferences for a number of global public goods in an historical and institutional perspective. The two approaches are complementary and provide a better understanding of the dynamics of international co-operation.

The organisation of the workshop favoured a genuine dialogue between researchers, practitioners and stakeholders. It was a reminder that research must be conducted at the interface of theoretical and practical knowledge. It helps to identify the operational questions faced by policy-makers or raised by stakeholders, which are sometimes overlooked by researchers who are more preoccupied by theoretical results than by operational recommendations. An example was the discussion launched around the need for a dispute settlement system for environmental regimes. Stakeholders emphasised the issues of conflicts between competing justice arenas. Researchers could contribute by analysing the difference in nature between the WTO treaty and multilateral environmental agreements.

The workshop demonstrated the necessity to accelerate the mobilisation of a European network of expertise which could contribute to build a shared understanding of common issues and to transform what can be interpreted as a weakness - heterogeneity, diversity of culture - into an advantage. The many contributions on international labour norms have illustrated that the diversity of views in different universities across Europe could help to build a much richer and complex image of this issue.

Therefore European research in social science has to face three challenges: overcoming disciplinary frontiers, overcoming barriers between theoretical and practical knowledge and overcoming cultural and institutional barriers.

The contributions to the workshop and the discussions that followed also highlighted many questions and areas which would be worth exploring in more detail. It would be impossible to draw an exhaustive list and some of them have already been mentioned in the above synthesis. However, the following paragraphs summarise the key questions that a research programme on global trade and global societies might need to address.

Gains and losses from globalisation

There is already a considerable literature on the economic consequences of globalisation. However, some questions are left partially unanswered. What explains that some countries were able to rapidly seize the opportunities of globalisation while others seem to be irremediably left out of the process? The traditional sources of comparative advantages are not the unique answer (i.e. many economic studies show that countries with inferior labour standards do not display better export performance) and should be completed by a thorough analysis of the quality of domestic institutions and of human capital.
Another crucial question concerns the identification of losers and gainers of the globalisation process. Is it legitimate to claim that emerging countries are true gainers of the liberalisation process and to hold them up as examples of successful integration into the world economy? It seems that they are also more exposed to systemic risks and that they are prone to more instability, bringing therefore increasing inequity between those who can shield themselves from the consequences of uncertainties and others. It is necessary to analyse the nature of risks and instability brought about by globalisation: what kind of instability may appear and why, does instability increase when exchange flows intensify, who are the victims of instability? What are the national and international policies which could contribute to reduce systemic risks or at least which could help to avoid that the benefits of globalisation be privatised by those who participate to it whereas losses are socialised and supported by all?

**Sustainability issues**

The preceding questions put emphasis on the need to design new evaluation tools to measure the economic impact of globalisation. They must take into account the risk and the distributional dimensions. Although macroeconomic analysis is useful to draw a general picture, the explanatory power of specific case studies and the interests of microeconomic analysis must not be neglected.

Principles of sustainable development are still very much debated. The notions of employment-creating growth, of social protection and of environmental preservation have not the same echo in different countries and are not given the same priorities by different stakeholders. How is it possible to create common goals and common measures of performance for sustainable development without imposing an hegemonic standardised framework of references and values at the expense of the diversity of culture and preferences?

Sustainable development is also associated to the issue of global externality. It is a fact that considerable efforts have been made in terms of international co-operation to control negative global externalities such as the destruction of the ozone layer, the spreading of contagious diseases or the issue of financial crisis. However, there is a also a need to investigate more extensively international co-operative strategies to promote global positive externalities such as information, education and knowledge.

**Governance**

The discussion on global governance is much focused on the reform of international decision-making procedures in order to improve effectiveness, coherence and acceptability of collective action. These questions can be treated as operational issues requiring innovative proposals for changes in the international law system and in the structure of international organisations. They also trigger a more philosophical debate on the concepts of world citizenship, international equity, global liability and subsidiarity.

Within the context of the emergence of a framework of global governance, two areas deserve particular attention. The new claims in terms of improved participation on the one hand and in terms of better intergovernmental co-ordination on the other, require new analytical tools to accompany the articulation of the different levels of governance (international, national, local) and to clarify the nature of interface between different governance regimes, in particular between the trade regime and the environment regime. The workshop has also confirmed the increasing role of the private sector and the influence of organised groups of the civil society in the construction of international standards and norms. It raises the more practical question of how private and public regulation could be articulated and controlled. The idea that they could be mutually supportive and reinforcing if well monitored could open new perspectives on global governance.
PROBLEMS AND OPPORTUNITIES OF GLOBALISATION
Globalization: Notes on Trade, Investment and Development.

Anthony J Venables

1. Introduction

Globalization is about the changing costs and extent of economic and social interactions across distance and the effects of these changes on the geographical distribution of economic activity. Technical change has been driving the costs of interactions steadily downwards for many centuries, although policy interventions have sometimes raised them. Changes in the economic geography of the world economy have been more complex. There have been periods when activity has become more unevenly distributed across space and periods when these spatial differences have narrowed as activity has spread out of established centres into other regions and countries.

2. Location and Trade Costs: the long historical record.

In 1750 more than 50% of the world’s industrial output was produced in China and India, compared to some 18% in Western Europe. The following 80 years saw the Industrial Revolution, with Western Europe’s industrial output more than doubling and that of the UK increasing by a factor of seven. Over the same period industrial production in China and India continued to increase (by around 20%). The technological changes that resulted from the industrial revolution, notably in the form of the harnessing of steam power, not only raised European industrial output but also facilitated large reductions in both inland and ocean transport costs associated with the coming of the railroad and the steamship.

2.1. Transport costs, tariffs and trade

While distance remains a barrier even at the start of the twenty first century, the continuing communications revolution has been one of the most outstanding features of the last two hundred years. Table 1 reports on the cost of ocean shipping for selected years since 1750. The period between 1830 and 1910 emerges as the era of very substantial decreases and by the late twentieth century ocean shipping rates in real terms were about a sixth of the level of the early nineteenth century.

Table 1. Real Costs of Ocean Shipping (1910 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>1750</td>
<td>298</td>
</tr>
<tr>
<td>1790</td>
<td>376</td>
</tr>
<tr>
<td>1830</td>
<td>287</td>
</tr>
<tr>
<td>1870</td>
<td>196</td>
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<tr>
<td>1910</td>
<td>190</td>
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<tr>
<td>1930</td>
<td>107</td>
</tr>
<tr>
<td>1960</td>
<td>47</td>
</tr>
<tr>
<td>1990</td>
<td>51</td>
</tr>
</tbody>
</table>

Sources: derived using Dollar (2001), Harley (1988), Isserlis (1938)

Ocean shipping is only a small part of the story, however, especially for the nineteenth century. This was also a period of spectacular declines in inland transport costs which between 1800 and 1910 fell by over 90 per cent (Bairoch, 1990, p. 142).

Trends in barriers to trade created by policymakers also need to be taken into account. Here the broad trends are well known even though details are sometimes elusive. The estimate of the unweighted world average tariff rate given by Clemens and Williamson (2001) and illustrated in figure 1 rises from about 12 per cent in 1865 to 17 per cent in 1910. In the interwar period, at a time when transport costs had ceased falling, trade wars pushed the Clemens-Williamson tariff rate up to 25 per cent at its 1930s peak and, in addition, quantitative trade restrictions proliferated affecting perhaps 50 per cent of world trade (Gordon, 1941). After World War II, the Clemens-Williamson tariff rate is in the range 12-15 per cent where it remains until the 1970s after which it falls to a low of 7-8 per cent in the late 1990s. The quantitative restrictions of the 1930s and 1940s among the OECD countries were largely removed in the postwar liberalization phase and, despite a revival in the era of voluntary export restraints in the 1970s and 1980s, post-Uruguay Round these are probably as low as at any time since World War I..

Concurrent with these changes in trade costs and tariffs have been changes in ratio of foreign trade to world GDP, reported in Table 2. In the early nineteenth century trade costs are so high and trade volumes so low (around 1% of GDP) that, of necessity, most production was located close to local markets. This constraint becomes relaxed through the nineteenth century, permitting the agglomeration of manufacturing to occur. After the reverses of the inter-war period the growth of trade relative to income resumes, again allowing new economic geographies to develop.

Table 2. World merchandise exports/world GDP (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1820</td>
<td>1.0</td>
</tr>
<tr>
<td>1870</td>
<td>4.6</td>
</tr>
<tr>
<td>1913</td>
<td>7.9</td>
</tr>
<tr>
<td>1929</td>
<td>9.0</td>
</tr>
<tr>
<td>1950</td>
<td>5.5</td>
</tr>
<tr>
<td>1973</td>
<td>10.5</td>
</tr>
<tr>
<td>1998</td>
<td>17.2</td>
</tr>
</tbody>
</table>

Source: Maddison (2001)

2.2. Location of activity; the three phases.
Looking from 1750 to the present day, three broad phases in the economic geography of the world economy are apparent. The first phase is the rise of the UK and Western Europe as a whole and the dramatic collapse of China and India from around 1750 through to the latter part of the nineteenth century. This period saw only a decline of industrial production in China and India relative to the rest of the world but also an absolute fall such that 1830s’ levels were not regained until the 1930s (Bairoch, 1982). The second phase is the rise of North America. Its share of world GDP and industrial output increased most rapidly from the American Civil War to the start of the Great Depression, peaking shortly after World War II. The third phase is revealed in the data for 1998, but has its origins in the post-war 'Golden Age' of growth, namely, the large and rapid increase in the shares of Japan, China and other East Asian countries in world GDP and industrial output.

These phases correspond first to a concentration of activity in the UK and North-Western Europe (Phase I), and then to two different phases of dispersion, first to North America (Phase II), and then to parts of Asia (Phase III).

3. Trade, investment, and trade costs since 1950.

3.1 Tariffs and trade barriers:
Tariff and other trade barriers have been reduced by a series of successful GATT/WTO trade rounds, by unilateral trade liberalizations, and by the formation of regional integration agreements (RIAs).
Table 3 illustrates how developed countries’ average tariffs on industrial products have been dramatically cut in the postwar period from an average of about 40 percent to less than 4 percent today. Furthermore, since the Kennedy Round, GATT/WTO negotiations have included agreements on non-tariff barriers and trade in agriculture. Tariff rates on agricultural goods, however, remain high. Average tariffs in 1999 stood at 17.3 percent in the EU and 11 percent in the US, although in the Uruguay Round developed countries agreed to an average reduction of 36 percent and developing countries agreed to a 24 percent cut over a 10-year period (WTO, 2001). Since the formation of the WTO in 1995, negotiations have been further expanded to incorporate trade in services.

Table 3: Industrial countries’ import tariffs on manufactures

<table>
<thead>
<tr>
<th>Period</th>
<th>Average tariff rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940s</td>
<td>Pre-GATT/WTO</td>
</tr>
<tr>
<td>Late 1970s</td>
<td>Pre-Tokyo Round</td>
</tr>
<tr>
<td>Late 1980s</td>
<td>Post-Tokyo Round</td>
</tr>
<tr>
<td>Late 1990s</td>
<td>Post-Uruguay Round</td>
</tr>
</tbody>
</table>

Source: WTO.

Alongside multilateral reductions in tariffs, there has been a move towards increased regionalization. This trend has been especially pronounced in the past decade or so, with developments in Europe (EU enlargement and bilateral agreements), the Americas (NAFTA, MERCOSUR and numerous bilaterals), Asia (development of the ASEAN free trade area, the South Asian free trade area, and APEC), and Africa (the formation of new regional agreements and the rejuvenation of old ones). As of mid-2000, 114 RIA’s had been notified to the WTO and were in effect. More than one-third of world trade now takes place within such agreements, and almost 60 percent of world trade if the Asia Pacific Economic Cooperation (APEC) is included (World Bank, 2000).

3.2 Transport costs:
Transport costs have fallen in recent decades, but remain important. In the mid-1990s, freight expenditure for the US was only 3.8 percent of the value of imports, but equivalent numbers for other countries are much higher, eg for Brazil and Paraguay they are 7.3 percent and 13.3 percent respectively (Hummels 1999, from customs data). These values incorporate the fact that most trade is with countries that are geographically close, and in goods that have relatively low transport costs. Looking at transport costs unweighted by trade volumes gives much higher numbers. The median freight charge between all country pairs for which data is available is 28 percent of the value of imports.

Technical change has reduced the costs of transport and slashed the cost of communications. Estimates of the changes in these costs are given in Figure 2. This shows the continuing rapid fall in the costs of transmitting digital information, and declines in the costs of ocean shipping and airfreight that appear to bottom out in the 1960s and 1980s respectively. These figures almost certainly underestimate the true fall in trade costs, which include not only freight and insurance charges, but also the costs of time in transit. Hummels (2000) estimates that the cost of time in transit is around 0.3 percent of the value of goods shipped per day, around 30 times larger than the interest charge alone. In this case the speeding up of ocean shipping (due to containerisation and faster vessels) combined with the rising share of airfreight, has cut transport costs on US imports over the post war period by an amount equal to an 11-12 percent tariff reduction.

3.3 Digital trade:
New information and communications technologies (ICT) have made a class of activities ‘weightless’ – they can be digitized and shipped at essentially zero cost. These include software and media products, and ‘IT-enabled services’ such as call centres, some accounting services, medical transcription, and so on.

Although these activities have expanded rapidly, they probably only account for a very small share of world GDP (perhaps as small as a few percent). The OECD estimates that all software and computer
related services accounted to 2.7 percent of US GDP in 1996, and half that figure in other OECD countries. Software products and computer services combined accounted for just 0.8 percent of US exports in 1996 (OECD 1999). Even in such a fundamentally weightless activity as banking, it is estimated that only some 17-24 percent of the cost base of banks can be outsourced (Economist, May 5th 2001). Another way to get a sense of the magnitude of these activities is to look at the recent experience of the highly successful Indian software and IT-enabled services sectors. The value of all Indian software and related services output in 2000 was around $8bn, with exports of $4bn. Indian IT-enabled services exports to the US are $0.26bn, predicted to grow to $4bn by 2005 (Economist, May 5th 2001). These are substantial size activities compared to total Indian exports of $45bn in 2000, but are less than 1 percent of total US imports of around $950bn.

Although it is difficult to quantify the share of the economy that is, or is likely to become, weightless, one fundamental point can be made. As activities are codified and digitized, not only can they be moved costlessly through space, but also they are typically subject to very large productivity increases and price reductions. Thus, the effect of ICT on airline ticketing (for example) has been primarily to replace labour with computer equipment, and only secondarily to allow remaining workers to be employed in India rather than the US or Europe. Technology that can capture voice or handwriting may well make the booming Indian medical transcription business obsolete.

3.4 Costs of managing remote operations

ICT has also reduced the cost of managing and monitoring supply chains, enabling firms to better ‘fragment’ their production processes. This fragmentation has been partly organizational (subcontracting within a country) and partly geographical (purchasing from or producing in multiple locations). The extent to which this has become possible varies widely across sectors. Information concerning routine operations can be codified and digitized, allowing remote operation. However, for many activities information transmission still requires face-to-face contact and the difficulties of writing and enforcing fully specified contracts puts a premium on keeping many activities within the firm.

3.5 The growth of trade

Trade in goods in both industrial and developing countries has grown consistently faster than GDP. In Figure 3 the upper panel gives the ratio of exports to GDP for high-, middle-, and low-income countries from 1980. There has been a substantial increase in this ratio for low-income countries, and a modest increase for high-income countries. Increases in trade to income ratios are modest largely because of the increasing importance in GDP of service sector activities, which are largely non-tradable. An alternative measure of the trends in goods trade is the ratio of merchandise exports to merchandise value-added (merchandise being agriculture, mining and manufacturing). This is reported in the lower panel of Figure 3 and indicates a much more substantial increase. For high-income economies this ratio grew from 44 percent to 59 percent over the period. For middle-income countries the increase was from 32 percent to 58 percent, and low-income from 19 percent to 30 percent.

3.6 Directions of trade

As trade volumes have increased so there been changes in the geographical sourcing of imports and direction of exports. Table 4 indicates the substantial increase in high-income countries’ imports of merchandise from developing countries, expressed relative to high-income countries’ GDP. The share has more than doubled (from 0.48 percent to 1.22 percent, but remains extremely small. Imports from other high-income countries are over ten times larger, although the increase in this share is much less.

Table 4: Sources of high-income countries’ imports of merchandise (percent of high-income countries’ GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Low-income countries</th>
<th>Middle-income countries</th>
<th>High-income countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>0.48</td>
<td>1.67</td>
<td>8.55</td>
</tr>
<tr>
<td>1997</td>
<td>1.22</td>
<td>3.03</td>
<td>14.10</td>
</tr>
</tbody>
</table>

source: NBER World Trade Database, World Bank World Development Indicators
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3.7 Qualitative changes in trade
A comparison is often made with trade to income ratios pre-1913, a period of close international integration founded on the technologies of the railroad, steamship and telegraph and on open trade policy. For some countries, these ratios were higher then than they are today – for the UK, the ratio of trade to GDP in 1913 was 29.8 percent compared to 22 percent in 1995, and the ratio of merchandise trade to merchandise value-added was 76.3 percent compared to 78 percent in 1995. However, present day trade is different in several respects.

First, it involves higher levels of ‘intra-industry’ trade, rather than ‘inter-industry’ trade. Prior to 1913 the bulk of trade was inter-industry, as countries exchanged the products of one industry for those of another – and often manufactured goods for primary goods. For the last 50 years there has been a steady increase in intra-industry trade, as countries both import and export products from the same industry – for example, the exchange of one model of car for another model.

Second, over the last 20 years or so there has been rapid growth of trade in parts and components as firms increase their outsourcing and become involved in international production networks. Yeats (1998) estimates that 30 percent of world trade in manufactures is trade in components rather than final products. Hummels, Ishii and Yi (2001) measure trade flows that cross borders multiple times, such as when a country imports a component and then re-exports it embodied in a downstream product. They find that (for 10 OECD countries) the share of imported value-added in exports rose by a third between 1970 and 1990, reaching 21 percent of export value. Much of the growth of this vertically specialised trade is concentrated in a few countries neighbouring existing centres – in Asia, Europe and America.

3.8 Foreign direct investment
Accompanying trade growth has been even more rapid growth of foreign direct investment (FDI). Arguably, FDI is a more important mechanism of international interaction than is trade; the overseas production of affiliates of US firms is now three times larger than total US exports. Of course, trade and investment are inter-related; in the mid 1990s, 66 percent of total US exports were undertaken by multinational firms, and 45 percent of these exports went directly to affiliate companies.

FDI has grown much faster than either trade or income; whereas worldwide nominal GDP increased at a rate of 7.2 percent per year between 1985 and 1997 and worldwide imports at 9.2 percent, worldwide nominal inflows of FDI increased at 17.6 percent. These figures comprise the financing of new investments, retained earnings of affiliates, and cross border mergers and acquisitions. Mergers and acquisitions are a large proportion of the whole (especially among the advanced countries), with their value constituting 49 percent of total FDI flows in 1996 and 58 percent in 1997 (UNCTAD, 1998).

The predominant source of supply of FDI are high-income countries which, in 1997, controlled 89.8 percent of worldwide FDI stock, compared to 10.2 percent for the developing and transition countries. Within advanced countries, the major single investor is the US, which in 1997 controlled 25.6 percent of the world’s FDI stock, compared to 45.1 percent for the European Union 15, and 8 percent for Japan. Japanese and European flows boomed during the late 1980s, although they have now fallen back to a position broadly in line with existing stocks.

Most of the difference between the advanced and developing countries is accounted for by sheer economic size, and the difference in outflows relative to GDP is perhaps less than might be expected. Outward flows from the advanced countries averaged 1.3 percent of their GDP each year from 1993 to 1997, with the EU having much the highest rate (almost 2 percent of GDP), largely on the basis of intra-EU investments. For developing countries, outward FDI flows averaged 0.8 percent of their GDP during 1993 to 1997, compared to 0.3 percent from 1988 to 1992, a large increase.

Turning to the destination of FDI, most FDI goes to the advanced industrial countries. In the period 1985 to 1997 the developed countries received fully 71.5 percent of FDI flows. Inevitably most of this is advanced to advanced country FDI. Of the G-7 countries, France, Germany, Italy and the UK sent
more than three-quarters of their 1997 FDI flows to the rest of the OECD; Canada, Japan, and the US sent more than 60 percent. This pattern of reciprocal FDI shows up strongly at the industry level as well, with a large share of flows appearing as intra-industry investment.

While intra-OECD investment and intra-industry investment within the OECD have been long-established facts, an emerging trend is the rise of FDI to developing countries. The share of worldwide FDI received by the developing and transition economies jumped from 21.8 percent in the 1988-92 period, to 39.8 percent in the 1993-97 period. The picture is more dramatic if we look at FDI relative to the size of the host country’s economy. During the five years from 1988 to 1992 advanced countries received FDI inflows at an average annual rate of 0.9 percent of their GDP, while developing and transition countries received FDI at an average annual rate of 0.78 percent of their GDP. By the 1993 to 1997 period, the inflow rate of developing and transition countries had more than doubled to 1.91 percent of GDP, while that for the advanced countries had decreased slightly to 0.87 percent of GDP.

Among developing countries, the distribution of FDI is quite uneven. Only 10 countries accounted for two-thirds of all inward flows during the period 1993 to 1997 (Argentina, Brazil, Chile, China, Hungary, Indonesia, Malaysia, Mexico, Poland, and Singapore). China alone received an annual average of 30.6 percent. Indeed, China accounts for much of the increase in flows to developing countries, with its share of world total FDI flows rising from 2.9 percent for the period 1988-92, to 12.2 percent for 1993-97. In nominal dollar terms, inward direct investment to China increased from $3.2 billion in 1988 to $45.3 billion in 1997. The source of all these flows, about five percent of China’s GDP in 1997, remains hotly debated. The main sources are considered to be Chinese business groups resident in Asia, Chinese businesses resident in China that send their money out and then bring it back to get certain benefits available to foreign investors (the so-called ‘round trippers’), and investors from the advanced industrial economies.

In contrast, all of sub-Saharan Africa, including South Africa, received an annual average of 3.2 percent of all flows to developing and transition countries between 1993 and 1997, a decrease of almost 2.1 percentage points from the annual average of 5.3 percent during the 1988 to 1992 period. Relative to world inflows, sub-Saharan Africa’s share increased slightly, from around 1 percent between 1988 and 1992, to around 1.3 percent between 1993 and 1997.

3.8 But distance still matters:
Despite all the changes outlined above, at the beginning of the twenty-first century distance remains a powerful barrier to economic interaction. Gravity modelling finds that, controlling for the economic mass of the countries concerned, trade between them falls off steeply with distance. The elasticity of trade flows with respect to distance is typically estimated to be between -0.9 and -1.5, and the implications of this for trade volumes are given in the first column of Table 5 that expresses trade volumes at different distances relative to their value at 1000km. With an elasticity of -1.25, trade volumes at 4000km are down by 82% and by 8000km down by 93%. Similar methodologies have been used to study other sorts of economic interactions, and some results are summarised in remaining columns of Table 5. Portes and Rey (1999) study cross-border equity transactions (using data for 14 countries accounting for around 87% of global equity market capitalisation, 1989-96), and their baseline specification gives an elasticity of transactions with respect to distance of -0.85, so that flows at 8000km are less than one-fifth those at 1000km. Foreign direct investment (FDI) flows are studied by Di Mauro (2000) who finds an elasticity with respect to distance of -0.42. The effect of distance on technology flows has been studied by Keller (2000) who looks at the dependence of total factor productivity on R&D stocks for 12 industries in the G-7 countries, 1971-95. The R&D stocks include both the own country stock, and foreign country stocks weighted by distance. Both own and foreign country stocks are significant determinants of each country’s productivity and so too is the distance effect, with R&D stocks in distant economies having much weaker effects on productivity than do R&D stocks in closer economies, so that the effect at 8000km is only 5% of its effect at 1000km.
Table 5: Economic interactions and distance.
(Flow relative to their magnitude at 1000km)

<table>
<thead>
<tr>
<th></th>
<th>Trade</th>
<th>Equity flows</th>
<th>FDI</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000km</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2000km</td>
<td>0.42</td>
<td>0.55</td>
<td>0.75</td>
<td>0.65</td>
</tr>
<tr>
<td>4000km</td>
<td>0.18</td>
<td>0.31</td>
<td>0.56</td>
<td>0.28</td>
</tr>
<tr>
<td>8000km</td>
<td>0.07</td>
<td>0.17</td>
<td>0.42</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Sources: see text.

4. Implications for the location of activity, income differentials and development.
A neoclassical view of the world suggests that reductions in trade barriers and trade costs should promote convergence of factor prices and income levels. This occurs through trade allowing countries to specialise and through factor accumulation. Alternative views place more weight on institutions and on the geography of remaining barriers. For example, the costs of remoteness from markets and sources of supply is shown in work by Gallup et al (1999) and Redding and Venables (2000). Both the institutional and the geographical approach suggest that convergence will not be the relatively smooth convergence predicted by neoclassical theory. Economic performance is path dependent, and societies can become locked in low level equilibria. For example, in the geography approach increasing returns causes agglomeration of activity in economic centres. Globalization facilitates the spread of activity out of these centres to new countries, but as activity spreads out it remains prone to cluster. Thus development is an inherently ‘lumpy’ phenomenon. Some countries will acquire clusters of activity and make a relatively rapid transition from low- to higher-income status. Others remain ‘peripheral’ and fail to attract significant levels of industrial activity. This view fits well with the divergent performance of regions of the world during the post war period, and with the observation that the world has increasingly polarised into a group of high-income and a group of low-income countries (the pattern of ‘twin peaks' highlighted by Quah 1997 or ‘divergence big time’ Pritchett 1997).

Although these alternative views suggest that globalization (and open trade policies by a particular country) are not sufficient for development, they also imply that it is extremely important facilitator of development. Openness allows specialization and the development of clusters of specialised activity, which in turn bring the benefits of scale effects and consequent increases in demand for labour and in labour productivity.

This position is consistent with the evidence. While the link between trade performance and growth is widely accepted, and grounded on much case study material (see Srinivasan and Bhagwati 1999 for a recent discussion) recent empirical work on the determinants of growth has found the relationship more elusive. A number of cross-country regression studies have found a positive relationship between growth and trade, but these studies have been widely criticised (eg Rodriguez and Rodrik 1999), and findings are generally regarded as far from robust. The method is dogged by the difficulty of measuring openness (or the trade policy stance), and by the high correlation between open trade policies and other institutional features accepted to be conducive to growth.

A more illuminating approach is contained in Dollar and Kray (2000), who identified a set of developing countries they term the ‘new globalizers’. They rank developing countries according to the decline in their tariff rates between the 1980 and the late 1990s, and the increase in their trade to GDP ratio, and select countries that are in the top 40 of both lists. There were 16 such countries, and the two African countries that came closest to the criterion were added, giving: Argentina, Bangladesh, Bolivia, Brazil, China, Costa Rica, Ghana, India, Malaysia, Mexico, Nepal, Philippines, Poland, El Salvador, Thailand, Uganda, Uruguay, Vietnam. (The early trade liberalizers – Chile, Turkey, Hong Kong, Singapore, South Korea and Taiwan are in the rich country group, not in this list.
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Table 6 (first two columns) indicates how very much more open these countries became relative to the non-globalizers (all other developing countries), and gives per capita growth rates for the last four decades. The striking point is that while these countries fared worse than others in the 1960s and 70s, their performance was dramatically better during the 1980s and 1990s, with per capita growth of 5.3% pa compared to -0.8% pa for the non-globalizers. It is also noteworthy that these countries’ exports became increasingly oriented to high-income countries. The share of their exports going to a given set of high-income countries rose from 69% in 1980 to 78% in 1997. Non-globalizing middle and low income countries actually started off with a higher share going to high income countries, but the share fell from 76% in 1980 to 72% in 1997.

These findings do not establish a causal relationship between trade and growth, and still less do they identify particular trade policy instruments as determinants for causing growth – the countries that liberalized trade also reformed many other domestic policies. They do, however, make a convincing case that full participation in the world economy is an inherent part of modern economic growth. The point is made somewhat differently by Lindert and Williamson (2001):

’...the empty set contains those countries that chose to be less open to trade and factor flows in the 1990s than in the 1960s and rose in the global living-standard ranks at the same time. As far as we can tell there are no anti-global victories to report for the postwar Third World.’

Table 6: Growth and trade performance of the new globalizers.

<table>
<thead>
<tr>
<th></th>
<th>% fall in tariffs, 1980 - late 90s</th>
<th>% increase in trade / GDP, 1980 - late 90s</th>
<th>Annual growth pc income 1960s</th>
<th>Annual growth pc income 1970s</th>
<th>Annual growth pc income 1980s</th>
<th>Annual growth pc income 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Globalizers</td>
<td>64%</td>
<td>92%</td>
<td>1</td>
<td>1.7</td>
<td>2.6</td>
<td>5.3</td>
</tr>
<tr>
<td>Non-globalizers</td>
<td>29%</td>
<td>1%</td>
<td>2.2</td>
<td>2.8</td>
<td>0.2</td>
<td>-0.8</td>
</tr>
<tr>
<td>High income</td>
<td>50%</td>
<td>4.5</td>
<td>3.4</td>
<td>2.5</td>
<td>1.9</td>
<td></td>
</tr>
</tbody>
</table>


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Economist, (May 5 2001), ‘Outsourcing to India’.
Economist, (May 19 2001), ‘Floating on air’.


OECD (1999), ‘The software sector; a statistical profile for selected OECD countries’, OECD Paris


Figure 1: Unweighted World Average Own Tariff, 35 Countries, %

Figure 2: Transportation versus Communication Costs, 1940-1990

source: Baldwin and Martin (1999)
Figure 3: Trade to income ratios

Ratio of total exports to GDP

Ratio of merchandise exports to merchandise value-added

sources: NBER World Trade Database, World Bank World Development Indicators
Problems and Opportunities of Globalisation from a Social and Environmental Perspective

Wolfgang Sachs

1 The conception of the world implicitly taken for granted by economic globalization is visually represented in the well-known photo of the blue planet. This icon of our time shows the world as a physical body, not as a tapestry of cultures. Just as the photo depicts the earth without any trace of nations, cultures or states, so the Utopia of economic globalization ignores the existence of communities, institutions, and worldviews. It features the earth as a homogeneous, transitable area, to be crossed at will by mobile capital, goods, and money (Sachs 1999). This makes it possible to conceive of the world as a single huge market-place, where economic actors are supposed to have the right to produce anything they want, at any time, and any place. In the end, economic efficiency is expected to prevail everywhere as the only relevant, undistorted by local traditions or institutions.

However, up to the present, the free play of market forces has been hindered by the dizzying diversity of the world’s social and legal orders, which have grown out of each country’s history and social structure. Before this background, it has become the core mission of GATT and WTO to remove obstacles to the free flow of commodities wherever possible and to make all places in the world equally accessible for market activities. This attempt to disembed economic activities from their social, cultural, and environmental context and to bring them under the logic and velocity of the global market, has been the common source of the social and environmental conflicts surrounding globalization (Altvater and Mahnkopf 1996).

2 In the last few decades, in addition, a material infrastructure has emerged favouring transnational integration. For without the global network of telephone lines, glass fibre cables, microwave channels, relay stations and communication satellites, there would be no border-less world – or at least not as a routine part of everyday life. Electronic impulses realize what the external view of the blue planet already suggested: the unity of space and time for any action in the world. The constant high-volume, lightning-fast flow of data around the globe thus compresses time and abolishes distance; electronic space produces a spatio-temporally compact globe.

Indeed, the information highways may be compared to the railways: the digital network is to the rise of a global economy what the railway network was to the rise of the national economy in the nineteenth century (Lash and Urry 1994). Just as the railway infrastructure became the backbone of the national economy (because falling transport costs enabled regional markets to fuse into a national market), so the digital infrastructure is the backbone of the global economy, because falling transaction costs enable national markets to fuse into a global market. However, far from happening everywhere, this results in a new hierarchy of space: the ‘global cities’ stand at the top of the pyramid, closely bound together across borders by high-speed air links and by glass fibre cables, while at the bottom entire continents – Africa or Central Asia, for example – turn into the ‘black holes’ of the informational universe (Castells 1998), not connected to one another in any significant degree.

3 Globalization favours the fast ones over the slow ones. As a rule, those social groups which master resources that are mobile, reap advantages, while those social groups whose resources are bound to places, tend to lose out. On the winning end, there are, for instance, investors who move financial capital in cyberspace, corporations which preside over transborder flows of investment and trade, highly-trained experts who are inserted in global networks of knowledge, and NGO’s that are linked up in electronic communication for staging global actions. On the losing end, there are less qualified workers who possess only skills which are not in demand internationally, small businesses that are grounded in regional markets, farmers who do not have the option to change location, or teachers and doctors who need to be close to their clients. In brief, owners of mobile factors benefit
from transnationalization, while owners of place-bound factors are at a disadvantage (Rodrik 1997). Globalization privileges those who are ready to leave place and community behind, and punishes those who stay home.

4 As borders vanish, and the fast and footloose classes prevail, more groups, sectors, and regions are exposed to forces beyond their reach and control. They may happily yield to some of these forces, but they may be threatened by others. As living conditions become vulnerable to impacts from distant events, insecurity is growing, in both the developed and the developing world. While in affluent countries non-globalized citizens feel threatened by uncertain employment prospects, immigration, and a general loss of control, in poor countries the livelihood and sometimes the survival of large majorities is put at risk. In the wake of the Asian crisis of 1997/98, for example, Indonesia had to face a drop in real wages by 77% and a rise in poverty from 30 to 100 million people (Stiftung 1999, 92). Currency shifts, world-wide competition, global media, and flows of migrants combine in unsettling the reliability of everyday life. Home, which once upon a time was seen as the stronghold of security, is now shot through with insecurity. No doubt, this insecurity already fuels various political currents, honorouable and less honourable ones.

5 Globalization, in effect, makes the global middle class expand socially as well as geographically. It offers access to the blessings of the modern world. What may be called the global middle class is made up of the majority of people in the North and of smaller or larger elites in the South, those 20 percent of the world population which have access to an automobile. Seen from this angle, globalization deepens the integration of this class and draws more sections of people into the world-wide circuit of goods, communication and travel. It does so distancing the social majorities in the world, certainly in relative, but at times even in absolute terms. After all, the 20 percent of the world population which live in the rich countries have 86 percent of the world production value, 68 percent of the foreign direct investments, and 74% of all telephone connections at their disposal, while the poorer 20 percent in all these respects only around 1 percent (UNDP 1999, 4). Internationally as well as nationally, a trend toward increased inequality and social polarization (except in India and a number of East Asian countries) is visible, which makes simultaneously grow both the top and the bottom of the social scale.

6 However, as the elites aspire to catch up with the vanguards of the international consumer class, their old-style sense of responsibility for the disadvantaged sections of their own society withers away. Following this drift, governments are inclined to ally themselves with the globalizing forces and often show disregard for the non-competitive social majority. As a result, the social contract which lay at the core of the redistributive state has begun to unravel. The erosion of social solidarity, however, opens a dilemma; the very moment when the weaker sections require more security, the protective power of the state crumbles. This undermines the social balance which for better or worse had pertained during more than hundred years of industrial democracy: while capitalism was about winning, democracy was about giving some power to the losers. When this power fades, where do the losers go?

7 The rise of the transnational economy is fuelled by the hope of creating more wealth for more nations. For achieving this goal, the highest efficiency in allocating capital, labour, intelligence, and natural resources is supposed to be attained everywhere. Global markets are expected to install the global rule of efficiency. A dynamic is set in train that exposes every protected zone of low productivity to the bracing wind of international competition. As the walls of national restrictions and subsidies come down, new suppliers from the outside are able to enter national markets and undercut wasteful businesses. Globalization thus razes strongholds of mismanagement to the ground by enabling the most efficient to win.

The drive for greater efficiency also impacts the use of natural resources. There is strong evidence that open economies deploy more resource-efficient technologies, because they have better access to the most up-to-date technological investment. Examples range from the export of more fuel-efficient cars from Japan to the US to the introduction of new blast-furnaces in the Brazilian steel industry.
Moreover, transnational corporations tend to standardize technologies at a more advanced level across countries to avoid all kinds of coordination costs (Garrod 1998). As more flexible investment rules generally favour entry to a higher technological trajectory (Johnstone 1997), economies are likely to become more eco-efficient. However, though rationalization may lower the input of natural resources per unit of output, the total consumption of resources will nevertheless grow if the volume of economic activity expands at a higher rate. Growth effects may cancel out efficiency gains. This is, from an environmental point of view, the Achilles’ heel of globalization.

With the migration of investment capital from the OED countries, an historically already obsolete model of development has spread to the newly industrializing countries and even well beyond them. That fateful style of economics which rests to a large degree upon the transformation of unpaid natural values into commodity values, is now expanding to the ends of the earth. For in the conventional path of development, monetary growth always goes together with material growth; a certain uncoupling of the two emerges only in the transition to a post-industrial economy. Small wonder that sectors such as raw materials extraction, energy, and transport arefavoured targets for foreign investments, that the emerging markets record a steep rise in CO2 emissions, or that water, forests, fisheries along with subsistence agriculture come under increasing pressure (French 1999). The ranking of countries according to the size of their ‘ecological footprint’ (WWF 2000) appears to be correlated to the ranking of countries according to trade intensity.

Deregulating markets even accelerates this process. As deregulation presently occurs within a price system that does not accurately reflect environmental costs, falling prices will take markets further down the environmentally slippery slope. So long as prices do not tell the ecological truth, any perfection of the market, even though increasing per-unit efficiency, will hasten environmental degradation. After all, it is hardly rational to run more efficiently into the wrong direction.

As governments are compelled to provide hospitable conditions for mobile capital, any rule established in the name of the common good becomes more difficult to uphold. With competition gaining the upper hand over protection as a reason of state, environmental regulation generally has tended to get ‘stuck in the mud’ (Zarsky 1997). Under the shadow of world market competition, it has become harder to halt deforestation in Canada, airport construction in Germany, or to introduce eco-taxes in the European Union. Though market integration at times works also in favour of raising national regulatory standards, such harmonization often occurs to slow and at too low a level. Governments are facing the same dilemma in environmental security as they do in social security; the very moment protection is required more than ever, they lose in capability of doing so.

This dilemma is heightened when the currency value of a country’s economy depends on its export of natural resources. In periods of financial crisis, these countries are forced to throw larger quantities of oil, gas, timber, minerals etc. onto the world market in order to stop their export earnings falling through the floor. In desperate times, governments have to flog off even their ‘family silver’. For example, Russia rushed to sell off the treasures of Siberia, Senegal offered fishery rights to Spain and Japan, Mexico facilitated forest exploitation after the Peso crisis, just as Brazil and Indonesia did. One might even speak of a causal link between falling currencies and falling trees (Menotti 1998).

Globalization, in all its facets, rests upon the domination of space. Distances, however, vanish only through the application of technology. Above all, electronic networks link places across the globe in real time. While much less resource-intensive than physical travel, electronic communication nevertheless requires enormous amounts of resources for the production and maintenance of all kinds of hardware, from laptops to satellites. Moreover, in the long run it tends to generate more physical transport than it substitutes. At any rate, global markets rely to a large extent on physical transport. T-shirts have to be brought from China to Germany, tomatoes from Ecuador to the US, sunbathers from Sweden to the Dominican Republic, managers from Switzerland to Singapore. At present growth rates, passenger air transport is about to double every fifteen years, air freight every eight years. And, of course, transport on road and ships is rapidly expanding as well, along with harbours and highways. The mobilization of space and time has to be paid for by the mobilization of nature. And yet,
global factor markets hinge upon declining freight costs. This is because differences in marginal productivity across countries cannot be exploited unless transport costs are negligible with respect to total value.

By way of conclusion, it can be said that economic globalization does both, it raises welfare and destructs it. Through extending the reign of allocative efficiency over the globe, things can everywhere be done better and faster. However, a rise in rationality on the micro level does not necessarily imply a rise in rationality on the macro level. Also the contrary is often true; the rise in rationality on the micro level may be achieved by producing costs for the social and the natural sphere. Just as in thermodynamics, an economic system can achieve a higher state of order inside its boundaries by creating disorder outside its boundaries. Considering both society and nature as the context of the economy, excellence in the latter may therefore go hand in hand with degradation in the former. Overall welfare, however, is based not just on well-performing economies, but also on flourishing societies and the gifts of nature. From this point of view, markets have to be reinserted into the social and ecological context, since they are strong in achieving efficiency, but weak in attaining justice or a sustainable scale of resource use (Daly 1997). In other words, efficiency, justice, and sustainability cannot be maximized simultaneously; optimizing over-all welfare requires to restrain the strive for efficiency.

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Problems and Opportunities from an Institutional Perspective

Mark A. Pollack

Introduction
The two previous presentations have examined the problems and opportunities that globalization presents from both an economic and a social and environmental perspective. In this brief presentation, I turn to international institutions at both the EU and the global level, and ask whether these institutions are likely to facilitate or hinder the inclusion of actors in civil society and the integration of sustainability (or other social justice) considerations in European and global governance. In light of the protests at the World Trade Organization (WTO) ministerial meeting in November 1999 in Seattle, and again more recently at the annual meetings of the International Monetary Fund (IMF) and the World Bank in Prague, I focus the analysis on these three institutions, and on the contrast between these institutions and the institutions of the European Union.

The challenge of such an analysis—beyond the empirical difficulty of mastering the institutional details of three global organizations—is to define a theoretical framework and a metric with which to measure the potential of such international organizations to incorporate civil society actors and integrate sustainability considerations. In this presentation, I make no attempt to offer a definitive framework or metric, but instead outline very briefly three complementary frameworks put forward by various authors to analyze and assess the European Union, and extend these frameworks beyond the EU to other international organizations. Specifically, I examine three conceptual frameworks:

- Economic globalization, and the “governance capacity” of international organizations;
- Social movement theory, and the “political opportunities,” “mobilizing structures,” and “dominant frames” of international organizations; and
- The democratic legitimacy—or “democratic deficit”—of the EU and other international organizations.

Anticipating the analysis that follows, I suggest that the European Union fares moderately well using the metrics of each of these three frameworks, and has made at least modest progress along all three metrics in recent years, but that the WTO, IMF and (to a lesser extent) the World Bank appear to offer a lower “governance capacity” for positive integration; fewer political opportunities for members of international social movements; and fewer elements of democratic legitimacy as that term has been traditionally understood.

I. Economic Globalization and International Governance Capacity
The first of these three approaches is derived from the literature on economic globalization, and in particular on a collective project on the “governance capacity” of international organizations such as the EU (Scharpf 1997). Simplifying considerably, the basic logic of this school of thought can be summarized in two interrelated claims:

First, economic globalization—also known as market liberalization or as “negative integration” in the case of the EU—may result in a process of regulatory competition among states vying to attract mobile capital, in which states lower their national regulations in a “race to the bottom” which results in a lowering, *inter alia*, of social standards, environmental standards, and corporate taxation.
Second, the ability of international organizations such as the EU to engage in re-regulation—also known as “positive integration” in the EU context—is likely to be limited by conflicting preferences among member states, and by the requirement for a supermajority or unanimous agreement among such states. Generally, Scharpf suggests, EU treaties set a higher institutional standard for positive integration (which requires positive decision by member governments, often by a unanimous vote) than for negative integration (which is largely written into the treaties or can be adopted by qualified majority vote).

The first of these claims is essentially about the effects of economic liberalization on national regulations; while the second is about international organizations. If both claims are accurate, then economic globalization is likely to result in a general lowering of standards, which cannot and will not be reversed by international organizations.

Fortunately, Scharpf and others point out, these two claims appear to find varying support in different empirical areas in the EU. Regarding the impact of market liberalization on national regulations, Scharpf argues that the this impact is highly variable depending on whether national regulations target products or production processes. In the case of product regulations, Vogel (1995) has argued, states may actually face an incentive to ratchet their standards upwards, if and insofar as large states retain high standards, and producers in other states wish to sell products to those states (“the California effect”). By contrast, process regulations generally impose costs on producers in the manufacture of products, and strict national regulations in these areas may have the effect of driving production to states with lower standards, as in the case of corporate taxation (“the Delaware effect”). However, as Vogel points out, many process standards have only a small effect on total costs of production, and in these cases business has little incentive to exit, and national regulations may remain stable despite economic liberalization. For these reasons, economic globalization, rather than imposing an across-the-board race to the bottom, is likely to influence national regulations differently across product and process regulations, and depending upon the costs imposed by national regulations in the case of the latter.

For our purposes in this paper, however, the more important question concerns the governance capacity of international organizations like the EU, namely: given the possibility of a globalization-induced race to the bottom in national regulations, are the EU and other international organizations capable of stabilizing or even raising regulatory standards at the international level?

Here again, answers vary. In areas such as corporate taxation and social policy, Scharpf argues, the pressures for a deregulatory race to the bottom are considerable, while re-regulation at the EU level is hampered by (1) a diversity of preferences among EU member states, and (2) demanding voting rules (e.g. unanimity) for the adoption of EU-level regulations. In these areas, the governance capacity of the EU is small; policy outcomes tend to be either deadlock or lowest-common-denominator agreements; and the EU’s ability to prevent a race to the bottom is questionable.

By contrast, in areas of product regulation or in selected areas such as environmental policy which are marked by qualified-majority voting rules and a stronger role for the European Parliament, the governance capacity of the EU is higher; policy outcomes may reflect either lowest-common-denominator or higher standards depending on voting rules and member-government coalitions; and the EU may not only prevent a race to the bottom but also raise standards throughout the Union.

In sum, Scharpf tells us, the threat posed to national standards by market liberalization is highly variable, as is the governance capacity of the Union, which depends upon both the pattern of member-state preferences and the institutional rules governing decision-making in a given policy area.

Applying the logic of Scharpf’s argument to other international organizations suggests that, ceteris paribus, these organizations are less promising arenas for international re-regulation than the Union. In his analysis, Scharpf points to (1) the diversity of national preferences and (2) the institutional hurdles to positive regulation as the primary sources of weakness in EU governance capacity. In
general—although we may wish to argue this point in discussion—other international organizations such as the WTO, the IMF and the World Bank feature a greater diversity of preferences as a result of the large size and economic diversity of their members, and more demanding decision rules for positive integration, which generally requires international consensus among these diverse member states.

Therefore, if we accept the hypothesis that global liberalization of trade and investment may lead to a deregulatory race to the bottom, the analysis sketched out here suggests that the WTO, IMF and World Bank are likely to be less promising agents of international re-regulation than the European Union has been within Europe.

II. Social Movement Theory: Political Opportunities, Mobilizing Structures, and Dominant Frames

A second theoretical framework for the analysis of international organizations comes from social movement theory, which argues that international social movements (e.g. the women’s movement, peace movement, and environmental and consumer protection advocates) are most likely to influence policy under three conditions:

- The institution in question offers favorable political opportunities, including most notably multiple points of access and elite allies (on the input side) and significant implementation capacity (on the output side);
- The social movement in question controls significant mobilizing structures, i.e. international networks of advocates with significant financial and human resources to overcome the collective action problems of organizing across borders; and
- The international organization offers a dominant frame, or way of seeing the world and analyzing problems, that “resonates” or fits with the frame of the social movement, which should in turn strategically frame its appeals to appeal to the dominant frame of the organization (see e.g. McCarthy, McAdam and Zald 1996).

Applied to the European Union, this framework again yields a moderately favorable analysis, albeit one which again varies across issue-areas. In terms of political opportunities, the EU offers social movements multiple points of access and elite allies (Commission, EP, courts, member states, etc.), and a considerable capacity to implement agreed-upon decisions; significant mobilizing structures at the supranational level among consumers, environmentalists, and women, among others; and a “dominant frame” which varies across issue-areas and DGs of the Commission, but which is generally favorable to the inclusion of sustainability and social justice issues (Pollack and Hafner-Burton 2000).

Looking beyond the European Union, favorable indicators for these three categories are harder to find. The WTO, for example, offers few points of access to social movements during either negotiations or dispute resolution; mobilizing structures of social movements in Geneva compare poorly to those in Brussels; and the dominant frame of the organization (with its stress on free trade and the removal of NTBs) is less promising from the point of view of environmental, consumer, and other social movements. A similar analysis might be offered of the IMF and until recently of the World Bank; since 1995, however, the latter organization has become substantially more open to INGOs (including most notably environmental and women’s groups), offering them regular access, elite allies, and an evolving “dominant frame” which is friendlier to the inclusion of sustainability and gender issues than in the past.
III. Democratic Legitimacy—or Democratic Deficit?

The notion that international organizations can or should be assessed according to traditional domestic standards of democratic legitimacy is itself new, and not uncontroversial. After all, most of the nation-states of the world have traditionally been undemocratic themselves; and to the extent that international organizations were composed of democratic members, it was generally assumed that their democratic legitimacy arose from the legitimacy of the elected governments which sent delegations to those organizations.

With the deepening integration of the European Union after 1985, however, an increasing number of scholars and political actors began to question the democratic legitimacy of an EU which was increasingly creeping into matters of domestic policy—such as social policy, environmental and consumer protection, and women’s rights—yet continued to do business largely through traditional diplomatic methods, relying on indirectly elected ministers and appointed European agencies such as the Commission, and without the democratic input or transparency associated with European parliamentary democracies.

During the past decade, therefore, various authors have argued for institutional reforms designed to secure greater democratic legitimacy, including: an increased legislative role for the European Parliament; an increased role for national parliaments in EU decision-making; greater transparency in EU policymaking, including public debates in the Council and unfettered public access to documents; and a number of other modest and immodest proposals (Williams 1991; Schmitter 2000). Some, but by no means all, of these proposals have been enacted in the Maastricht and Amsterdam Treaties, which substantially increased the legislative and oversight powers of the European Parliament and committed the EU in principal to the principle of transparency.

Despite these changes, the debate over democratic legitimacy in the EU remains lively, with some arguing for radical democratization, while others (e.g. Majone 2000) defend the use of non-majoritarian institutions such as the Commission and the European Central Bank, arguing that the proper standard for international governance is not necessarily democratic input, but rather constitutionalism and the rule of law to guarantee open and fair government (e.g. the US Administrative Procedure Act), which remains relatively underdeveloped in the EU.

Judged according to the metrics of democratic input or constitutional procedure, the global organizations discussed above (WTO, IMF, World Bank) also appear to be creeping into areas of domestic policy-making, yet all of these organizations seem to fall short of the (admittedly imperfect) record of the EU. In terms of democratic input, all three organizations are indirectly accountable to their respective boards of governors, but these boards are all composed of government representatives, who are at best indirectly accountable to the public for their actions. Similarly, the WTO, IMF and World Bank still take decisions largely behind closed doors, without the requirement of either hearings or public access to documents (as under the APA).

Conclusions

The aim of this presentation has not been to criticize either economic globalization or the specific activities of international organizations such as the WTO, the IMF and the World Bank, but rather to suggest a set of theoretical frameworks or metrics, drawn from the study of the EU, by which governance capacity, openness and democratic legitimacy of these organizations can be judged.

Nevertheless, across all three metrics, the contrast between the European Union on the one hand, and the trio of global economic organizations on the other hand, is striking. Although the EU has been and remains fundamentally committed to market liberalization, I have argued, its institutional development over the past four decades represents “progress” along all three metrics, including: (1) a governance capacity which varies widely across issue-areas but has become more favorable with the general increase in qualified majority voting and supranational decisionmaking; (2) a political opportunity
structure which is generally open to international social movements (albeit once again with differences across issue-areas); and (3) a democratic deficit which has been at least partially addressed through an increase in the powers of the European Parliament and the transparency of the EU policy process.

By contrast, and without overstating the case, the WTO, the IMF, and the World Bank score considerably less well on all three metrics, and are generally characterized by: (1) a systematic bias in governance capacity for negative integration rather than positive integration; (2) a relatively closed political opportunity structure for international social movements; and (3) a democratic deficit in terms of both input and procedure.

We can, of course, make some finer distinctions among these organizations; I would argue, for example, that the World Bank has taken steps to address criticisms and make progress along all three metrics. We may also question whether the standards applied to the EU by its critics may be appropriately extended to the various Bretton Woods institutions, given their distinct missions and memberships.

Nevertheless, the comparative analysis sketched out here suggests that, by comparison to the EU, these organizations remain limited in their capacity for social regulation, and relatively closed in terms of their openness to social-movement and democratic input. Whether these organizations can change, and whether they should do so, is a separate question, which I hope we will discuss during the course of this conference.

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Improving International Policy Coherence: Finance, Trade, Development, Social, and Environment Policies

Richard Eglin

"We also urge greater cooperation and policy coherence among international financial, economic, labour and environmental organisations." (Extract from the 1999 G-8 Summit Communiqué, Köln)

The success of economic "globalisation" is not being matched by sufficient progress in achieving development, social, and environmental objectives.

The market economy system now predominates world-wide. Deregulation and liberalisation, along with improved communication technologies, are fuelling the global integration of markets and strong economic growth. At the same time, globalization is calling attention to the global scale of poverty, social injustice, and environmental degradation, and the need to find solutions urgently in these areas, and it is constraining the freedom, and raising the costs, of governments acting independently in pursuit of domestic policy objectives. In both cases, much more cross-border and cross-issue policy coordination is called for.

Three particular areas of tension have emerged:

- **Poverty, marginalization, and instability** Many developing countries are struggling to meet the economic and social challenges that globalization presents. Instead of a truly global economy, we face a real risk of bifurcation between a beleaguered core of highly successful, rich nations in a sea of failed or failing states. The least-developed countries, much of Africa, several Asian countries, and many of the world's "small states" (the Pacific and Caribbean islands) are mired in poverty and economic stagnation, marginalized from the benefits of globalisation. Together, they account for almost half of the WTO's membership. The causes of poverty in these countries lie most often in political instability and conflict, poor economic management, no rule of law, and lack of good governance, much of which only democratic political reform can correct. Nonetheless, they can be helped to overcome barriers to their integration into the global economy.

- **Global problems requiring global solutions** Slowness in tackling international social and environmental problems has gained a high political profile in industrialized countries, supported by influential constituencies of NGOs (labour rights, human rights, environmental "commons"). A complicating factor is that the problems tend to be regarded by developing countries as matters of strictly domestic concern; they resent what they see as efforts to impose on them standards set by industrialized countries. Attempts at various UN summit conferences to forge a political consensus around the best ways of resolving these problems have not succeeded.

- **Friction between national sovereignty and international rules** Increased openness to international competition is straining the ability of domestic regulatory systems to ensure that national social and environmental policy objectives are met (e.g., food safety, animal welfare, job security, cultural identity, social and environmental standards). There are specific areas of tension between industrialized countries, and the absence of effective regulation in many developing countries has created fears of a more general "race to the bottom" in search of greater global competitiveness.

These problems are not new, but there is a perception that economic globalisation is exacerbating them. Unless they are tackled successfully, there is a risk of the market economy becoming a victim of its own success. The WTO finds itself at the centre of these debates, not only because trade is one of the main drivers of economic integration, but because the WTO
rules, and its dispute settlement process are probably the most advanced and comprehensive model of a framework for international policy coordination.

There are signs of political pressure in industrialized countries to slow down or even reverse the process of deregulation and liberalisation in specific areas, so as to create "policy spaces" for protecting national standards, and to resort to unilateral action to tackle international policy objectives (the antithesis of multilateral policy coordination). There is resistance to liberalisation in many developing countries, who feel the pace is too fast and that it is creating for them politically untenable adjustment costs. They view demands to address social and environmental problems globally as placing further obstacles in the way of their economic development, and attempts by industrialized countries to create special "policy spaces" for themselves as disguised protectionism.

Tackling these problems successfully involves tackling them comprehensively. Traditional separations between different areas of policy-making (particularly the economic and the non-economic) must be broken down and a more "coherent" approach to policy-making adopted.

"Coherence" involves both a policy framework for designing a suitable policy package, and an institutional framework for coordinating the way governments implement the package. These are mostly at early stages of development for dealing with today's global problems. There are still big gaps to fill conceptually, and the institutional framework is not "joined-up".

The policy framework must come from governments top down – it cannot be decided upon at the level of inter-governmental organisations (IGOs) 1.

Achieving several policy goals simultaneously involves political choice and compromise. This is a responsibility of governments. Selecting priorities involves assigning values to different policy objectives. Very few policy objectives have an infinite value. Abolishing slavery is an example of an exception, but in most cases there is no absolute policy goal within reach of available resources; it is rather a question of "how much climate change or social injustice are we going to tolerate, at what cost in terms of reduced growth, jobs, or economic development?".

These political choices cannot be delegated to IGOs. They must receive instructions from their member governments. What they can do is cooperate more effectively, so as to present suitable options to member governments and then assist them to implement the resulting policy package.

Designing a suitable policy framework

Frameworks for coordinating financial policies (IMF) and trade policies (WTO) internationally are in good shape, having developed along with the post-war evolution of the market economy system. They are relatively up-to-date, although it is recognized that they need to continue evolving if they are to remain relevant to the evolution of the global economy. The main challenges at present are foreign direct investment and competition policy in the case of the WTO, financial architecture in the case of the IMF, and rules for "good governance" to support policy reforms in both cases.

The IMF and the WTO rules are broadly complementary, based on the same liberal, market economy model. They are both relatively self-contained. The main point of contact between them until now has been through the WTO "Balance-of-Payments" provisions, where the IMF has a degree of formal jurisdiction. Less formally, there is increasing contact in the area of financial architecture through the WTO agreement on financial services. This will increase if the WTO moves to set rules for foreign direct investment, and the IMF for capital account transactions. Close collaboration between trade and finance officials will be needed to ensure this proceeds smoothly.

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1 There is a certain amount of confusion over this point, including among civil society which quite rightly rejects notions of "global governance" through IGOs.
The rules-based policy framework of the WTO has successfully integrated certain other policy areas. It allows explicit exceptions for implementing UN Security Council resolutions and international commodity agreements, it relies on international standards produced by the ISO and Codex Alimentarius to help avoid unnecessary technical trade barriers, and it enforces a number of intellectual property standards developed by the WIPO. However, it contains no formal recognition of international labour or environmental agreements or standards.

In the case of the environment, this has led to an important example of policy "incoherence". Several of the most important multilateral environmental agreements (CITES, the Montreal Protocol) contain provisions requiring parties to impose trade sanctions against non-parties, yet were sanctions to be applied between two WTO Members they would, prima facie, breach the WTO's non-discrimination rules and through dispute settlement could result in a legally binding WTO ruling that they be removed. More ink has probably been spilled on this problem than any other in the WTO trade and environment debate, yet no resolution is in sight. Equally, UNEP members have shown no inclination to dispense with what they feel is the only affordable enforcement tool at their disposal.

In the case of labour standards, the ILO Secretary-General proposed in 1997 the use of trade sanctions for cases of repeated abuse of ILO core labour conventions (freedom of association, collective bargaining, child labour, slave labour, and discrimination in the workplace). No action has so far been taken either by the ILO or the WTO. If such a proposal were to be accepted in principle, at least three different possibilities would exist:

- ILO sets the standards and is given a blanket exception under the WTO to approve the use of trade sanctions (GATT Article XXI model, for UN Security Council resolutions)
- WTO negotiates and sets the standards and enforces them itself (the TRIPs model)
- ILO sets the standards and the WTO enforces them (the ILO "social clause" model)

The result in each case would be the enforcement of labour standards, but each represents a very different kind of policy framework. The first could weaken the effectiveness of WTO trade rules, the second would subject the negotiation of labour standards to commercial considerations, and the third would require a favourable decision to be taken twice and could lead to gridlock.

In the case of development, the WTO's traditional approach of "putting development into trade" through special and more favourable treatment of developing countries has produced only marginal success, and continues to decline in effectiveness as preference margins erode. The WTO needs to create a new policy framework, for "putting trade into development", by collaborating with the World Bank and its Comprehensive Development Framework. This is an ambitious example of a coherent policy framework, which focuses properly on the objective of poverty alleviation. It requires individual governments to make political choices about their policy priorities, it is multi-disciplinary, and it is inclusive of other IGOs.

Some of the general principles for designing the conceptual framework for policy coherence, linking economic policies to social and environmental policies would seem to be:

- "Justice before efficiency", but how much of each is a political choice.
- The policy objectives need to be coordinated, but not necessarily the policies themselves. The same policy objective can often be achieved in several different ways, while the same policy can have widely different effects in different contexts.
- As far as possible, the framework should be based on the market mechanism. This is the common denominator for almost all economic policies, and it offers by far the most efficient way of allocating resources and calculating costs and benefits. As long as social and environmental costs and benefits can be captured reasonably accurately in market prices, the market mechanism lends itself automatically to coordinating economic and environmental or social policy objectives. One example is valuing forest resources as sinks for carbon absorption and for biodiversity protection,
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and then trading exports of these "environmental services" so as to reward countries with large forests for maintaining them (and planting new ones).

- Where the market mechanism cannot be applied effectively, a suitable balance needs to be found among the four basic mechanisms available for international policy coordination:
  
  (i) Multilateral rule-making on regulation (enforceable "hard law" of the IMF and WTO)
  (ii) International standard-setting (indicative "soft law", UN resolutions, ISO and Codex)
  (iii) International assistance for capacity-building ("Agenda 21", the Comprehensive Development Framework)
  (iv) Multilateral surveillance (WTO Committees and the TPR, IMF Article IV consultations, ILO Committees)

For example, whereas it might readily be agreed that "trade in the products of slave labour" should be banned, and moved from (ii) into (i), "trade in genetically modified organisms" might better be left in (ii) until agreement is reached on using the precautionary principle in international standard-setting. Similarly, the difficult issue of the treatment of standards based on processes and production methods (PPMs) in the WTO should be tackled first by creating consensual PPM "soft-law" standards in UNEP or the ISO under (ii), before considering whether and how they should be enforced under the trade rules.

Designing the institutional framework

There is no pressing case for creating new IGOs; there are already more than enough. While problems of duplication and inefficiency need to be addressed, that should not be the primary aim of cooperation and policy coherence. The real problem is the relatively small extent to which most IGOs relate to each other. "Joined-up" government presents a challenge for separate ministries in a national capital; it is far more difficult for IGOs spread around the world, with separate mandates, responsibilities, memberships, and decision-making processes. Nonetheless, it holds one of the keys to policy coherence.

Institutions need to evolve and mature, in particular so as to be able to handle more flexibly combinations of hard and soft law, assistance for capacity-building and surveillance. Resolving international environmental problems can require combinations of capacity-building through the World Bank, standard setting through UNEP, and rule-making in the WTO. Similarly, helping remove exogenous obstacles to the integration of the poorest countries into the global economy should cover debt relief (IMF), improved market access (WTO), and trade-related capacity-building (World Bank). One approach that has been suggested to address the linkage between trade and labour is to continue the practice of standard-setting coupled with committee surveillance in the ILO, and add to it TPR surveillance, for information purposes, through the WTO.

Care must be taken not to disturb IGOs' core responsibilities. The greatest danger in institutional reform is that the main story line is lost in the process. In the case of the WTO, its core responsibility is trade liberalisation and "no protectionism". Whatever steps may be taken to improve its cooperation and policy coherence with the ILO and UNEP, the WTO's ability to fight from its own corner to uphold the rules-based trading system must be maintained. Properly done, greater institutional cooperation and policy coherence can strengthen that ability, by removing from the WTO's core agenda problems it is not capable of resolving on its own. In this regard, effective cooperation among IGOs can add up to more than the sum of the parts.

To cooperate more effectively, IGOs must be given a clear policy framework within which to operate. While IGOs can usefully collaborate to provide options to their member governments, it is governments which must take the decision on which one to adopt.

No IGO is capable of imposing its own policy framework on others. Each one is the product of individual government ministries (trade, finance, labour, development, environment), and if there is no agreement among ministries at the national level, there can be no agreement at the level of IGOs.
Prime examples of the frustration this can lead to is the inclusion in multilateral environmental agreements of trade sanctions that are not subsequently honoured at the WTO, and curiously circular arguments that take place at the ILO and the WTO over the enforcement of international labour standards. WTO members can readily agree that the ILO needs to strengthen its enforcement procedures, yet at the ILO the same governments cannot agree on how it should be done.

There are several successful examples to point to of clear policy frameworks being implemented cooperatively by two or more IGOs. The IMF and the World Bank (helped by their physical proximity and "joined-up" boards of governors) have agreed to implement the new Poverty Reduction Strategy. The WTO has had a modest success with its Integrated Framework for trade-related assistance to least-developed countries (involving the IMF, World Bank, ITC, UNDP and UNCTAD).

However, very little progress has so far been made in creating closer cooperation between the WTO and labour and environmental IGOs. Even the question of ILO observership in WTO meetings has so far proved insoluble. Proposals to strengthen UNEP, so as to make it a more equal partner for the WTO, miss the point: what is needed first is agreement among their member governments on a coherent policy framework for trade and environment.

There is an urgent need to find a formula for including "civil society" in the institutional framework for policy cooperation. Efforts so far in the WTO have floundered primarily because of the lack of an agreed policy framework for linking trade and environment and trade and labour policies. It is up to national governments how they include their own NGOs in their debate over the most suitable policy framework; once that is achieved, however, NGOs can play a constructive role in helping IGOs implement the policy packages.

Proposal for an inter-agency "Policy Coherence Task Force"

Two of the points made above are:

- Policy coherence and improved institutional cooperation among IGOs depend fundamentally on governments agreeing on suitable policy frameworks for linking finance, trade, development, social, and environmental policies.
- Individual IGOs are unlikely to have the breadth of expertise or experience to be able to present their member governments with comprehensive options. Nor should they be expected to do so; they should continue to focus on their respective core responsibilities.

If the IGOs themselves cannot be relied on to produce more "policy coherence", and if successive UN summits have failed so far to present workable solutions, particularly in the areas of social and environmental policies, one solution might be to establish an inter-disciplinary "Policy Coherence Task Force". It could be mandated in the first instance to make proposals for suitable policy frameworks and institutional frameworks within which economic and environment policies and economic and social policies could be coordinated internationally. The Task Force could include senior representatives of relevant IGOs (WTO, World Bank, UNEP, ILO) and of select member governments. Broader participation could be encouraged over time.
Globalisation; the Positive and the Negative.

Michael Green

The text does not provide a comprehensive examination of the phenomenon of globalisation but rather sets out a number of considerations and thoughts as to how, with the right policies, the negative aspects of globalisation can be overcome.

1. The positive side of the globalisation process is well known. Thus the removal of barriers to trade, to capital flows of all kinds, to obtaining information and knowledge and (in some cases) to the movement of people, is considered to have widened the range of opportunities for many as regards economic social and cultural activity. It has also increased awareness, knowledge and understanding. Moreover the competitive forces strengthened by this process are considered to have increased efficiency, improved the allocation of resources, strengthened growth, and thereby provided more resources for development, and so to have led, at least on average, and in most cases, to increases in incomes and welfare.

2. On the negative there is the widely held perception, relatively easy to support with the available data, that globalisation has led to greater inequalities both between countries and within countries. As regards increased inequalities between countries it is instructive and easy to construct a graph comparing, over a twenty year time period, the levels of incomes per head in the OECD countries, in the higher middle income countries (what might term the more successful developing countries), and the very low income counties. Such a graph (see Annex) shows, as the years progress, three lines moving further and further apart as the gap between incomes per head in the OECD countries and even the richer developing countries gets wider and wider. The increase in the gap is even more marked when the comparison is made with movements in average incomes per head in the very low income countries. Indeed from the graph it is not easy to discern any significant increase in average incomes per head in the low income countries, over the past twenty years, whereas those for the higher middle income countries have shown significant increases and, of course, average incomes in the OECD countries have marched ahead.

3. Whilst any demonstration of cause and effect in this regard is always controversial, the widely held perception is that the process of globalisation, which all agree has gathered momentum in the last twenty years (although it has been going on for a long time; some would say, apart from an interruption between 1914 and 1945, since the renaissance…..) is, in part, responsible for this widening of the gap between the rich and the poor, and that we are, whether we like it or not, inhabitants of a world of ever increasing inequality.

4. This raises the interesting question whether, if the graph described above exhibited other characteristics, for example if the lines were moving closer together in recent years, rather than further apart, would globalisation still be a matter of concern? That is to say, is this concern really only about inequality and indeed about increasing inequality? The answer to this must be no since there are at least two other important aspects of the globalisation process which merit the closest attention and indeed give rise to much anxiety and alarm. These are the perceived greater instability of the global economy, also blamed on globalisation, and the longer term unsustainability of the globalisation process in its present form.

5. Some would say that the greater instability generated by the globalisation process was demonstrated by the Asian Financial crisis of 1997/98/99 when it seemed to many observers that the world economy was about to enter a long period of contraction and decline. However this did not happen and a measure of recovery is now well underway. Nonetheless the South East Asia region did suffer a
substantial fall in output, incomes and welfare; businesses, banks and reputations collapsed and the number in poverty in South East Asia increased substantially, at least for a while. The disruptive forces released also shook the Latin American economies many of which remain, partly as a consequence, fragile and out of equilibrium.

6. However it can be argued that it was not the globalisation process itself which was at fault in this case, but rather the unsatisfactory way in which it was managed. An important insight in this regard can be gained by considering the massive, speculative and (with hindsight) rather irrational flow of funds into the South East Asia economies, much of it from European banks. These were investments where the investors clearly had no real or satisfactory grasp of the risks involved. Thus the distribution of risks as seen by the investors was in no way the same as the actual distribution of risks, which somehow the borrowers did not, or were persuaded not to acknowledge. The term ‘...were persuaded not to acknowledge...’ is used here because evidence exists that the perception of these risks, by all concerned, was manipulated by the authorities in order to maintain the inward flow of funds, without any attention being given to the longer term, or to what would happen if the underlying risks were suddenly appreciated by all, with the massive outflow of funds such an appreciation would occasion. Thus better management of the globalisation process demands transparency so that the actual risks of an investment, an undertaking, a borrowing, a project, are clear to all. The need for greater transparency was much emphasised by all the international (and other) financial institutions involved during the rescue and recovery process.

7. These considerations point to the important fact that it is the freedom now granted to capital movements throughout the world, in sharp contrast to the situation of say 25 years ago, which can make these capital movements very volatile and so increase the instability of the world financial system. Given this situation many would argue that all financial transactions now carry an extra risk premium as a compensation for the now more volatile and risky financial environment. This would suggest that, as a compensation for this increased volatility and instability, interest rates are somewhat higher than they would be if there were more controls (i.e. more friction) in the world financial system. This leads to an interesting question namely...is the globalisation of the world economy increasing interest rates world-wide, lowering the rate of economic growth and thereby slowing the world economy down?

8. The other key issue is the sustainability of this whole process, both as regards damage to the environment and from a social point of view. By the latter is meant whether, in a situation where the ‘haves’ have more and more, and the ‘have-nots’ less and less, the social fabric, particularly in the more fragile developing countries, can stand the strain, or whether the path is towards disorder, chaos, violence and conflict. As regards the environment it is clear that, ten years on from Rio, much still needs to be done to ensure that growth and development do not damage the environment so badly that it will no longer provide even the most modest requirements of the 5 to 6 billion people living of the planet, namely some food, some water, a measure of clothing and shelter, some sanitation, some health care and education.

**Boldness and imagination needed.**

9. Having set out these three negative aspects of globalisation it is now important to show that chaos and disaster are by no means inevitable and that humanity does have the capacity, and indeed the chance, to address all of these problems and perhaps to resolve them. This can be done if each country/grouping is willing to pursue;

- imaginative and courageous external policies,
- imaginative and courageous internal policies,

and to build on the achievements so far as regards the construction of international institutions, and indeed to push these achievements much further.
10. Taking first of all the questions of inequality, of the ever increasing gap between the poorest and the richest countries, there are still two things that the richer countries can do to help the poorest countries to grow faster and to develop in a sustainable way. These are;

...firstly by offering much better market access to their products, whilst acknowledging this is not something that can be done without pain and adjustment in the richest countries. The recent reception given to the ‘anything but arms’ initiative which offered full market access to the European Union for all exports from the Least Developed Countries, an initiative that focuses in particular on three products, bananas, rice and sugar, shows how unpopular, both domestically (i.e. within the Union) and with other developing countries, such initiatives can be. More precisely this initiative has been heavily criticised by both developed countries (where increased market access threatens domestic production) and other developing countries (which see their exports discriminated against). Nonetheless it is generally accepted that improved market access is essential for the development of the poorest countries. It is therefore a matter of how it is done, rather than a matter of whether. Human ingenuity at its best is needed here.

...secondly the donor community needs to reconsider the whole question of resource transfers to the developing world and in particular to the poorest countries. The widely accepted doctrine, as regard the transfer of such resources, may be considered a carefully constructed response to the problem of aid fatigue; to the perception that precious aid resources have been wasted in past, that the ideological battles of the cold war damaged the effectiveness of aid programmes, and that in some cases aid resources have been used to prop up convenient but corrupt power structures which did not have the interests of their own people, nor their development in mind. Thus the problem of ensuring the more effective use of aid by the developing world is now being tackled by a combination of improving aid coordination, coherence and delivery, with the requirement that the beneficiary countries practice good governance, root out corruption, and devote more resources to education and health, rather than financing military adventures. Better aid programmes combined with better governance and better economic and social policies should then provide the necessary positive signals to financial markets to encourage the flow of private sector development funds, of which in particular foreign direct investment.

11. Many argue that this strategy is too simplistic and is merely a way justifying a less generous approach to external development assistance when other pressing domestic matters are laying claim to scarce resources. Moreover it is also argued that this strategy is not appropriate for the poorest developing countries, which will continue to need concessional finance until the economy has advanced to the point where the private sector can play the dominant role. However this may be too naïve an interpretation of what is happening. In fact it can be argued that the process of ensuring better coordination and coherence in aid matters, together with proper evaluation, leading to a visible process of feed back, and of learning from past mistakes, combined with the requirement that beneficiary countries also put their houses in order, can be considered as an exercise in showing that aid can work. That is, if things are done properly, official development assistance, - aid -, can contribute significantly to growth and development, particularly as regards the poorest countries and therefore can make a substantial contribution to the fight against poverty. Once demonstrated such an outcome should enable governments and their electorates to be more generous, and so to increase the flow of development resources particularly to the poorest countries.

12. Thus increased aid combined with improved market access are two ways in which the donor community can help to close the gap between the very poor and the very rich and so make the globalisation process more equitable.

13. As regards internal policies there is much more that all countries, but particularly those of the OECD, can do to use taxes, subsidies, and prices of public goods to encourage more sustainable patterns of consumption and production. Indeed governments may have very little choice in this matter if human development is to continue to the benefit of all. One simple example illustrates what needs to
be done. Thus official statistics show that in Belgium, some 80,000 new vehicles, on average, are added to the stock of existing vehicles each year. Suppose, for the sake of simplicity and argument, that all of these vehicles are cars, each 4 metres long, and that they are to be parked with one metre between each car. Excluding end effects these cars, if parked in a line would occupy a distance of 400,000 metres. Note also that the ring around Brussels is about 70 kilometres long that is to say 70,000 metres. Assume also that it has three lanes each way (not always the case). The Brussels ring therefore offers at a very maximum 420,000 metres of parking space, in reality somewhat less. Thus the additional vehicles added to the stock of existing vehicles in Belgium each year would, if parked end to end, almost fill the entire ring around Brussels. The expansion of the stock of cars, at this pace, in a small country like Belgium, cannot go on for much longer; total gridlock is on the horizon not to mention bigger and bigger traffic jams, tens of thousands of stationary vehicles emitting exhaust fumes, consuming precious hydrocarbons all of which must be imported. The authorities however do have the means to address this problem over the longer term. They can vary the taxes on fuel and vehicles, change the prices charged for public sector goods and services, introduce new charges (for road use) and subsidies (for smaller cars). In doing this demand curves can be tested and explored. At the same the resources generated by such changes can be used to put in place an effective, efficient and cleaner system of public transport. All this can be done and needs to be done, and will have to be done, unless the world goes totally electronic and we all work through the wire without direct human contact. However it needs to be planned and needs to be done in the right order. For example the infrastructure for a better public transport system needs to be put in place before taxes are raised to encourage a move from private to public transport. Get matters in the wrong order and you will have rising prices, massive congestion, a totally inadequate public transport system and finally, public disorder.

14. What is proposed here for cars can be done for other issues that concern the environment. By proceeding in this way and constructing a set of incentives and disincentives relating to environmental protection, using taxes, prices and subsidies, the ground is prepared for reaching agreements on these issues at the international level; the only level at which global environmental problems can be tackled.

15. The imaginative and audacious use of external and internal policies can therefore help to tackle the three negative aspects of globalisation considered here namely inequality, instability and unsustainability.

16. All these negative aspects of globalisation can also be further addressed by building up and improving the international institutions that we have already put in place. In some ways the WTO, a precious achievement, shows the way forward. The WTO, by providing a rule-based system with a dispute settlement mechanism, and penalties for non-compliance, has ingredients which might be used in the design of other global institutions for addressing, for example, environmental problems. Thus at the moment the countries of the world are confronted with a heterogeneous range of institutions, organisations, instruments and agreements each one addressing particular issues but which, when taken together, do not offer a coherent structure for managing the environmental problems that confront the planet. Moreover there is no permanent institution or arrangement where disputes and arguments, across the whole range of environmental issues, can be aired and settled. Nor are penalties for non-compliance in place, other than the obvious one that we all suffer if someone screws up the planet. Thus we have many parts of an orchestra, that is many players, substantial agreement as to what music should be played, but no conductor and some key members of the orchestra have yet to appear.

However policies and persuasion have their limits.

17. Finally what has not been addressed above, and indeed is very difficult to address, is the question of how to deal with an ever increasing gap between the rich and the poor within a given country. On this issue questions of free choice, of the will of the people, of right and wrong, good and bad, moral and immoral, become very difficult to untangle. This is what makes the task of the International
Labour Office, the ILO, such a difficult one. Thus for many the provision of basic health care for all, by the state, is considered an essential component of any policy mix designed, not only to provide the framework for growth and development, but also to reduce poverty and inequalities, and so be just and inclusive. Nonetheless in the United States such universal health care does not exist and apparently it is choice of the American people not to have such care available. In this case the individual must organise and take care of him/herself. Other countries take the opposite view, namely that the poor, inadequate, underprivileged and unlucky cannot always be expected to provide for themselves; the state must allow for a safety net.

18. Differences of approach such as these make it clear that it is very difficult for one country, a group of countries, or indeed the world at large, to influence, more that tangentially, the social policies of another, except when the situation is dire and even then only in a limited number of cases. Moreover it is these social policies that will contribute to reducing, or increasing, inequalities and so poverty. All this suggests that whilst the means do exist to encourage and support the poorest countries to grow and develop and, eventually, to narrow the gap between the richest and the poorest, reducing inequalities within countries is too sensitive an internal matter in many cases, and is only susceptible to limited modification from outside. This in turn limits the extent to which individual nations, groupings and the world community, can reduce all the inequalities that many feel have been caused by the process of globalisation.
ANNEX

*Income group definitions*

Economies are divided according to 1999 GNP per capita, calculated using the World Bank Atlas method. The groups are: *low income*, $755 or less; *middle income*, $756-$9,265; and *high income*, $9,266 or more.

### High-income economies

1. Andorra  
2. Aruba  
3. Australia  
4. Austria  
5. Bahamas, The  
6. Belgium  
7. Bermuda  
8. Brunei  
9. Canada  
10. Cayman Islands  
11. Channel Islands  
12. Cyprus  
13. Denmark  
14. Faeroe Islands  
15. Finland  
16. France  
17. French Polynesia  
18. Germany  
19. Greece  
20. Greenland  
21. Guam  
22. Hong Kong, China  
23. Iceland  
24. Ireland  
25. Israel  
26. Italy  
27. Japan  
28. Kuwait  
29. Liechtenstein  
30. Luxembourg  
31. Macao, China  
32. Monaco  
33. Netherlands  
34. Netherlands Antilles  
35. New Caledonia  
36. New Zealand  
37. Northern Mariana Islands  
38. Norway  
39. Portugal  
40. Qatar  
41. Singapore  
42. Slovenia  
43. Spain  
44. Sweden  
45. Switzerland  
46. United Arab Emirates  
47. United Kingdom  
48. United States  
49. Virgin Islands (U.S.)

### Middle-income economies (Low and Upper)

1. Albania  
2. Algeria  
3. Belarus  
4. Belize  
5. Bolivia  
6. Bosnia and Herzegovina  
7. Bulgaria  
8. Cape Verde  
9. China  
10. Colombia  
11. Costa Rica  
12. Cuba  
13. Djibouti  
14. Dominican Republic  
15. Ecuador  
17. El Salvador  
18. Equatorial Guinea  
19. Fiji  
20. Guatemala  
21. Guyana  
22. Honduras  
24. Iraq  
25. Jamaica  
26. Jordan  
27. Kazakhstan  
28. Kiribati  
29. Latvia  
30. Lithuania
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31. Macedonia, FYR
32. Maldives
33. Marshall Islands
35. Morocco
36. Namibia
37. Papua New Guinea
38. Paraguay
39. Peru
40. Philippines
41. Romania
42. Russian Federation
43. Samoa
44. Sri Lanka
45. St. Vincent and the Grenadines
46. Suriname
47. Swaziland
48. Syrian Arab Republic
49. Thailand
50. Tonga
51. Tunisia
52. Turkey
53. Vanuatu
54. West Bank and Gaza
55. Yugoslavia, FR (Serbia/Montenegro)

Low-income economies

1. Afghanistan
2. Angola
3. Armenia
4. Azerbaijan
5. Bangladesh
6. Benin
7. Bhutan
8. Burkina Faso
9. Burundi
10. Cambodia
11. Cameroon
12. Central African Republic
13. Chad
14. Comoros
15. Congo, Dem. Rep
17. Côte d'Ivoire
18. Eritrea
19. Ethiopia
20. Gambia, The
21. Georgia
22. Ghana
23. Guinea
24. Guinea-Bissau
25. Haiti
26. India
27. Indonesia
28. Kenya
30. Kyrgyz Republic
31. Lao PDR
32. Lesotho
33. Liberia
34. Madagascar
35. Malawi
36. Mali
37. Mauritania
38. Moldova
39. Mongolia
40. Mozambique
41. Myanmar
42. Mozambique
43. Nicaragua
44. Niger
45. Nigeria
46. Pakistan
47. Rwanda
48. São Tomé and Principe
49. Senegal
50. Sierra Leone
51. Solomon Islands
52. Somalia
53. Sudan
54. Tajikistan
55. Tanzania
56. Togo
57. Turkmenistan
58. Uganda
59. Ukraine
60. Uzbekistan
61. Vietnam
63. Zambia
64. Zimbabwe
ATTITUDES TOWARD GLOBALISATION AS EXPRESSION OF DIFFERENT NEEDS
Social Movements Challenging Neo-liberal Globalisation

Dieter Rucht

Introduction

According to the U.S. sociologist Douglas Kellner, globalisation is “the buzzword of our times” (Kellner 1998: 23). This statement is echoed by the British sociologist Anthony Giddens: “Every business guru talks about [globalisation]. No political speech is complete without reference to it. Yet as little as 10 years ago the term was hardly used, either in the academic literature or in everyday language. It has come from nowhere to be almost everywhere.” (Giddens 1999)

The term “globalisation” has indeed spread at a breathtaking pace (Gerhards and Rössel 1999). Whether or not the actual process of globalisation is occurring as rapidly as most observers assume, is less clear. Even in the realm of economics where such a process seems to be obvious, some scholars argue that, in a historical view, globalisation started earlier and is advancing less quickly than we tend to assume (Hirst and Thompson 1999). Leaving this debate aside, it is certainly true that globalisation has become a highly contentious matter in the last ten years. While one side greets globalisation as both inevitable and advantageous not only for the economies in the Western world but also in the Southern hemisphere, the other side remains sceptical, if not hostile towards globalisation.

Of course, globalisation is a multi-dimensional process, including economic, technological, ecological, political, social and cultural aspects (Chase-Dunn 1999). Even its proponents would concede that it has some negative side effects for some people in some places. And even its harshest opponents would admit that globalisation might have some advantages, for instance the facilitation of communication that allows the creation of a global anti-globalisation movement.

Instead of engaging in the debate who, and in which sense, is right in assessing the virtues and evils of globalisation, my aim is (1) to sketch the major ideological positions towards globalisation, (2) to clarify the link between globalisation and civil society, (3) to discuss some campaigns and movements against neo-liberal globalisation, and (4) to speculate about their prospects.

1. Debates around Modernisation and Globalisation

The intellectual and political debate about globalisation had not unfolded prior to the 1990s. In some ways, however, it was paralleled by an earlier debate about modernisation from which we can draw some conclusions. As a scholarly concept, modernisation took shape in the 1960s, in an era marked by impressive economic growth rates in the Western countries, the Cold War, and de-colonisation in many Third World countries. In its most naïve versions, modernisation theory regarded the most...
advanced states, in particular the U.S., as the model that the rest of the world, including the so-called underdeveloped countries, would adopt sooner or later. It was assumed that in the end of this process the whole world would be “modern”, that is economically developed, politically stable and democratic, and culturally secular and liberal. From this perspective, those who remained sceptical or even hostile towards modernisation were simply characterised as irrational (Berger, Berger, and Kellner 1973).

Some critics have pointed to the arrogance, ethno-centrism and underlying neo-colonialist assumptions of this view and therefore rejected the concept of modernisation altogether (Frank 1967; Wallerstein 1976). Others have stressed the negative consequences of the process of Western modernisation with its emphasis on instrumentality, commodification, standardisation, etc. Modernisation, they argued, brings along winners and losers. Even in the long run, it is not necessarily a positive sum game in which virtually everybody can profit.

In retrospect, it is obvious that modernisation has not happened as its proponents had predicted. The economic gap between the “developed” and the “underdeveloped” world has remained, and, on the aggregate, become even wider. Fundamentalisms of all kinds are far from disappearing so that we may encounter a “clash of civilisations”, as Huntington (1993) argues. Even when only considering the Western world, not all countries are taking the same path on their route of further modernisation. In short: Modernisation lost much of its appeal, particularly since well-known intellectuals such as Zygmunt Baumann and Jürgen Habermas, who hardly fit the image of romantic backwoodsmen, have pointed to the ambivalence of modernisation processes implying both liberalisation and estrangement if not colonisation.

Today, it appears that the concept of globalisation has replaced that of modernisation. Again, since we are still in a relatively early period of the debate about globalisation, we find enthusiastic proponents. In their view, beyond such purely formal definitions of globalisation such as the “growing interdependency of a world society” (Ian Marsh), the incorporation of peoples “into a single, global society” (Martin Albrow), or “the increasing interconnectedness of societies” (John Macionis and Ken Plummer), it brings progress for the humankind. It sets free forces of creativity and entrepreneurship that so far have been confined within political and cultural boundaries; it implies the free float not only of capital but also of ideas such as democracy; it brings countries and cultures closer together and, by their growing interconnectedness, fosters a sense of interdependency, mutual support, understanding, and tolerance.

And again, very similar to earlier arguments levelled against modernisation, critics have begun to raise their voices, stressing the negative side aspects of globalisation. The spectrum of critics is wide even within the Western countries, ranging from those who argue against globalisation from a chauvinist and nationalist position (the extreme right) to those who essentially accept globalisation but seek to control some of its negative side effects (social democrats and new labour) to those who frontally reject globalisation as far as it consists of neo-liberal strategy of the Western elites to pursue economic exploitation (the extreme left). In addition, we also find critical groups that cannot easily be located on a right-left-scale. On the one hand, there exist, for example, religious and humanitarian groups in the West who, in taking an advocate’s role, promote the rights of those who are the victims of (economic) globalisation. On the other hand, there are people in the Southern hemisphere - e.g. peasants and small

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4 Lerner (1968: 386) defines modernisation as “the process of social change whereby less developed societies acquire characteristics common to more developed societies”.

5 According to a report of the United Nations Development Programme, the GINI coefficient, which measures differences in income of poorest and wealthiest fifths of the population, was – at the global level - 1 to 30 in 1960, 1 to 60 in 1990 and 1 to 74 in 1997 (UNDP 1999: 3). 358 billionaires earned the same amount of money as the poorest 45 percent of world population, that is nearly 3 billion people (die tageszeitung, 16. July 1996, p. 6). According to the 1997 UNCTAT report on trade and development, the income per capita of the seven richest countries was twenty times higher than that of the seven poorest countries. This proportion has changed to thirty-nine to one by 1995 (die tageszeitung, 17. September 1997).
Like modernisation, globalisation is not a quasi-natural process but a deliberate political, economic, and ideological project put forward by those who will profit most from it, that is, in Leslie Sklair’s (1997) words, the “transnational capitalist class”. Like modernisation, globalisation does not occur as one uniform process but is moulded, mediated and filtered by specific structural and cultural contexts. Like modernisation, globalisation also seems to be far more ambivalent in its consequences than its proponents have claimed. In other words, it does not suffice to discredit the critics of globalisation as romantic and uninformed.

2. Globalisation and Civil Society

For centuries, civil society was essentially conceived of as the ensemble of civil, that is non-state, groups and associations in a given country. Following the liberal thinking from John Locke to Adam Smith, the modern nation-state, with its monopoly of formal power and its tendency to assume more and more responsibilities, was widely perceived as a potential threat to the civil society. Strengthening civil society was synonymous with reducing the role of the state.

Today, in the era of globalisation or “de-nationalisation”, as Michael Zürn (1998) puts it, the states are widely perceived as loosing power and influence particularly in economic matters, while business, especially multi-national companies, are gaining more and more influence. In a strictly formal sense, this process could be interpreted as strengthening the civil society relative to the state – a view that is shared by many neo-liberals. However, business should not be equated with civil society. Broadly defined, civil society is the social world beyond the state—a world that is certainly encompassing more than private enterprise. Yet most authors, e.g., Michael Walzer (1991), rather promote a more restrictive concept of civil society. They perceive those non-state groups caring about public goods – e.g., certain kinds of voluntary associations and social movements – as the centrepiece of civil society. In that perspective, profit-oriented business is rather marginal to the idea of civil society. If certain normative connotations of the idea of civil society promoted by philosophical “pragmatists” (e.g., John Dewey) or “communitarians” (e.g., Amitai Etzioni and Charles Taylor) are evoked, the global reach of neo-liberalism appears highly problematic, being a potential evil rather than an asset. If neo-liberalism implies ruthless economic competition, the dismantling of the welfare state, and the survival of the fittest, then society is loosing its “civility” in the sense of mutual respect, bonds of solidarity, and its moral obligation to protect those who are marginalized and deprived. Neo-liberalism, understood in this way, results in the hegemony of some parts of civil society over other parts, both within and across nations (Chomsky 1999). Globalisation is then only a euphemism for “Turbo-Capitalism” (Luttwak 1999), the domestic and transnational pursuit of the maximisation of market shares and profit. Whereas welfare states have been created to overcome or prevent Manchester capitalism, today, in the name of economic progress and global competition, the wheel of history seems to roll back towards an unleashed market liberalism. Many states tend to support rather than to fight neo-liberalism, since they perceive each other - either as individual countries or as parts of a larger block of countries such as the EU - as competitors whose political strength is heavily dependent on a flourishing economy. Such an economy, neo-liberals argue, is only feasible to the extent that it is “liberated” from high taxes, restrictions on import and export, restrictions on the flow of capital and labour force, from rules concerning minimum wages, limits on working hours, etc.6

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6 As Chomsky (1999) and many others have shown, the major proponents of free trade policies did not apply this necessarily to themselves. Great Britain and the U.S. have tended to protect and subsidise their own industries as long as there were powerful foreign competitors. By contrast, free trade policy is promoted when it comes to conquer new markets abroad. Also, the neo-liberal call to reduce the state is not necessarily implemented. For example, contrary to what most people would assume, Britain under Margaret Thatcher has not reduced the share of state expenses out of the gross national product.
As far as I can see, the great majority of the populace at least in the Western countries, does not associate globalisation with an intentional struggle for hegemony. Globalisation is not perceived as a process driven by certain actors (corporations, states, international institutions) but rather as a something that occurs like rain fall. Those who happen to be outdoors get wet; others sitting in a house are protected. And like rain which is greeted by farmers on dry land but cursed by tourists on the beach, globalisation can be perceived from quite different angles. It privileges some but deprives others. But as long the perception of globalisation as a quasi-natural process prevails, globalisation cannot be politicised. At best, people may seek some protection from the downside of globalisation in appealing to the mercy of the more or less remnant welfare state or of private charity.

3. Campaigns and Movements against Neo-liberal Globalisation

While most ordinary people, even when seriously affected, either do not relate their fate to globalisation or simply consider it to be a quasi-natural process, a minority takes a different stance. In part, they actively intervene in matters of globalisation, as demonstrated by the protests against the policies of the World Trade Organisation (WTO) in Seattle in December 1999. Many observers, probably including the organisers of this workshop, perceive the ‘The Battle of Seattle’ as the start of a new protest movement, as indicated, for example in questions such as: “Why the protests are expressed only now after many years of trade liberalisation?…What will be the stance of the EU on the “post-Seattle” world?” (Announcement to this conference) A closer look, however, reveals that the assumptions underlying these questions are highly debatable. Neither is Seattle the beginning of such a wave of protest nor is there a new quality to justify the label of a “post-Seattle world”. Nevertheless, Seattle is of importance, as it will be argued below.

3.1 Activism before Seattle

In at least two senses, the protest in Seattle was far from being a sudden eruption in a hitherto quiet terrain. First, as many other large protests, it was the result of an orchestrated campaign. “The demonstrators of Seattle were far from being a disorganised rabble. For months, a dozen or more groups, …, had been planning the protests, working under the umbrella of the Direct Action Network, united by a commitment that the demonstrations remain non-violent.” (Brown 2000: 32f.) Second, and more importantly, Seattle was not the first campaign against neo-liberalism in general and institutions such as the WTO, International Monetary Fund (IMF), World Bank, G7 summits, NAFTA, and EU council in particular (see O’Brien 2000). It may have taken many journalists by surprise, but certainly not close observers of such activities in the past and present. Let us consider just a few examples.

A relatively early and powerful mobilisation occurred when the representatives of the IMF and the World Bank held their meetings in Berlin in 1988. After nearly two years of planning and dozens of preparatory meetings, teach-ins, etc., the mobilisation against these institutions culminated during the time of the official conference with many protest activities, including a rally with 80,000 people. Although the protesters were mainly, but not exclusively, from Germany, the range of groups was similar to that in Seattle, including trade unions, leftist parties, feminists, ecologists, civil rights groups, Third World groups, etc. (Gerhards 1993; Gerhards and Rucht 1992). In the following years, most IMF and World Bank meetings continued to attract protest, though at a much smaller scale than in Berlin.

Similarly, international summits, gatherings of the World Economic Forum (WEF) and other institutions have become the foci of protest mobilisation that, in part, was directed against neo-liberal free trade policies. For example, sizeable protests accompanied the WTO Ministerial Conference in Geneva and the Birmingham G7 summit in 1998, and the EU summit and the G7/8 summit in Cologne in June 1999. Among those protesting in Cologne were the participants of the...
Intercontinental Caravan 99, some 370 activists from Mexico, Brazil, Bangladesh, India and Nepal who toured through Europe and North America. Their aim was to inform the public about the problems of farmers and fishermen in their home countries threatened by the liberalisation of the economy, the aggressive marketing of genetically modified seeds, pesticides, and similar activities. These activists, in turn, overlap with the network Peoples Global Action which was founded in February 1998 in Geneva to bring together such diverse movements Sem Terra, an organisation of landless peasants from Brazil, the Frente Zapatista from Mexico, and Ogoni people from Nigeria who all fight the free trade policies promoted by WTO and similar institutions. Other groups that participated in the Cologne protest were part of Jubilee 2000. This is a loose alliance of groups and networks from more than 50 states demanding a considerable debt release for the poor countries in the Southern hemisphere. All these groups and their claims were also present in the Seattle protests.

Likewise, various North American organisations and networks have mobilised against neo-liberal policies in the years prior to the “Battle of Seattle”. Some of them, for example the US Network for Global Economic Justice, specifically targeted the IMF and the World Bank. Others, among them many trade unions in North America, opposed the NAFTA (North America Free Trade Agreement). Even when focusing only on the North West in the U.S., we can identify a chain of labour protests of which the 1999 Seattle actions were just the most recent event (Levi and Olson 2000). Besides US workers, there were also many young people who, in part, have been trained in tactics of direct action and civil disobedience by semi-professional groups such as the Ruckus Society. In other words, the call for action in Seattle fell on fertile ground.

3.2 Seattle and beyond

In the light of all these activities preceding the Seattle events in 1999, we can hardly define this latter campaign as a watershed separating an era of calmness from another era of significant and unruly mobilisation against the globalisation of the economy and free trade policies. Most of the groups performing on stage in Seattle were already active in prior struggles. None of the arguments raised and probably none of the strategies applied in Seattle were new. Also, the alliance between official delegations from a number of Southern countries and many Northern non-governmental organisations (NGOs) outside the conference venue could be found in several earlier international conferences. Nevertheless, Seattle was in some respects special insofar as (a) the WTO was confronted with stronger internal and external opposition than ever before, (b) the link between labour unions and other groups, including those from Third World countries, was particularly strong, (c) the course of the conference was considerably disrupted by the massive protests, and (d) at least partly due to the close interaction between some NGOs and some official delegates, particularly those from the group of small islands, no agreement in the official conference could be reached. Given these factors, together with the tremendous media coverage of the Seattle event and some signs of sympathy by political leaders such as Bill Clinton for the ideals and aims of the protesters, it is no wonder that Seattle became an important reference point for subsequent debates and mobilisations.

10 In 1999, more than 1,500 groups supported the German section of the campaign.
11 In their Geneva manifesto, Peoples Global Action presents itself as “a world-wide coordination of resistance against the global market, an new alliance of struggle and mutual support” which the following hallmarks: “1. A very clear rejection of the WTO and other trade liberalisation agreements (like APEC, the EU, NAFTA, etc.) as active promoters of a socially and environmentally destructive globalisation, 2. A confrontational attitude, since we do not think that lobbying can have a major impact in such biased and undemocratic organisations, in which transnational capital is the only real policy-maker, 3. A call to non-violent civil disobedience and the construction of local alternatives by local people, as answers to the action of governments and corporations, 4. An organisational philosophy based on decentralisation and autonomy.”
(http://www.tao.ca/fire/gather/0049.html)
12 This network was partly inspired by the study of Danaker (1994) on the World Bank and the IMF.
13 See the detailed report on the Ruckus training camp in Florida, see Brown (2000). See also: www.ruckus.org
14 According to many close observers, another major factor for the failure to reach an agreement was the tactics of the US delegation. It locked out many other delegations which they perceived as potential trouble-makers from informal negotiations during the conference. This fact leaked to the “outsiders” who, also for this reason, were no longer inclined to compromise.
The protesters against the meeting of the IMF and World Bank in Washington, D.C. in April 2000, those participating in the Mayday protests in London, Berlin and other cities in 2000, and those opposing the IMF and World Bank in Prague in September 2000 all positively referred to Seattle as a kind of model, as indicated, for example, by the slogan “Turn Prague into Seattle”. Their activities are flanked by other groups and networks that so far are hardly known in the wider public but gradually are gaining strength. For example, the German organization WEED (World Economy, Ecology and Development) has become very active in matters on free trade and debt relief since its creation in 1990. Eurodad (European Network on Debt and Development), a network with similar aims, is represented in 16 European countries. Another example is ATTAC (Association for the Taxation of Financial Transactions for the Aid of Citizens). It was established in France in 1998. By the end of 2000, it had branches in more than 20 countries, ranging from Argentina to Switzerland to Tunisia. In addition, there is a plethora of smaller groups which all are critical towards neo-liberal policies, for example, the French groups Agir-ICI and Raison d’Agrir, the British network Critical Mass which links aspects of globalisation and ecology, and the Halifax Initiative that was created at the eve of the G7 summit in Halifax in 1995. It mainly comprises Canadian groups “currently focused on the issues of multilateral debt relief, World Bank energy policy and practice and international currency speculation”.16

In spite of the flourishing of such groups and their increasing networking, the relative success of the Seattle protests could not be repeated for various reasons. One general factor is that in subsequent events both the police and the conference organisers were better prepared to deal with the protesters. Another factor, which applies to the Mayday protests in London and Berlin, is the absence of a specific institution that represents a clearly identifiable target. Moreover, no coalition between the labour unions and other groups existed in the Mayday campaigns. The protesters received considerable attention but little sympathy in the media, as particularly the London event shows (Rucht 2000). Thus, from the viewpoint of the organisers and activists, the post-Seattle protests were not overly successful and encouraging.

4. Conclusions and Perspectives

1. During the 1990s, protests against “globalisation” have broadened and intensified. “Anti-globalisation” is, as an official reports states, “a spreading phenomenon” (Canadian Security Intelligence Service 2000). At its heart is the attack on neo-liberalism or, to use another loaded term, the “Washington consensus”. The ideological spectrum of the protesters is wide, ranging from Christian groups to social democrats to anarchists. Among these groups, the critique of capitalism, or even an outspoken anti-capitalism, is gaining ground. This critique differs to some extent from its earlier forms in various respects: (1) the “real socialism” as practised in the former Soviet bloc and a number of other countries is no longer a relevant reference point. (2) Hopes for a revolutionary change are mainly absent. (3) The key concern of the protesters are the peoples in the Southern hemisphere and, more generally, global social, political and ecological problems instead of the fate of workers in the industrialised world. (4) The main targets are multinational corporations and international governmental bodies. Because globalisation is geographically unlimited and has so many thematic implications and repercussions, it can become the focus of a broad variety of groups, which sometimes are able to form broad coalitions that overarch specific issues and territories. In other words, the critique of globalisation is increasingly becoming global.

2. The Seattle protests of December 1999 are neither the starting point of such a wave of protest nor are they fundamentally new in their character. There has been a considerable number of earlier but similar protests since the late 1980s, usually focusing on G7 and EU summits, UN world conferences, IMF and World Bank meetings, and conferences of the WTO and its forerunner GATT (General Agreement on Tariffs and Trade). However, Seattle plays a great symbolic role insofar as it has shown the broad range of protest groups that may come together in a single,

15 Among other things, ATTAC is promoting the taxation of transactions on the stock markets (Tobin tax). See http://www.attac.org/indexen.htm.
16 http://www.web.net/~halifax/index.htm
orchestrated campaign. It has also exhibited the disruptive potential of these groups, and the large media coverage they are able to get. At least for the moment, Seattle has weakened the self-confidence of some politicians who want to push forward a truly global free trade economy.

3. Seattle has inspired subsequent campaigns of the critics of the neo-liberal strategy, although to date none of these campaigns could match the events in Seattle. For example, it was not possible to “Turn Prague into Seattle”, as the protesters’ slogan for the next WTO meeting had suggested.

4. Taken together, the various campaigns before and after Seattle have resulted in mainly symbolic rather than substantial gains (Roth 2000). In relative terms, probably the UN institutions became most supportive to the demands of protest movements and NGOs. By contrast, those international institutions seeking to steer the global economy have done little more than pay lip service to their challengers. In the last few years, the World Bank and the IMF have been re-assessing their strategies and have indicated to pay more attention to social aspects, including poverty in Third World countries. This is reflected by their emphasis on concepts of ownership, participation, and the like, within the context of a new set of initiatives such as the Comprehensive Development Framework (CDF), the Poverty Reduction Strategy Paper (PRSP) and the Poverty Reduction and Growth Facility (PRGF). Whether this is more than rhetoric still remains to be seen (Goldberg 2000). As far as the opposition to the WTO is concerned, close observers draw a sobering conclusion: “These long efforts have booked only modest gains to date. Thanks in good part to pressure from certain civic groups, the WTO has since 1996 added competition issues, development concerns, environmental problems, and labour standards to its agenda. However, little has happened on these matters beyond occasional meetings of committees and working groups. The core mission of the WTO has remained that of the widest and fastest possible liberalisation of cross-border flows of goods and services.” (Scholte 2000: 116)

5. Although it is unlikely that the campaigns against neo-liberalism will have an immediate impact in the near future, I doubt that the protests will soon fade away. I would expect, rather, their further intensification and broadening, given the scope of the problems they address, the dissatisfaction of many young activists with the “new world order”, and the growing easiness to co-ordinate movements across issues and space (Keek and Sikkink 1998; della Porta et al. 1999; Rucht 1999). But we can also assume that the targeted institutions will react to this challenge, for instance by applying a strategy of the stick and the carrot. The stick are not only tear gas and batons, as used in quite a number of instances, but also the refusal to debt relief, aid, and/or credits. The carrot implies a symbolic embrace of the needs of civil society, to co-opt those critics who appear to be “reasonable”, and, at best, to grant some limited concessions that, I would speculate, will not pacify the large majority of the challengers.

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The current version of globalisation is idealised and criticised. Both are correct: the process of globalisation is in its infancy as long as sustainability is not its goal and purpose. Globalisation is a learning process, and it is now urgent to get from the mainly capital-oriented approach (where it has some promising results) to the required – and politically already agreed and promoted – ‘triple-bottom-line’ for the sustainable globalisation, with the full integration of all financial, social and environmental aspects. That is the promise of Rio de Janeiro 1992 – Agenda 21.

The justified criticism is good reason to make the process of globalisation more balanced. It is clear that for any single company the continuity of its activities limits its ability to practice the ‘triple-bottom-line’, where people and their nature matter not less than money. Companies must be alert on freeriding competitors and simply can do more when the ‘playing-field’ is level and raised, not lowered. Only our governments have the possibility to create market conditions that do reward companies to go as far and quickly as possible in this desired direction.

The elegance of the ‘free market’ is that all information on availability and scarcity is incorporated in the market price of anything. The buyer on this market does not have to worry about the consequences of his purchase for the future availability.

An example: When the weather has caused a small harvest of strawberries or when copper is becoming scarce their market prices will get higher to guarantee a new equilibrium between supply and demand. This higher price is also a strong incentive for entrepreneurs to develop and for consumers to look for alternatives when they do not want to spend more for the old preference. The market always offers new alternatives within the existing and anticipated limits of all relevant factors for each need. Consumers want no worries, but attractive alternatives.

Ethics motivate pioneers among suppliers and consumers to develop emerging markets of sustainable alternatives, but the ‘all-in worryless option’ is the only proven marketing approach to conquer the mass market – which is the necessary goal for achieving sustainable development.

It is the comfort of the free market that in principle all material worries are absorbed in the prices and are solved for all market actors – suppliers and consumers. [perhaps except for the poorest people – poverty is a separate issue that can, however, also be solved by market-improving mechanisms, e.g. the allocation of per capita environmental property rights.] As stated, this is true in principle. In reality prices are unfortunately distorted in two ways. Firstly, by subsidies, including tax exemptions and other ‘incentives’. These have been introduced in the past for at that time good reasons. But times are changing and it is clear that many intrinsic cost components have been externalised.

Secondly, the most fundamental weakness of current ‘mainstream’ economics is that social and environmental scarcities are not incorporated in the prices. Most economists and
politicians still name these factors ‘externalities’ as they are unable to internalise them in the practices of economics. Without internalisation prices are not ‘true’ and consumers cannot trust that purchases are ‘good’.

For these reasons we are still obliged to consider the environmental and social consequences of production and consumption separately. Politics is the organiser of such ethical considerations in our society and has so far been reluctant to realise the sound proposals by economists to internalise these ‘new scarcities’ in the market prices to a larger extent. Some parties and ngo’s prefer to raise awareness and educate the citizens and companies only. They seem to be unaware that many price signals are misleading all citizens and all companies in all their everyday decisions. Price signals have the strongest educational and behavioural impact in our free market democracies.

The policy proposals of the European Business Council for a Sustainable Energy Future – e5 all aim at this ‘full internalisation’ and help create a sustainable free market, in Europe and globally. Many steps have been made and we believe that it is attractive to accelerate this process in the interest of business and public.

The main market-improving political actions for a high-level-playing-field are:

- review all subsidies and phase-out the perverse ones, e.g. for nuclear and fossil energy supply and for fossil fuel use in all modes of transportation;
- introduce and continue the revenue-neutral social-ecological tax reform and charge on greenhousegas emissions and radiation instead of energy;
- set absolute and dynamic emission caps for large companies, which are exempt from ecotaxes – these quota should be auctioned and tradable;
- help make and regulate market of international emission trading;
- give incentives for sustainable investments with – now – too long payback;
- set high, dynamic efficiency standards for buildings, cars and appliances;
- set mandatory and tradable renewable energy quota for energy suppliers;
- introduce a shadow-price for greenhousegas emissions to be used in assessment of large public and public-private projects with energy impact.

These measures will make the free market work for sustainability and reward all companies and consumers for good behaviour. The vast majority will behave automatically in agreement with sustainability as it will be easy and cheaper!

It is a political duty to organise this in view of the many obstacles caused by the existing regulations and the paralysing fear of companies and citizens for their freeriding ‘neighbours’. Countries have neighbours themselves and therefore UN-level agreements are required to avoid ‘global freeriding’ and create a ‘flow’.
Global Governance

Robert Madelin

1. Governance problems seem to be similar at national and global level. In contrast with this convergence of problems, the menu of possible solutions commonly envisaged at global level is limited to largely inter-governmental institutional meccano. This narrow global menu may reflect institutional defence of the status quo, in the (implicit) name of civil service ideals: notably aloof platonic guardianship of rational modernism. This defensiveness is reinforced by the lack of consensus on any alternative, more experimental solutions.

2. As a result, there is not enough work done yet on ideas to address the arguably more fundamental challenge of creating patterns of non-institutional cooperation capable of accelerating (a) generation of coherence tools and language; (b) consensus on the boundaries of deference.

(a) Coherence tools:
- Redefine welfare (gendered CGE and ethical economics à la Koslowski).
- Develop joined up analysis (SIA).
- Harness the market/entrepreneur to these broader objectives (new accounting).
- Understand the reasonable roots of irrational public opinion (semiotics of gmo).

(b) Deference principles:
- Need an agreed share of work between domestic and global levels (e.g. public policy objectives defined at home, appropriate public implementing process defined in common).
- Need to recognise principles other than as exceptions (WTO panel on asbestos: the defence of health is a right in itself and not an exception to open trade requiring case-by-case justification).
- Need to recognise foreigners as regulatory stakeholders.
- Need to strengthen tools for right-sizing regulation (necessity, proportionality and “least trade-restrictive” tests).

3. Hard law has a future, as a tool in global economic governance, but not alone: take the trade example:
- We need WTO standards for standards-making but we need to keep under review the evolving views of the society of different member countries on the limits on legitimacy (why would non-safety mandatory labelling, based simply on the fact that the citizen wants to know, be inappropriate trade policy?).
- Hard law solutions need to be enriched: if WTO sets itself too narrow a set of objectives (trade but only in the sense of cross-border exchange, with a prejudice against “trade and” issues) and tools (hard law) it may go out of fashion: emphasis is needed on a more diffuse but arguably more coherent WTO agenda (sustainable objectives, with capacity building intrinsic to the negotiating process).
- We need to be modest: in attacking WTO, for example, as the source of all evil, might we all be victims of our own hype following the last Round? The core level for determining rate of, and sustainability of, growth is the local level. Trade itself is not so important but its role has
been amplified (exaggerated?) in part because of the apparent effectiveness of WTO as an institution.

- We all need to be politically realistic: it is all too easy to stop WTO on the grounds that it’s not headed in the optimal direction. But that would negate its value as a locomotive, whose direction needs instead to be adapted to new needs.
Globalisation: developing countries’ attitudes and needs

A. M. K. Dehlavi

The priorities of developing countries include achieving sustained income growth for their economies by increasing investment rates, strengthening technological capacities and skills, and improving the competitiveness of their exports in world markets; distributing the benefits of growth equitably by creating more and better employment opportunities; and meeting the imperatives of natural resource conservation. The new, more competitive, context of a liberalising and globalising world economy within which economic activity is to take place has increased the pressures on developing countries to upgrade their resources and capabilities if they are to achieve these objectives.

The resulting attitude of some developing countries is that a ‘policy space’ must be preserved for themselves in the new international environment. The evolution in GATT/WTO provisions intended to facilitate growth and development through trade rule redesign has itself given a signal to countries to proceed with the modernisation of trade rules and to use border measures to help with special development, integration and adjustment problems. A general and overarching redesign of trade rules, or particular international agreements being negotiated, is complicated however by the existing incommensurable groupings of needs and types of countries (large/small, dynamic growing exporters, commodity exporters, net food importers).

Still, simply participating in international production in a static way is not the way to develop: sustained growth requires that the base of domestic capabilities be dynamic. In the absence of a universal set of policies towards components of international production such as foreign direct investment (FDI), or indirectly related policies that are critical to benefiting from it, countries continue to mount their own to suit their needs and capabilities. From their perspective, the key question will remain not that of harmonising the consequences of globalisation and liberalisation with natural resource conservation, rather harmonising both with the over-riding compulsion to eradicate poverty and other social injustices in the shortest possible time. They are also expecting choices in international policy interventions to be made through full acknowledgement of globalisation, particularly with respect to the scale and timing of the intervention, the conditionalities attached to it, and its financing.

To illustrate these arguments, I will look at: (i) very briefly, the current status of debate on argued biases and asymmetries in the trading and financial systems said to stymie the proper insertion of developing countries in the increasingly interdependent global economy; (ii) at length, the current status of debate on overhauling special and differential treatment (SDT) in GATT/WTO; (iii) at length, and also as an example of a emerging area for policy and socially relevant research, the case of cotton and cotton products in recently commissioned research by ICTSD in its Asian globalisation dialogue (Bangkok, 24-26 November 1999), with examples almost entirely from Pakistan, providing insights that might have wider relevance.

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1 In the sense given to the word by Prof. H. Daly in contrast to “internationalisation”: “Globalization refers to global economic integration of many formerly national economies into one global economy, mainly by free trade and free capital mobility, but also by easy or uncontrolled migration,” Herman E. Daly, in Globalization Versus Internationalization – Some Implications, ISEE Conference, Santiago, November, 1998.
Outline:

1. **Need: making globalisation work for sustainable development**
   - biases/asymmetries in trading and financial systems: too many exporters struggling to gain access of the markets of developed countries; extreme price movements previously suffered by commodity producers have also begun to upset the plans of manufacturers (figures). What is the response and approach taken by developing countries in Latin America, Asia and Africa?

2. **Attitudes: upgrading the pieces that make up SDT, or not**
   - evolution of SDT up to ICTSD’s pre- and post-Seattle analyses of developing country stances.
   - What has the analysis shown? (i) a more precise definition and setting out of the above mentioned problems and where they lead in trade policy terms; (ii) a heterogeneity both of needs and types of developing countries (large/small, dynamic growing exporters, commodity exporters, net food importers); (iii) several activist SDT enhancement approaches (e.g., development box in the AoA and Spaces for Policies). ICTSD has tried to argue two main points: (1) an integrated intellectual structure, derived from the sustainable development concept, should replace ad hoc Uruguay Round decisions; (2) the ultimate achievement of SDT (that of facilitating the growth and development of DCs) will depend not just on how well conceived and implemented our trade rules are, but on making an effective transition to a more sustainable development process worldwide.

3. **What is ‘sustainable human development’? Poverty: the case of trade in cotton and cotton products**
   - There continues to be significant differences in the capacity of different producers to respond to the incentives, opportunities and constraints produced by globalisation and trade liberalisation. A majority of producers in large and important export markets such as cotton or textiles, in which there is considerable trade exposure at every stage, are small-scale, informal sector, or cottage industry producers who own very few assets. How are ‘needs’ assessed by ‘global commodity chain’ analysis? This new analysis describes production conditions along the length of a production chain – cotton growing, to ginning, spinning, weaving, and processing through garment manufacture and export – in order to assess the potential of small producers to respond to changes in market or policy conditions.
Globalisation and developing countries: diversity of causalities, performances, and policies

Alice Sindzingre

1. Variability of outcomes and poverty traps

Globalisation is not a new phenomenon but it has new dimensions, especially technical, financial and informational. Its measures are varied, and relate to foreign trade and financial flows, but also communications and information technology. One important point is that the evolution of countries in terms of growth and participation in global trade is characterised by heterogeneity and variations, on the one side, and the existence of a group of poor countries lagging behind and seemingly caught in poverty traps, on the other. Developing countries are not alike, and during the period 1960-90, countries showed distinct patterns of growth, with a significant instability and volatility of growth rates, this instability being greater in developing than in industrial countries.

There is now a consensus on the rise of inequality within, and above all, between countries. The convergence of growth between countries and the process of catching up by the poorest countries, predicted by theory, have not been empirically observed. Rather, there has been a divergence between countries since the 1960s, with a decline in the share of world income of the poorest countries, and the constitution of different groups (or “convergence clubs”). Besides emerging countries, countries split up between two poles - the poorest countries, with many of them in Sub-Saharan Africa, and the richer ones - manifest a great variability in terms of growth. But recent global crises have shown that in the case of emerging countries, positions are never definitively acquired, and the risk of regression towards poverty is always present.

Variations and dispersion of performances

The meaning of globalisation differs depending on the developing countries under consideration. Developing countries differ enormously according to their GDP, in level and growth, their poverty rate and its evolution, the elasticity of this rate vis-à-vis the GDP, their human development (health, education), the relationship between human development indicators and their GDP, and between human development indicators and poverty rates.

Developing countries also differ in terms of market structure. Emerging countries export commodities and consumer goods to rich countries, and they have financial markets; this has been a cause of their exposure and vulnerability to global financial movements. Least developed countries, for example in Sub-Saharan Africa, export essentially primary commodities, and have extremely small financial sectors. Because of their low level of integration in world capital markets, they are less affected by globalisation, and by the potential contagion of financial crises which is one of its characteristics. However, the poorest countries are obviously vulnerable to global forces as they exhibit a high degree of openness (in terms of import and export/GDP). Almost all their wealth is based on commodities marketed in dollars, with the result that they are rarely in a position of being price-makers, and are heavily dependent on the fluctuations of their prices. In consequence, African economies have been affected by the Asian crisis not through financial channels but because of the declining prices of primary products that it triggered off. Developing countries also differ in terms of tax structure. Sub-

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1 For instance, according to the Globalization Index made by Foreign Policy, Singapore is the world’s most « globalised » country, followed by the Netherlands, Sweden, Switzerland and Finland.
Saharan African countries are still deeply constrained by their colonial legacy: collection of revenue has a narrow tax base, and is grounded on taxation of external trade, which in turn obviously makes trade liberalisation difficult, linking it to simultaneous diversification of revenue source and tax reform 5.

Developing countries differ widely in terms of their external financing, with the importance of aid characterising the poorest countries, which receive almost no private flows. The reverse situation applies to emerging countries: while the poorest depend on the hazards of aid, the emerging ones depend on the erratic reaction of international markets. Countries also differ in terms of their participation in global trade and the evolution of their market shares. The growth of the market shares of developing countries is concentrated in a few emerging economies (e.g. Asian countries, especially China), while least developed countries have become even more marginalised. The 48 LDCs constitute less than 0.5% of global exports and Sub-Saharan Africa represents around 2% of global trade, an even lower percentage compared to 3% in the 60s. It attracted 1.5% of the total cumulated FDI in 1995-98 (5.4% in 1975-79 6): for instance, in 1998, it attracted the tiny amount of 5 billion US dollars in FDI (compared with 70 billion for Latin America 7).

They differ also in terms of education and, consequently, the supply of human capital and skills. Education was a priority for countries in East Asia at an early stage in their development. This contrasts with Africa, where the level of education is very low, and has sometimes even fallen. Globalisation, in its dimension of technological change, has had the effect of increasing the price of skills for which there is a global demand – educated, technically trained, and mobile individuals. While it explains part of the global inequality, this process has questioned the validity of the conventional trade theory that considers cheap labour as a comparative advantage of poor countries, and that its price should rise with openness 8.

There is also a dynamic dimension in this difference, in this “tectonic” type of growth. There is a regional effect of growth, as shown by the intra-regional trade between ASEAN countries. The benefits of trade and openness with neighbouring countries are minor when the latter are caught in civil wars or are very poor. Moreover, increasing competition to sell goods and attract global flows now makes it even more difficult for poorer countries to catch up.

Thus, some countries, especially in Sub-Saharan Africa, seem to be caught in poverty traps and lag behind the others, even after two decades of adjustment programmes and aid from the donor community. Many indicators show a gloomy picture, e.g. demography, health (AIDS), etc. In almost all countries of Sub-Saharan Africa, the majority of the population is below the international poverty line. Understanding the causes and solutions is a difficult challenge and a moral obligation. The last decade has witnessed a growing literature on various determinants of economic growth, and some scholars have evoked a possible “African dummy”, some specific African feature that could explain this stagnation. Yet it is not conclusive, and policy or other characteristics seem to be more relevant 9. Performances of African countries correspond to the - low - level of their endowments and capacities, and trade policy operates as it does elsewhere, being handicapped by low levels of human resources, infrastructure, macroeconomic stability and the rule of law 10.

The political economy dimension

The political economy of developing countries is, equally, very diverse. Firstly, they differ in terms of external and international political economy, and geopolitical weight, which has been strategic for aid flows and the treatment of crises by the international community. This has been the case of non-

5 Kubota (2000).
7 World Bank, World Development Indicators 2000, fig. 5.1.
8 Wood (1994).
9 Discussed in Englebert (2000).
10 As shown by Rodrik (1998).
communist Asian countries where the cold war justified the strategy adopted by western powers, aimed at their development and enrichment, and the rise of so-called “developmental states”.

Secondly, they differ in terms of internal political economy. Poor countries, especially in Sub-Saharan Africa, are plagued by predatory and anti-development regimes, which largely explains their poor economic and social indicators. Marginalised by the poverty trap built by political instability, poverty and the low level of education and wealth, these countries are, in a way, barely concerned by globalisation.

On a cross-country basis, the relationship between economic performance and particular political regimes is not fully conclusive and continues to be the object of intense debate. However, it is possible to distinguish two groups, with threshold effects. Lack of democracy and political instability are harmful for poorer countries. Stable democracy is associated with richer countries. The variability found in the domain of income per capita applies to institutions, as well as the two-way relationship. Richer economies can afford better institutions, and the quality of institutions has an impact on economic performance. Historical legacy, for instance the type of colonialism, also has a determining influence. The diversity of initial conditions, and even geographic location, can be added to the political economy dimension; for instance, Sub-Saharan Africa did not inherit a favourable position, which may be partly the reason for its poor economic outcomes.

Also, on a case study basis, the link (sometimes being accepted by the academic community) between authoritarian regimes and easier implementation of reform no longer holds, as shown by the aspirations of a majority of Asian countries, intensified by the crisis of 1997-98. At the same time, undemocratic political regimes and, more generally, serious problems of governance are one of the main factors accounting for low levels of development in Sub-Saharan Africa and elsewhere (Myanmar, for example). These problems include lack of legitimacy, low credibility of policies, corruption, civil strife and social fragmentation, among others. In sub-Saharan Africa, low credibility of policies, e.g. liberalisation, recurrent policy reversal and priority of political motives have induced a perception of high risk, together with a “wait and see” and speculative behaviour. Depending on the country under consideration, the trust of economic agents in government policies is thus very variable, as expressed in capital flight. The Middle East and Sub-Saharan Africa exhibited devastating ratios of capital flight on wealth during the period 1970-90 (0.39) while being poorer, compared to other developing countries (e.g. 0.06 in East Asia).

2. Different meanings and instruments of global governance

In this context, the notion of governance, whether global or local, needs to be adapted to the variability of trajectories and situations. Previous attempts and institutional arrangements to enhance the global integration of poorer countries have failed. It is a well-known fact that the economic impact of the Lomé Convention and its preferential schemes for ACP countries has been weak. There is an equal failure in the impact of aid, especially in Sub-Saharan Africa.

The lack of coherence of rich countries is still a major problem: protectionism of developed countries, agricultural policies and subsidies that destroy economies, which are at the same time recipients of international aid. A reduction in trade barriers, associated with a 50% cut in tariffs by both developed and developing countries, would induce gains of 150 billion for developing countries.
around three times more than aid flows. This aid also produced negative effects of dependence, as countries have no control on its variability and the “fatigue” on the donor side. The current practice of separating trade and aid, and of abandoning the poorest countries to development assistance and NGOs, is a short-term solution.

The role of multilateral entities

One issue is to rethink the role of the international community, and the adjustment of existing multilateral institutions to the variability of situations and the specific problems of the poorest countries caught in economic and political poverty traps. The uniform policy package and macroeconomic measures of the “Washington consensus” have not been appropriate everywhere. The protectionism of developed countries and the differential treatment recommended by multilateral institutions, depending on the geopolitical bargaining power of a given country, have eroded the credibility of these multilateral entities. This has caused misunderstandings among activist groups throughout the world, while in developing countries the perception of an implicit foreign policy of rich country has induced populist, nationalist or religious reactions.

Non-participation in globalisation or its negative effects, i.e. the lack of integration or the vulnerability of developing countries, may have economic causes. A thorough economic analysis of the real causal processes is therefore needed. These may prove to be very controversial, as shown by the ongoing disagreements over the roots of the Asian crisis, and the respective role of the States, national private sectors and multilateral institutions. This is a dimension of the “new international architecture”, which cannot remain purely financial, and of global public goods as represented by the adapted mandates of multilateral institutions. In consequence, it requires economic measures and support from the international community.

Weak global integration or vulnerability may also have political causes. These may be external, resulting from the specific interests of a bilateral State or private interest groups, or they may be internal to the countries. As mentioned above, the topic of governance must first be addressed within countries. But even in the case of openly anti-developmental and predatory governments, the capacity of the international community and external organisations to interfere in, and change, internal institutions and political regimes continues to be a delicate issue.

First of all, local institutions are endogenous processes. They are difficult to change from the outside, many unexpected side-effects may occur, and there is a permanent risk of negative reactions vis-à-vis anything that originates from rich countries, stemming from the recipient’s view that global power relations are inequitable (in other words, “hegemonic interests” are at stake). Secondly, the credibility of multilateral institutions is based on a certain degree of internal and external neutrality, as well as on apolitical mandates, which are explicit, for instance, in the case of the Bretton Woods institutions. In practice, this makes it difficult to transform national political situations and to improve local governance. It also raises the question of the nature of the instruments, especially institutional and political ones, in view of the fact that financial instruments such as aid (and even mixed ones such as technical assistance), did not produce the expected success. Their limitations are reflected in the “aid fatigue” experienced by rich countries.

The task of the EU is to think about the new global role, context and capacities. Until now, it has failed to develop an original analysis of the causes of poverty, and the reasons for the failure of past reforms and policies in the poorest countries. It has been rather timid about proposals that could be adjusted to specific situations in developing countries and regions, e. g. poverty traps. It is often paralysed by its internal divergences between member countries and private interests. In the face of greater complexity and heterogeneity, messages coming from the international community have, on the whole, been simple and uniform.

21 Kanbur (2000).
Knowledge

Globalisation also implies globalisation of knowledge, and not only knowledge coming from a particular model (coined as the “Empire” by some). This knowledge is both knowledge on developing countries, and knowledge as a good, which may be helpful for developing countries.

With respect to the first aspect of knowledge, the EU has comparative analytical advantages in areas, such as the role of the State, social policies and standards, public services, public goods, whether global or not. These are in line with current reflections on the post-Washington consensus or the inclusion in policy reform of social issues such as poverty, inequality, labour and its status vis-à-vis capital. These issues are increasingly perceived by the various by the actors, whether multilateral, governmental or civil, as intrinsic components of development.

The second aspect of knowledge points to another issue, that of the representation and empowerment of the poorer countries in global institutions. It has been observed that many of them have a low degree of participation in the multilateral institutions of which they are members. A deficit in local “ownership” and “participation” is often recognised as one of the main factors for the weak development and global integration of poorer countries. This operates at an institutional level. Thus, their presence and weight in multilateral arenas may be very limited due to poverty, budgetary constraints, domestic priorities and poor institutional capacity, but sometimes also to the political agenda of local governments. The latter may not be oriented towards the development of their countries or the needs of their civil society, and are therefore indifferent to the possible gains from globalisation and openness – or even hostile, if it threatens their staying in power. This is an area in which the EU can deepen its analyses, and reinforce its potential role and instruments.

The deficits in participation also operate at the level of knowledge. Asymmetries of information are an important dimension of inequalities between countries, especially in the domain of trade. This may take the form of a lack of understanding, expertise or interest about the compared advantages or drawbacks of different types of economic reform. Globalisation is accompanied by increased interactions and, therefore, by complexity and technicalities. The poorest countries do not have the financial means and human resources to master the technical stakes and to maintain the relevant information networks on a global scale (for instance, in dispute settlement). Educated individuals tend to migrate to richer countries in search of better prospects, thus creating a vicious circle and perpetuating potential poverty traps at macro-level. Moreover, in the case of education, these traps have an intergenerational dimension22. Multilateral institutions may, in this instance, play a role in helping to disseminate global knowledge and build up local expertise through different instruments (dissemination, education, training, and information technology). While support for the dissemination of knowledge is one of the dimensions of international public goods, it can strengthen the legitimacy of multilateral entities vis-à-vis governments of developing countries, as well as civil society in developed and developing countries.

Local governments, academics, experts and representatives of civil society, may have knowledge that is often insufficiently taken into account, sometimes locally by their own governments in the case of domestic experts, or in multilateral settings in the case of governments of poor countries and their civil society. In the first place, these problems of knowledge require to associate and improve the capacities of national scholars and experts, often ignored in mainstream documents or conferences. Participation is not only an institutional process but also an intellectual one. Secondly, they oblige global policymakers to carefully evaluate the local social and political costs, and the feasible time span before expected collective gains, depending on the specific history and features of the countries concerned, and the existence of effective compensation schemes and safety nets before the implementation of trade reform.

22 Dasgupta (1997).
**Winners and losers**

There is a broad consensus on the overall benefits provided by trade and openness. Yet the debates are still going on, especially with respect to the measures of openness and the choice of base years. In addition, there are deep suspicions on the part of the poorer countries on the fairness and real objectives of the proposals originating from the richer countries. These suspicions will persist as long as the latter continue to practice or recommend selective trade openness (which seems to be proportional to the geopolitical weight of developed as well as developing countries), to protect their own sensitive sectors, to subsidise their non-competitive national industries, and to oppose projects for abolishing barriers for the least developed countries (e.g. the EU proposal on LDCs imports except munitions). Moreover, fair initiatives and concessions directed at the poorest countries may imply losses for other developing countries, increased competition between them and an erosion of the preferences they may have previously enjoyed. Whatever the explanation for the Asian crisis, it is generally accepted that the strategies allowing the economy of Asian countries to take off were not primarily based on trade liberalisation and the opening of all sectors to world competition, but on successful public policy intervention (as in Korea or Taiwan).

What is more, some civil society groups may consider new initiatives officially aimed at a better integration of poor countries as illusory. A case in point is the recent US Africa Growth and Opportunity Act, which only includes “imports that are not sensitive” for American producers in its free access scheme. The new Convention covering ACP countries has also been the object of criticism, even if the failure of the previous arrangement has been admitted. The formal distinction between LDCs and non-LDCs may lead to greater complexity and new divisions. The poor countries of Sub-Saharan Africa often complain that the full implementation of adjustment programmes seems to apply exclusively to them, as they do not have any international bargaining power. For many developing countries, the Asian crisis has intensified the suspicion that globalisation is a “rich country’s game”, whose rules favour the most competitive. Poorest countries are aware that even the few commodities they export are not always competitive. Moreover, especially in Sub-Saharan Africa, the Bretton Woods institutions may have contributed to the erosion of the few comparative advantages they possess. Some standardised reforms (for instance, recommending the same commodities in many countries, like cocoa or coffee, or analogous export processing zones, etc.) ended in an intensification of competition and a depression of international prices, due to a fallacy of composition effect.

In certain countries or sectors, globalisation and liberalisation may lead to the emergence of new losers as well as winners. Although in general trade liberalisation helps to reduce poverty, it may also increase poverty in certain cases, depending on the market structure, wages, level of skills in the export sector, and so on. When surveys are available, they may show that in some countries, trade liberalisation has exacerbated inequality. Economic models and simulations of the effect of trade liberalisation on developing countries show, above all, that its impact on poverty works on a case by case basis.

A number of scholars have challenged the consensus on the positive link between growth and trade openness, as measured by lower tariffs and non-tariff barriers. The uniqueness of the standard policy package recommended by the “Washington Consensus” has been questioned: appropriate policies vary according to the countries, their stage of development and the types of global forces they face. The Asian crisis has put to the forefront the notion of a cautious opening of the capital account.

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23 Rodrik (2000b).
26 Winters (2000).
27 Trade liberalisation has thus worsened distribution for black population in South Africa; see Devarajan and van der Mensbrughe (2000).
28 Hertel et al. (2000) using the GTAP model.
30 Mosley (2000).
and the possible relevance of capital controls. Globalisation, openness and trade integration cannot replace reflections and strategies on development.

Thus, deficits of legitimacy and credibility constitute important topics for reflection: they affect not only the internal political economy of poorest countries but can also be found within multilateral institutions and more powerful member countries. The EU and the US can lead by example in setting rules aimed at equity and building consensus and, above all, in adhering to them, as this could contribute to their renewed legitimacy. As stressed by the international labour movement, although globalisation in itself is not harmful or beneficial, it is shaped by those who set the rules. Globalisation can become part of the solution, and not of the problem, for the world’s poor, provided its benefits are shared equitably by all. The EU may have a strategic role to play in linking together the dimensions of trade and development by placing at the forefront the issue of equity.

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31 Advocated in particular by Malaysia. This has been developed in several writings of Joseph Stiglitz.

32 As clearly reminded by Rodrik (2000a).

33 This is, for instance, advocated by Jeffrey Schott (*The Economist*, August 26, 2000).


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Preremark

Global trade is not such a new phenomenon is it is regarded in the context of the recent globalisation debates. Not only Marco Polo reminds us, that already centuries ago global trade existed. But also the expanding empires of Alexander the Great or of Rome as well as trades over the Pacific thousands of years ago show us the dynamics of human nature.

What is new that thanks to the new technologies this trade especially in the financial sector is realised without loss of time, immediately. Insofar space and time seem to disappear in the so-called real time communications. (Széll 1994)

So, when we speak of global trade it may be helpful to differentiate the following forms:

• of goods
  – of agricultural products
  – of natural resources (especially for energy purposes)
  – of manufactured goods
  – of semi-manufactured goods
• of services
  – including migration
• of capital

When we now come to the term globalisation it is confronted with another more tradition term, i.e. internationalisation. And the French prefer to speak of 'mondialisation'. What are the differences? I think they are largely ideological. But is not space here to elaborate on it.

Society. It is good that we speak again about, as it seems to have vanished a couple of years ago under neo-liberal attack.

Finally needs. Who defines them and how? Needs are fundamental for humanity. The diversity of needs can be differentiated first on a vertical level:

• individual needs
• collective needs on the level of the
  – family
  – extended family, clan, tribe etc.
  – local community
  – region
  – nation
ATTITUDES TOWARDS GLOBALISATION AS EXPRESSION OF DIVERSE NEEDS – ESPECIALLY IN REGARD TO BUSINESS, INCLUDING TRANSNATIONAL CORPORATIONS

- continent
- world,

and then on the horizontal level:

- social needs
- economic
- cultural
- political
- environmental.

On the background of this short epistemological exercise we may proceed to a first analysis of the actors and stakes involved.

**The globalising world of business**

Business is apparently the driving force behind today’s globalisation, but it is driven as well by it (Club of Rome 1991). Competition on an enlarged scale leads to mergers, friendly and unfriendly take over. Big is beautiful. In a capitalist world the driving force is the profit. This is the fundamental need, which by stimulating to enlarge market shares leads to overcome regional and national boundaries. Capital in principle has no nationality, although weaker capitals try to protect themselves through national boundaries (Marx). The free trade is made for the survival of the fittest. But this fitness may be supported by governments, who want to enlarge their sphere of influence. May it be in conjunction with the famous militaro-industrial complex.

Markets as such are not driving for globalisation. They may strengthen competition but do not lead necessarily lead to globalisation. For thousands of years markets functioned principally for the local production and consumption. This has been changed through the emergence of modern capitalism, mainly based on financial capital.

Many individual and collective needs cannot be fulfilled by the market alone. Non-marketable goods as the environment, health, education etc. (though there are always tendencies to make everything a marketable good or service) will always exist. These set limits also to globalisation. And even today most goods and services are produced by and for the local market or community. The problem may be that those goods and services, which are produced for the global market are setting the standards (benchmarking!) – profitrates, productivity etc. – for the rest of the economy and even the non-market sector (e.g. public goods and services).

Are there divergent interests of capital and labour? It seems that in a globalising company there are common interests of capital and labour: increasing market shares and profits guarantee jobs and good wages, even bonuses. The new economy is largely based on share participation in the company. So the separation between capital owner and employee vanishes. One of the reasons for the practical non-existence of unions in this sector.

But in this competition there are always winner and losers. If all nations strive for an export surplus, a balanced world economy is not feasible (Massarrat et al. 1992).

The trade unions in the rich OECD countries support mostly the globalisation – however, in general only if it benefits them. And it seems that so far globalisation has benefited first of all the rich countries – though again also here in very unequal ways (Barber 1998, Ritzer 1992).

The European Union is regarded from the outside as a fortress, which serves only the needs of their members and citizens. And it is true that global trade is only about 8 per cent of all EU-trade. And this
trade again is concentrated on the one hand for imports on oil and other natural resources from few Third World countries, and on the other hand on trade with the biggest world economies, i.e. the US and Japan. Apparently this seems to fulfil the needs of European business.

The interest representations of employers (UNICE) and the trade unions (ETUC) are unfortunately much too weak to counteract against the interests of the big transnational corporations (Kester & Pinaud 1996, Oshige 1999). These are rightly designated as “global players”. Below that level sectorial interest representations of employers and employees seem to play a more important role for finding arrangements, which cover both sides’ interests.

The Great Transformation

It may be good to have a look back on earlier analyses to comprehend better the issues at stake and the stakeholders. Karl Polanyi wrote already some sixty years ago his pertinent analysis of the emergence of the modern global world and economy. The relative stability and peace in the 19th century was guaranteed by a balance of powers and a regulated market on the political level, the dominant role of financial capital and the gold standard on the economic level. This system broke down after World War One. Polanyi’s analysis remains very up to date, as he worked out the necessity of the regulation of markets whereas the non-regulation led to the disasters of the 20th century.

In the same line of argument in regard to the role of the financial capital arrives George Soros, the most successful speculator on currencies in the past decades, in his book on the ‘The crisis of global capitalism’ (1998). He compares the dangers of unregulated globalisation with Stalinism. And arrives to the conclusion, that this kind of globalisation is at least as dangerous for freedom and an Open Society as Stalinism has been.

So the questions stand today, if the needs of business are better served via more regulation or deregulation. Or in other words, if it is Shareholder value or Stakeholder democracy. The WTO tends to the first alternative. Is the European Union or can it be the defender of the second alternative? (Széll 2001)

The economy is not an end in itself. The European Welfare state is the result of a historic compromise of decades of struggle between divergent interests (Széll & Ehler 2001). Unknown Social peace in Europe was the result of this compromise (Busch et al. 2000). Globalisation with a human face is the best answer fulfil the needs of business including shareholders, employees, clients and the public sphere. (Széll 1990)

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Trade and Labour

Mario Pianta

1. Facts on trade and labour

In the 1990s international trade in goods increased from 14 to 17% of the total GDP of OECD countries. Trade in services accounts now for 4% of GDP, against 3.5% a decade ago. Income from foreign investment amounts to a similar share, while foreign direct investment is below 2% of OECD GDP and portfolio investment do not reach 4%. All show a very moderate increase over the 1990s (OECD, 1999). These data show the extent of international flows of goods and capitals, moderating the current emphasis on the unstoppable dynamics of globalization. The growth in world trade has been faster than growth in GDP and both have been greater than increases in employment.

In fact, the dynamics of employment of the past two decades has been far from satisfactory. The 1998-99 ILO Report estimates that “out of a world labour force of 3 billion people, 25 to 30% are underemployed and about 140 million workers are fully unemployed” (ILO, 1998, p.1), including more than 30 million in the rich OECD countries. Moreover, millions of those with a job do not earn enough to exit from poverty. It is estimated that 250 million children are at work, on third of which in conditions of exploitation or hazard; 120 million children work full time and are excluded from education.

Any simplistic vision of trade-led growth solving the world (or even Europe’s) employment problems has therefore to be abandoned. The gains from trade liberalization, greater international investment and financial flows have been highly concentrated, and workers in most countries of the North and the South of the world have received little benefits from recent economic change. The growing polarization of incomes, the extension of poverty, the new forms of social exclusion in all countries (UNDP, 1999) are evidence that the current model of globalization can be seen as part of the problem for labour, rather than part of the solution.

The inter-relations between trade and labour therefore deserve a much closer attention, in terms of research and policy, than in the past. While trade issues and their impact on economic growth have long been at the centre of studies and national policy making, the link to labour issues needs a greater articulation of the dimensions involved.

First, at the level of values and principles, there is a contrast between the efficiency criteria of trade and the equity criteria of labour rights, which are part of fundamental human rights.

Second, at the economic level, we can investigate the link between trade, growth and employment, considering the role of macroeconomic policies in these fields, and address at the industry or firm level the specific forms of use of labour, considering national rules and firms’ strategies.

Third, the institutional level is important in order to identify the forms of regulation of both trade and labour, at the national and supranational scale.

Fourth, at the social level, consideration has to be directed to the social actors involved, including national and multinational firms, workers - of different gender, social groups, skills -, trade unions, civil society organizations, public bodies and national policy makers, and finally the international organizations involved.

Fifth, at the political level, the alternative visions on the role of trade and labour in the economy and society have to emerge explicitly, the legitimacy and democratic base of institutions and policies has to be tested, and the overall coherence of separate policies has to be assured.

2. Values and principles

The history of international trade provides evidence of the variety of principles which have justified free trade or protectionism, strategic trade or a development strategy on the basis of the specific
condition of the country. The present pressure for an overall liberalization of trade emphasizes the gains in efficiency which may be obtained, more in a static than in a dynamic perspective. The principles behind labour rights belong to an altogether different sphere, that of fundamental human rights. At the international level, the ILO has long been involved in identifying and promoting labour rights. The group of “core” labour rights includes:

- The freedom to associate, organize unions and bargain collectively
- The prohibition of child labour
- The prohibition of forced labour
- The prohibition of discrimination

Such rights are recognized as universal human rights, are object of seven ILO conventions which have been ratified by a number of countries ranging from 85 (minimum age convention) to 152 (forced labour), but only 59 countries have ratified all seven conventions. The above rights have to be respected by all countries, whatever their levels of development, political situation and cultural traditions.

A second set of labour rights has been identified, including issues which may be associated to the conditions of national economies, to bargaining between firms and workers and to national policies:

- Minimum wages
- Working hours
- Health and safety
- Weekly rest
- Social protection
- Training

This set of rights has never been included in the discussion at the global level, and is increasingly put in question also in the developed countries where greater progress had been achieved in the past.

The role of the ILO and of its conventions is important because it provides legitimacy to the actions in this field, due to the framework of the UN system and to the tripartite approach typical of ILO, involving governments, employers and trade unions. This makes it explicit the link with human rights, established universal principles and rules, avoiding the risk of instrumental policies adopted in bilateral economic relations. National governments have a role because they have to introduce these principles in national legislation and enforce them in the courts. It is at the national level that labour is organized, bargaining is carried out and political reforms are addressed.

In addition to the conventions, in 1998 the ILO has approved the Declaration on Fundamental Principles and Rights at Work, asking all countries to adopt it and contribute to a process of implementation. A report published in March 2000, *Your voice at work*, which represents the first follow up to the declaration, makes a link between the principles stated and the reality of labour in the world economy. It points out the “widening representational gap in the world of work” as trade unions membership declines and women and particular sectors of the workforce have no representation. The report also points out that while the elimination of child labour has obtained a broad attention, “the value of this category of principles and rights at work is not always as clearly understood as the struggle against the worst forms of child labour…Intimidation, threats and sometimes even murder still await many workers who attempt to organize in a number of countries around the world”. Moreover “in much of the world, agricultural, domestic and migrant workers simply cannot exercise these basic rights” of freedom of association and collective representation; the same applies to workers in Export processing zones (ILO, 2000).

3. The economic level

Behind the aggregate macroeconomic relations between trade, growth and employment, a much more complex set of processes has to be identified. Most of trade is intra-industry and increasingly intra-firm trade. Multinational firms have organized production at an increasingly global scale, information
and communication technology has provided the means for decentralizing production in distant countries offering lower labour costs or other economic advantages. The deindustrialization of the North has reduced employment levels, introduced new forms of less protected and more flexible work (one quarter of jobs in the UK is part time or temporary) and weakened the ability of workers in developed countries to preserve their wage levels, welfare benefits, labour rights and working conditions, resulting from a century of struggles of the national labour movements and of far sighted welfare and social policies of national governments.

At the same time, globalization and trade do not favour by themselves the improvement of labour rights, conditions and wages in the developing countries of the South, where above half of the workforce is still employed in the informal sector. Conversely, the lack of labour rights is not a positive factor in growth performances. An increasing economic literature has pointed out the positive effect that economic and social equality (as well as democracy) has on overall economic growth. A OECD study (1996) has shown that countries with inferior labour standards do not show better export performances, nor lower wage increases. The lack of labour rights therefore is not associated to greater growth, simply to greater power by firms against workers and by often authoritarian states against their citizens.

Such web of issues raises a variety of research and policy questions concerning macroeconomic, industry and firm level problems, and the impact on labour markets, specific sectors of the workforce, wage and unionization levels, etc.

**The institutional level**

It is useful to compare and contrast the key characteristics of the international trade and labour systems, looking – in a schematic way - at the institutions, rules, modes of operation and at the impact they have on the global economy and society.

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<tr>
<th>Issues</th>
<th>Trade system</th>
<th>Labour system</th>
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<tbody>
<tr>
<td>Key Institution</td>
<td>WTO</td>
<td>ILO</td>
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<tr>
<td>Membership and status</td>
<td>Governments</td>
<td>Governments, Employers</td>
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<td></td>
<td>Outside the UN system</td>
<td>Trade Unions in the UN system</td>
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<tr>
<td>Basic principle</td>
<td>Free international flow of goods and services</td>
<td>National labour rules</td>
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<td>Basic rationale</td>
<td>Efficiency and growth</td>
<td>Labour rights as human rights. Social equity</td>
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<td>Economic gains from trade</td>
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<td>Powers</td>
<td>Strong powers</td>
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<td>Key actions and mechanisms</td>
<td>Trade liberalization agreements legally binding</td>
<td>Conventions and declarations complemented by national legislation</td>
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<td></td>
<td>Compulsory for states involved in trade</td>
<td>Voluntary</td>
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<td>Enforcement of agreements with sanctions or compensations</td>
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In short, we can argue that the trade system, as embodied by the WTO is too strong, strict, dynamic and undemocratic, while the system of labour rights is weak, loose, static and democratic. The research and policy implications of this are self evident.

5. The social level

The different social actors involved in the issues of trade and labour lead to a great variety of research and policy perspectives. The actors include national and multinational firms, workers - of different gender, social groups, skills -, trade unions, civil society organizations, public bodies and national policy makers, and finally the international organizations involved. They have different status, nature, objectives and power to pursue them.

While firms are well organized and have major lobbying power on national and supranational institutions, trade unions and workers have progressed little in building cross border alliances. However, on several issues, new coalitions are being built between trade unions and civil society group in the North and the South, with the aim of promoting labour rights where their violation is most blatant. This is a major social innovation which deserve major attention in terms of study and policy.

Original links and cooperation between different actors have emerged in recent years in order to answer the new rule-making needs in a global economy. Aiming at filling, at least in part, the void left by the lack of coordination between the trade and labour dimensions, a variety of non universal and non mandatory regulations, and new social practices have been developed. Under the pressure from civil society, two sets of voluntary rule making have emerged, linking trade and labour rights: codes of conduct and social labels. A third development, fair trade, has emerged as the independent action of the civil society aiming at replacing trade practices seen as unjust with an alternative trading network.

Codes of conduct have multiplied in industries, countries, and even in individual multinational firms. They rarely make references to the whole of the international standards on labour rights, relying often on the weaker national legislation of developing countries. Moreover, they rarely include provisions for implementation, enforcement and external monitoring. Efforts to establish a more homogeneous set of international standards include the SA (Social Accountability) 8000, developed by the non profit Centre on Economic Priorities Accreditation Agency, referring to the ILO conventions, the call by the EU Parliament for establishing a European Code of Conduct for MNCs, and other international projects. However, codes of conduct are judged by workers to be useful only when they are associated to the recognition of trade union and bargaining rights, otherwise they are likely not to be implemented (UNDP, 2000, p.91).
Social labels provide information to the consumers on the type of production and respect of labour rights which is behind a particular good. They usually emerge with the mobilization of civil society organizations and may be useful in particular markets, putting pressure on some firms to assure greater respect for labour rights (European social dialogue, 1999).

Fair trade represents a more radical departure from the current trading system, with the self-organization by civil society of alternative market networks where the dominance of multinational corporations and the “unequal exchange” between North and South are replaced by a cooperative and more balanced relation between producers of the South and consumers of the North.

In all these cases, original links among social actors across the world have emerged, resulting in innovative forms of protection of labour rights and improvement of economic conditions. The relative success of such experiences, however, cannot replace the continuing need for universal rules enforced by national and international bodies protecting labour rights in a global economy.

6. The political level

Three aspects may be pointed out here, the concepts used, the alignments emerged in the current policy debate, and the need for a comprehensive approach to the policies and politics of trade and labour.

The concepts. Behind trade and labour policies, there are fundamental choices about the political role assumed by trade and labour issues. In fact, labour itself is a concept increasingly marginalized in the current political discourse. For instance, the European Charter of fundamental rights, approved at the Nice EU Council of December 2000, after acknowledging all major labour rights as stated by national and international Charters, recognizes the rights to social security and welfare with the “aim of fighting social exclusion and poverty” (art.34), but the fact that the empowerment of workers has been the solution to both problems in the recent history of Europe appears to have been lost.

In the same way, the European Council conclusions of 25th October 1999, in preparation of the Third WTO Ministerial Conference, made no mention of labour – but included “social progress, the reduction of poverty and consumer health” among the purposes of trade talks. Labour appeared only at the end of the document, where it is argued that “the EU should strongly support the protection of core labour rights” and the proposal to establish the ILO-WTO Standing Forum on trade, globalization and labour issues is made.

The alignments. Too much of the recent debate on trade and labour has portrayed a protectionist North defending the interests of its workers against the efforts to overcome poverty of the countries of the South. A strange alliance of Northern Trade Unions, NGOs and governments of some rich countries have called for greater protection of labour rights and for a social clause in trade agreements. On the opposite side, the multinational corporations, the most extreme neo-liberal governments of the North, and all the governments and social forces of the South insisted for keeping trade rules separate from labour rights.

Such an alignment has emerged from the way the issues and the policy debate have been framed. It conceals, rather than clarifying the interests of the different players and the stakes of the current policy decisions.

The need for a comprehensive framework. In fact, it does not make sense to look at trade and labour as if they were happening in two separate spheres. Labour is what produces the goods that are traded, therefore in writing the rules on production and work these aspects have always been considered together by public policy. The problem is that until now the relevant policy context was that of national states, which provided a common framework for identifying and pursuing at the same time the objectives of economic growth and efficiency, social cohesion and equity, while obtaining political support and social consensus. Globalization, for many states, has the effect of reducing national
control over trade and economic policy making, while increasing the burden of assuring social integration.

Therefor, if appropriate governance has to be achieved, it is essential to bring the different dimensions of economic and social change within the same context. This goes much beyond the concept of the social clause in trade agreements. The potential gains of countries – from participating to growing trade and investment - and the effective costs - of assuring labour rights, social integration, environmental sustainability - of greater international integration have be put in the same policy framework. Otherwise most countries, rich and poor, will continue to be eager participants in negotiations and institutions (such as the WTO, or the future UN conference on Financing for Development) for sharing potential economic gains, while remaining reluctant to agree and act when negotiations and institutions deal with labour or environmental rules, as shown in the experience of the ILO and by the recent failure of the International Climate Change talks in the Hague.

The way forward is designing a system of economic integration at the regional and global scale where trade and financial flows, production and labour, social and environmental aspects are seen as components of an overall development process, managed with appropriate macroeconomic and specific policies.

As an example, a trade union summit in Chile in April 1998 pressed for “the inclusion of core labour standards in any free trade agreements for the Americas… Heads of governments of the Americas agreed at the same time to press for a social action plan to promote ILO core standards, reduce poverty and inequality, and guarantee human rights. This is the first occasion that a formal trade negotiating process has found a role for civil society groups including trade unions alongside business” (Taylor, 1999. p.8-9).

7. European policy

If we look for the European position in all the aspects examined above, we can hardly find a clear cut view. European countries and institutions are divided on almost all subjects, and no major unifying proposal in this regard has yet emerged from Europe. Some European governments, some EU institutions, some corporations, some trade unions and some civil society organizations from Europe have developed imaginative and effective proposals and policies in this regard. But they never came together into a clear and powerful European strategy.

This has been a problem in past, but, considering the need to reconsider the foundations of the relationship between trade and labour at the global and regional scale, this may well be an opportunity for learning from the most innovative experiences of all the actors, especially in civil society, and launching freshly designed, more comprehensive, radical and sustainable policies.

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Global Social Standards

Isabelle Daugareilh

Introduction

Globalisation of the economy has not yet led to the development of global social standards. There is, therefore, no universal, international labour law, but rather as many versions of labour law as there are separate states or national legal systems. These legal systems differ in many respects, offering considerable sources of corporate income and profits. Creating a link between workers' rights and globalisation of the economy is, therefore, a crucial challenge. The issue is not really new. Was not one of the original functions of the International Labour Organisation to attenuate differences between national legal systems to promote fair international economic competition? The new factor, however, is the diversification of bodies that claim to be legitimately authorised and capable of determining workers' rights and imposing compliance with them in the new economic context of globalisation.

The number of locations, levels, and sources issuing legal standards is a constant of modern legal history, and particularly of social law. Thus, standards produced by social partners and supranational bodies operate in conjunction with national legislation according to the scalar principle of sources and the principle of favour. This hierarchy of standards is part of an organisational system where the state is the central, obligatory link. It is, however, currently being disrupted by the globalisation of trade. Globalisation of the economy is not simply a greater degree or another form of internationalisation, but is fundamentally different. It defies existing legal systems regulating trade between nation-states and challenges standard legal provisions. In particular, businesses use globalisation of the economy as a basis for setting up their own, cross-border standards. Their aim is to regulate their business relations according to standards that have no connection with positive law or sui generis standards, which increasingly frequently include social rights.

Three aspects should be discussed from a legal point of view: (I) the institutional and sociological background, (II) changes produced by regionalisation in a global economy, and (III) prospects for standardisation

i. The institutional and sociological background

The degree to which workers are protected varies from country to country and is only applicable within national boundaries. This results from the principle that the application of legal standards is territorial, with the exception of extraterritoriality. This means that any state may adopt laws for that affect goods or situations with a reasonable territorial or personal connection to that state. This also implies that social law, particularly those provisions covering public order, and police law are applicable throughout the state's national territory, irrespective of the national origins of the worker or the company involved.

Worker status as a competitive factor did not start with globalisation of the economy. It has, however, been accelerated and amplified by various techniques aimed at splitting up the labour force. The balkanisation of the status of workers employed by the same company but subject to different national legislation has been accentuated by delocalization and the outsourcing of production. More than one national legislation may be applicable on the same site. Workers with different statuses are played off against one another, as are different countries and trade unions. It is becoming increasingly clear that national law is powerless: it has become a simple tool in competition, subject to social dumping, i.e. a sort of “competitive devaluation of social standards”. 
The objective of the international social law developed by the ILO in the early 19th century was to set common rules that would tend to minimise the differences between national legal systems. However, ILO law, with its focus on universal standards, is subject to the cardinal principle of state sovereignty. States are responsible for applying and monitoring agreements. For this reason, the ILO, like any intergovernmental organisation, needs "effective states", capable of co-operating within the organisation to implement the common decisions and standards.

From a sociological point of view, the European labour movement is "for the moment, only a combination of different, even antagonistic backgrounds, with trade unions obliged by economic hardship and the ravages of liberalism to defend social measures in each country, trapped between their familiar national territory, Europe, which seems to be merely the result of political will, and the global arena, where strategies are imposed by highly-powerful, well-organised corporations". One of the current difficulties facing trade unions is to identify workers' common interests, while transnational corporations make every effort to emphasise differences. This objective is not easy to reach due to the antagonism between countries (in which culture is by no means the least important factor) expressed by trade unions that has made international trade-unionism so impracticable.

**ii. Changes produced by regionalisation**

Our aim is to highlight two types of changes: (1) diversification and redeployment of institutions and players and (2) the way in which they affect the social field.

**1. Redeployment of institutions and players**

Firstly, transnational corporations have the economic, commercial, and financial power and the resulting influence on government and international –and European- bodies to promote changes in economic standards aimed at producing a legal environment more conducive to their interests.

Secondly the marginalisation of the UNO system has led to the emergence of economic and strategic powers allied with the G7, the World Bank, and the IMF, who have been responsible for developing new standardised frameworks that they impose on national governments.

Thirdly, the individual has become a major legal player on the international scene, capable of holding the state liable for violations of his rights. As representatives of society, NGOs have become vital players in determining and applying international standards.

Fourthly, the settlement of commercial disputes is becoming less state-centred, due to the expansion of arbitration and mediation mechanisms, involving commissions of experts. The same trend has been observed in labour relations. It is, in any case, quite clear that the social strategies of complex transnational corporations regarding employment contracts and professional relations are devised by international law offices which, even in France, have become strategy consultants.

In view of this redeployment of power, are existing trade-union structures capable of affirming their role as the irreplaceable workers' representatives? Progress on a number of fronts can be attributed to trade unions – and, in a wider sense, to society – thanks to their determination to defend workers' rights, and ensure that they are properly defended, in a global or regional economy, particularly when major legal reforms are in preparation. In this way, they played a major role in developing the European Charter of Fundamental Rights, ensuring that it would be favourable to workers' rights. The formerly merely symbolic confrontation between trade union organisations and regional or international institutions has become quite effective. This capability has yet to be applied in the field, where differences are the most strongly, immediately, and practically felt, where it is important to be

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2 According to B.BADIE and M.C SMOUTS, "Le retournement du monde".
able to stand up to an employer in a credible way (through strikes, in particular), where conflicts need to be organised, and trade unions can not only defend rights but also generate rights and/or laws.

2. New types of interventions by institutions and players

New types of institutional interventions can be observed in two movements which both control the social policies of governments, or at least restrict their freedom. These two movements have grown out of two radically different approaches: unilateralism and multilateralism.

Unilateral standards governing trade may be applied by a state or a group of states. The issue is whether a state can enact laws controlling activities that take place outside its territory on the pretext that their effects are felt on its own territory. Can a state set up barriers to free trade on the grounds of standardising social measures? Can a state or group of states envisage adopting a commercial and/or social standard applicable outside their territory for protectionist purposes (avowed or not), or on humanitarian grounds, or to promote social justice? This combined practice of unilateralism and social interference, contrary to the basic principles of international law, produces a type of legal globalisation with debatable bases and effects.

The European Community also implemented its own system of general preferences in 1971. This system is periodically reviewed and consists of two types of provisions: penalty clauses involving the temporary withdrawal of PNS (for non-compliance with workers’ fundamental rights) and incentive clauses to encourage countries that prove they apply the ILO conventions (e.g. those concerning the freedom of trade unions or the right to collective bargaining). European PNS is different from American PNS in at least one respect – this reference to international labour law.

While standard international law does not authorise a state to enact laws on activities outside its territory on the grounds that their effects are felt on its territory, or for humanitarian reasons, or on the grounds of (real or supposed) social justice, regional law, as developed by the European Community, is now in a position to propose an alternative to the challenged and debatable combination of unilateralism and social interference. European social law is aimed at guaranteeing a common set of values for working people, while maintaining the sovereignty of member states.

Europe is currently developing social standards common to all the member states. There is a common jurisdiction, the CJCE, which decided long ago that European Community law was “a new international legal order”. “Changes in labour standards since the foundation of the European Community have been spasmodic, episodic, and not very methodical”. Although, deplorably, social Europe has not always taken precedence over trading Europe, European social law is gradually being built up, harmonising national laws and setting standards that are directly integrated in the national legal systems.

In spite of its inadequacies, limitations, progress by trial and error, and options, European social law constitutes a set of standards beyond all comparison with experiments carried out in other parts of the world. However, there are not yet any strict standards on fundamental social rights.

The European Community also differs from other experiments in economic integration in that it operates on the principle of vertical subsidiarity, articulating legislative competency between European bodies and member states. Horizontal subsidiarity also applies. This puts partners (and not social partners) in the centre of European social construction. The treaties thus give preference to legislation developed directly by professional partners. An agreement negotiated by social partners on

a European level is preferable to a directive issued by the Council. As yet, this social dialogue only has a posteriori jurisdictional control. There is indeed some reason to “doubt that it is sufficient to give any democratic legitimacy to a social standard”.

### iii. Prospects for standardisation

States are still responsible for standardising legislation, but they are led to negotiate and share their authority in wider legal systems, such as the European Community. The sphere in which states and trade union organisations operate has become much more complex. Closer examination of this situation leads to two hypotheses:

- **The hypothesis that the sources of international law are breaking up**

  The sources of international law are breaking up, mainly due to the increasing numbers of "non-conventional agreements" and "guidelines". The ILO consider that globalisation of the economy should be accompanied by a minimum of rules based on shared values that enable workers to claim their legitimate share of the wealth they have contributed towards creating. This is the principle behind the tripartite declaration of principle on multinational corporations adopted by the ILO in November 19776. Prior to the ILO document, the OECD council approved a declaration with a quite different philosophy on June 21st 1976. The OECD declaration on international investment and multinational enterprises includes a text entitled: "Guidelines for multinational corporations", the most recent version of which was adopted by the Council of Ministers on June 27th 20008. More recently, the ILO issued a declaration in 1998 on the fundamental principles and rights of working people and the monitoring thereof which gives a country's membership of the ILO precedence over the principle of sovereignty. This declaration specified that, even if states have not ratified the international conventions supporting the fundamental rights in question, the mere fact that they belong to the ILO puts them under an obligation to abide by them, promote them, and apply them in good faith.

  Transnational corporations have also implemented a number of measures aimed at reinforcing their investments and competitiveness. In particular, these very diverse measures have an impact on working conditions. The range of private initiatives, from ethical investments, through public or private pension funds, social seals of approval for brands and products, and codes of conduct for subcontractors and suppliers, is continuously being extended in the name of business ethics or, perhaps more exactly, to appeal to the "ethics market".

  Codes of conduct developed unilaterally by transnational corporations should be analysed in the light of their characteristic ambivalence. To a certain extent, they express the focus on social issues in a global economic environment. They also present a number of risks: avoidance of common standards, installation of two-tier systems, fragmentation of workers' status, privatisation of the rule of law, and confusion concerning roles that could lead to a feudal slant on contractual relations, where the CEO acts as legislator, labour inspector, and judge on a global scale. The fact that companies wish to take on this social role certainly reflects a decline in the influence of national governments and the ILO, but also of workers' organisations. These initiatives raise the the risk that social law will be used as a corporate tool on a global scale.

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7 The OECD Declaration has economic aims while the ILO document does not. It attaches no formal importance to the ILO benchmark standards, nor to those of the Council of Europe or the European economic communities, indeed, they are not even mentioned in the text intended for multinational corporations.

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Nevertheless, trade union organisations have integrated corporate social initiatives in their own methods and strategies. There have been a number of experiments in collective bargaining on social standards, particularly by international professional secretariats. These few experiments have been brought about by the determination of players on both sides who were strongly convinced of their mutual advantage in such negotiations. Two noteworthy examples are the common platforms of the Danone group and the agreements signed in the professional sport and retail sectors.

Employers see international negotiations on workers' rights as part of their branding strategy, or a "seal of approval". In some cases, it is also the only way of responding to a large-scale media campaign launched by international trade-union organisations. This was certainly the factor that led to agreements on child labour. In some exceptional cases, this results from a choice of professional relations where the international trade union is accepted, recognised, and treated as a partner. This is no doubt the most unusual feature of the Danone agreements. As these international agreements are naturally ambivalent, covering both social and economic issues, they necessarily include procedures to monitor their own application. Although their legal status is unclear, these sui generis agreements show that it is possible for trade unions to be involved in setting transnational social standards, either within companies (which seems the most feasible approach) or within business sectors.

How should we analyse these partnerships with workers' organisations, in view of the fact that these initiatives are triggered by market phenomena and are perceived as part of a healthy management policy, rather than as efforts at standardising legislation? First of all, they indicate that companies need an external contact or benchmark. Apparently, one of the possible ways of improving codes of conduct would be to standardise or harmonise their content and monitoring systems. These partnerships also involve a risk of "piggy-backing legitimacy" that would ultimately be to the advantage of the multinational corporations. They also represent an important opportunity for international trade unions, as well as the ILO, to defend workers' rights in a standard-setting process.

-2. The hypothesis of a "transnational law" on professional relations, a "sort of tertium genus", distinct from international law and national law"9, produced or determined by transnational players or forces.

One of the ongoing challenges for social law is to preserve national law and the legal status of the workers involved, while devising new laws with transnational dimensions or applications. Quite clearly, both European bodies and transnational social partners (transnational corporations and regional and international trade unions) can be the creative forces behind this new type of law.

It is also obvious that this implies a radical change in perspective and logic for the Community as harmonisation and co-ordination will not be sufficient for them to take on this role to the full. For the social partners, it will imply recognition beyond national borders and a legal capacity to act in the defence of their respective interests (the trade unions alone would have a transnational right to strike and to participate in collective bargaining, as well as a right to information and consultation). For the states, this implies not giving up one of their prerogatives, i.e. that of organising wider community systems and finding ways of influencing new types of corporate organisation for the employees' benefit, while accepting the redefined rules and constraints resulting from their integration in a regional system.

Governance issues related to the interface of trade with specific areas

Jonathan Michie

The organisers of this Workshop are absolutely right in recognising that the issues of trade and globalisation cannot sensibly be analysed in isolation from other economic and social factors. Trade and globalisation are closely related to other phenomena. Indeed, globalisation itself includes far more than just trade.

The key policy point for this session is that the EU needs to have appropriate policy agendas for the environment, for health, for labour and for consumer protection. The EU also needs to adopt a policy stance on trade, and on globalisation more generally. Policy conclusions in one area will impact on others, sometimes explicitly but sometimes less clearly. Thus, it might be decided that to protect the environment, or to defend basic labour rights internationally, certain restrictions or requirements should be put on trade. Equally, regulatory or other policy initiatives may be taken in such areas with no explicit view on trade but which will nevertheless impact on trade. Conversely, a commitment to ‘free trade’ may have adverse consequences for other areas of economic and social activity. The result may be that quite inadvertently, measures that could otherwise have been beneficially pursued become outlawed, as they become interpreted as conflicting with the requirements of new trade agreements.

In considering governance issues related to the interface of trade with specific areas, two key conclusions emerge:

1. Firstly, pursuing ‘free trade’ is not necessarily a good thing even in general economic or welfare terms, even leaving to one side potentially deleterious effects on specific areas of economic and social activity such as the environment, health, labour and consumer protection.

2. And secondly, desirable policy action in these specific areas may be undermined or even outlawed by a simplistic adherence to ‘free trade’.

Before commenting briefly on these two key conclusions, it should be noted that the term ‘free trade’ is rather misleading. A parallel can be drawn with the equally misleading concept of the ‘free market’. Markets are social institutions. Market power is not just an important influence; it is an explicit aim of much behaviour. The picture of perfect competition may be a useful analytical device but is dangerously misleading if used as a policy guide.

Similarly, most trade is conducted within large companies, rather than between companies and consumers, or between companies themselves. The dominant economic powers in the world economy have in general achieved such a position with the assistance of interventionary trade and other policies, only switching to support ‘free trade’ once their position in the global market has been achieved.1

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1 For a detailed discussion of these assertions, see Kitson and Michie, 2000. Chapter 1 discusses the nature of economics and economic analysis, while Chapter 3 discusses trade theory and policy.
Trade

With that proviso, should the EU be seeking ever ‘freer’ trade?

Firstly, persistent trade imbalances can have detrimental effects. The country suffering a persistent deficit will in general need to reduce imports – or at least reduce the growth in imports – either through action directly on trade, or else by inducing a domestic recession. The direct option – whether this takes the form of import restrictions or devaluation – is generally derided as ‘bad neighbourly’. Thus ‘competitive devaluation’ is often depicted as an attempt to gain an unfair advantage. But the alternative of competitive deflation is in the interests of no countries, albeit potentially in the interests of certain groups within individual countries. As Joan Robinson once commented, the worst of bad neighbourly behaviour is to provoke a recession.

Secondly, some of the papers for the conference have referred to ‘trade’ and ‘globalisation’ synonymously. But increased trade is only one aspect of globalisation. The removal of restrictions on short-term capital flows has been a more significant development. It is this aspect of globalisation that has made the global economy so unstable. Such instability threatens the growth of trade itself. So if the EU’s aim is to promote a sustainable growth of trade, other aspects of globalisation, such as the free movement of capital, would need to be tackled.

Other areas and policies

Policies and agreements to prevent restrictions on trade can inadvertently remove the power of governments and others to take action in other areas. Thus, industrial policies to support specific sectors may fall foul of rules designed to ensure free trade. The costs of losing the ability to pursue such policies in other areas needs to be borne in mind when evaluating whether ‘reducing restrictions on trade’ will really bring greater benefits than costs.

Conversely, policies in other areas should be pursued honestly, rather than being used as a way of circumventing trade policies. Thus there is the suspicion that rules on environmental or labour standards will be used to discriminate against developing country produce. It is important that such rules be devised in discussion, consultation and negotiation with developing countries, and with environmental groups and trade unions from those countries.

Assessing the Impact of Technological innovation And Globalisation (AITAG)

Assessing the Impact of Technological innovation And Globalisation on growth and employment in Europe is an EU-funded Fifth Framework Programme being directed by Professor Mario Pianta, Dr Christine Oughton and myself, in which we aim to differentiate between policies and developments that are often grouped together under the umbrella term ‘globalisation’. Some such developments may have generally positive effects while others may be rather detrimental. And in each case, the costs and benefits are likely to be felt rather unevenly between sectors of the economy and between different groups in society. The results of this project, currently underway, should thus help to provide answers as to some of the questions that this Workshop has posed.

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2 For a detailed discussion, including specific policy proposals, see Michie and Grieve Smith, 1999.
3 Further details via www.bbk.ac.uk/manop/man
Conclusion

It is wrong to discuss ‘globalisation’ as if it is an identifiable phenomenon or state that one can therefore be in favour of or opposed to. It could be said that we are in a ‘globalised’ economy in the sense that globalisation processes have been progressing for some time now. However, the current form of globalisation is the result of specific decisions and actions, by corporations, governments and others. It is possible to think of different degrees of globalisation but also of different types. The type of globalisation we have witnessed over the past twenty years has had a generally ‘free market’ and deregulatory character. One unfortunate consequence of this is that other areas of economic and social life - which are quite frankly of more importance than the continued pursuit of freeing up global trade - have been sacrificed. The environment, health, labour and consumer protection are all key areas where action could improve living standards and the quality of life more generally of the people of Europe and indeed the world. Such action should be the priority for the EU and its institutions. Policies on trade should be designed to be consistent with the necessary action in these areas, rather than the other way round.

References


Global Governance, Trade and Environment

Jakob Werksman

Globalisation is a phenomenon that affects both formal and informal and means of “governance” by generally shifting power away from individuals and communities, towards large corporations; and away from directly representative governmental institutions towards intergovernmental organisations.

As markets globalise, the formal and informal means of regulating those markets must globalise as well, to recapture the benefits, and re-regulate the negative impacts, delivered by the market.

To successfully reflect the concerns of individuals and communities, to protect local environments, and to maintain the sense of scale necessary to preserve ecosystems, global regulatory governance must develop and maintain a means of connecting with these essentially local interests.

From a legal point of view, this demands the establishment and recognition of rights of affected individuals and communities to participate directly and effectively in the institutions entrusted with global governance. While the implications of the exercise of these rights are relatively well-known at the domestic level within certain national traditions, they continue to provoke suspicion and hostility in the intergovernmental context.

Globalising markets forge and follow the paths of highest profit and of least regulatory resistance. The political world of the “Washington consensus” has smoothed these paths, encouraging governments to invest heavily in the intergovernmental institutions aimed at promoting growth through deregulation, while under-investing in regulatory counterweights.

Globalising markets and the states that champion these markets can both promote and exploit the fragmented and unbalanced character of global governance structures.

Effort must be invested in long-term solutions to construct a more coherent system of governance that allows global, national and individual economic interests to be balanced with the right of individuals to a healthy environment and the authority of local and national regulators to determine appropriate levels of environmental protection.

In the interim, rules, principles and procedures that can assist in the management of a fragmented system must be developed. These include mechanisms that recognise the importance of precaution, subsidiarity, deference, and proportionality.

Illustrative Propositions:

1) The WTO Appellate Body’s recent treatment of amicus curiae briefs:

Anticipating the civil society groups would wish to contribute arguments to the AB’s review of the Panel’s report in EC-Asbestos, the AB issued a special procedure for granting leave to submit amicus curiae briefs. The procedure, like others in domestic systems, would have tested the legitimacy of applicants’ “interests” in the outcome of the dispute. It would have recognised that non-state actors can have interests, and advance arguments that are distinct from and additional to those advanced by WTO Members. The reaction from the WTO Membership was vitriolic, and the AB was accused of abusing its discretion. Although as many as 17 requests for leave were filed, all were rejected. The WTO dispute settlement system, whose rulings and recommendations can affect the lives of millions, remains without any formal or informal mechanism for hearing the concerns of civil society.
2) The Kyoto Protocol’s Experiments in Emissions Trading and Compliance

International emissions trading and other “market-based” mechanisms for exploiting least-cost options for greenhouse gas emissions reductions were introduced in the Kyoto Protocol largely at the insistence of the United States. The arguments for this approach were based primarily on the US experience in implementing such regimes at the domestic level. A central design element of the domestic trading regimes is a strong regulatory environment, capable of closely monitoring, verifying and enforcing emissions “caps” and tracking “trades” between emitters. Its success depends upon an overarching federal structure that guarantees the uniformity of treatment of emitters and the regulatory “fungibility” of the permits that are traded. The pattern of negotiations since the Protocol was adopted has, however, pressed ahead with the market-based demands of “liquidity” and “flexibility” and has made little headway in ensuring harmonisation of the policies and measures necessary for compliance across jurisdictions, in developing credible monitoring and enforcement mechanisms at the global level. This credibility gap, which represents the mismatched pace of the growth a new global “market” and the development of regulatory constraints on that market, in part explains the breakdown of negotiations in the Hague.

3) The precautionary principle in the Biosafety and the SPS regimes

The WTO’s SPS agreement and the Cartagena Protocol on Biosafety represent distinct efforts to incorporate the precautionary principle into international agreements. The jurisdiction of these agreements, which govern the way in which importing nations assess the risk associated with the trade in particular categories of products, overlap. The general spirit and the specific manner in which each agreement implements the precautionary principle do not match. In particular, the level of discretion afforded to the domestic regulator, and the burdens of proof and of process rest differently. States acting as the negotiators of the Protocol failed to clarify its relationship with the WTO system, and failed to agree a process of dispute settlement to interpret and enforce the Protocol’s rules. States acting as WTO Members have failed to agree rules and procedures for dealing with disputes that may arise amongst themselves, or with non-Members, in the implementation of the Protocol. There is no generally agreed means of guiding states to the appropriate choice of dispute settlement forums when a conflict arises that could be governed by more than one regime.
Convergence or Polarization? Envisaging The Environmental and Development Effects of Globalization in Developing Countries

Roldan Muradian

For many researchers and policy-makers, the unavoidable consequence of the current globalizing trends will be the convergence of values, political systems, income, tastes and also environmental standards. According to this vision, developing countries will receive most of the benefits of globalization because they are supposed to face higher rates of growth than the industrialized world. This proposition is based on the assumption that capital-scarcity relative to labor will produce higher rates of return in developing areas, encouraging capital immigration. Development and financial international institutions like the World Bank and the International Monetary Fund actively promote developing countries integration into the world economy through the expansion of the national exporting sector. This means, through the exploitation of local comparative advantages. Since most of developing countries have comparative advantages in the production of natural resources, this strategy can imply increasing international specialization of the world production. In this scenario, the role of developing areas is to be suppliers of natural resources to the capital-intensive and knowledge-intensive economic activities in the core of the global capitalist system. The structuralist school already envisaged the shortcomings of this approach in the 1950’s and 1960’s. At that time, the main arguments against specialization in the primary sector were the “impoverishing effects” of natural resources production and the evidence of historical deteriorating prices and low income elasticity of demand for primary products. Today, 50 years later, prices of commodities are even lower and the demand for these resource-intensive products tend to drop off due to a dematerialized “new economy”. The failure of developing countries (with the exception of South East Asia) to break the specialization trap is probably one of the main causes of the rising global income inequality, which has increased continuously since the 1970’s. Moreover, we could add today environmental considerations to the old economic arguments against global specialization of production. First, natural resources exploitation activities are among the most pollution-intensive. Second, as prices of primary products deteriorate, countries have to boost production, which collaborates with prices decline and necessarily generates more pollution. Thus, if globalization entails to intensify the current world specialization, we can envisage a possible output radically different to that expected by the mainstream. That is, increasing polarization of income and environmental conditions at a global level.
Globalization and Trade: A Challenge for Human Health

Bettina Menne

The links between international trade and disease have been recognized for centuries: the path of Black Death followed international trading routes in the 14th century, and the direct links between communicable diseases and trade/international travel were the catalyst for 12 countries to collectively organize the First International Sanitary Conference in 1851 in Europe.

Globalization, or the increased flows of people, goods and services, money and ideas can have direct and indirect impacts on health outcomes and, as such, can be seen as part of the broader determinants of health\(^1\). The potential benefits derive from increased global flows of knowledge, technologies, products and policies for improving health outcomes. Real opportunities to participate in a global political economy could also increase resources for health development.

However, there are also potential risks to health resulting from Globalization, e.g., increased transborder spread of diseases due to the greater mobility of people, products, plants and animals, including communicable and foodborne diseases, as well as the emergence of new infectious agents. Trade liberalization can enable the marketing and consumption of harmful substances such as tobacco to a global marketplace, and can undermine local efforts to protect health, safety and environmental standards. The extension of intellectual property rights may adversely affect access by lower-income countries to pharmaceutical products and medical technologies.

A major risk to health is also the uneven nature of the globalization process - many individuals, groups and sectors are actively participating in the emerging global society, but, many others are not. Certain sectors, such as financial capital are being rapidly "globalised" while others, such as labour, remain restricted. Thus, Globalization is reinforcing familiar, as well as creating new, inequalities - including health - within and across countries.

This unequal pattern of development poses major challenges to public health. The marginalization of certain groups and issues is reinforced further by their no representation in development. Public health practitioners have, until recently, been noticeably absent from key discussions on the future structure of the global political economy\(^2\). Given the significant risks and benefits of Globalization to health, policy makers, researchers and practitioners in public health must urgently and actively contribute to, and substantially influence, policy debates that will shape the development of Globalization\(^3\).

Furthermore, public health practitioners have raised a series of questions over the last years. One set of question includes concern about power and politics of globalization-who governs the capital, labour and knowledge and whose health is being promoted by whom? Another complementary view is held by community health service providers, which see globalization, eroding health because it has been

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1 Many challenges today are global in nature. Global forces are increasingly affecting domestic social policy objectives. New public health policies as well as policy instruments are required to ensure that health and the broader issues related to ensuring a just society are incorporated into the current approach to managing global policy concerns.

2 These discussions include: the promotion of a fairer trading system; debt relief; a global code of best practice of social policy; new practices in international cooperation to secure the provision of adequate public services for all and contributing towards a more reliable supply of and access to global public goods

3 Part of this document has been extracted from the WHO Progress of Work of the Department of Health and Sustainable development, WHO/SDE/MIP/00/2
undermining progress in social development and ask themselves how a health care system should look like in order to address the needs of all?

The presentation will outline different aspects of trading and governance of particular importance to human health. Examples of tobacco trade and global public health, food trade and infectious diseases will be described. A few slides will deal with the new challenge for public health within the global context. Public health must encompass the interrelated tasks of reducing social and health inequalities and achieving health sustaining environments. WHO activities in this area will be described and a provisional list of research questions presented.
Trade and…: The Agenda of Trade Linkages

Konrad von Moltke

Introduction

The World Trade Organisation (WTO) is not the World Organisation for Globalization (WOG) that some see it as, nor should it be. To be effective it must define its agenda carefully and focus on issues that can reasonably be addressed within its (limited) institutional framework. That is an important task, which can only be undertaken if clearly articulated criteria exist for the inclusion (or exclusion) of issues. No such criteria have yet been proposed. This paper suggests one approach to this problem, based on recent research on the effectiveness of international environmental agreements.

Any (international) organization needs a carefully constructed agenda to ensure that it is effective. This is a matter of particular importance for the World Trade Organization (WTO), which was stitched together from institutional pieces that had developed around the nucleus of the General Agreement on Tariffs and Trade, itself the product of a remarkable piece of diplomatic legerdemain. Because of its “bastard” origins, essentially an attempt to salvage the core principles of a trade organization that was not expected to come into existence, the institutional character of the GATT has never been the subject of properly prepared international negotiations.

The agenda of the trade regime—first the GATT and now the WTO—has indeed expanded inexorably. The GATT itself was originally a forum for the relatively straightforward process of agreeing tariff reductions. The WTO, however, encompasses a host of issues, including technical standards, sanitary and phytosanitary standards, trade in services, intellectual property rights, subsidies, investment and government procurement. Despite this expansion of the agenda the institutional capabilities of the regime have not expanded significantly. It remains primarily a forum for negotiations between sovereign states. Its implementation efforts revolve around binding rules concerning national treatment, most favored nation treatment, some transparency and (improved) dispute settlement procedures.

The WTO’s core activity is to foster trade liberalization, to oversee existing rules designed to promote non-discrimination in international trade, and to ensure that essential disciplines are in place as markets become international. This is a large and important agenda that presumably includes non-tariff barriers to trade and trade in services. Other aspects of the complex process of globalization should be left to other organizations, maybe even newly created ones.

Recent years have seen a proliferation of issues that are being linked to the trade regime, “trade and” issues. It is important to identify the sources of legitimacy for these linkages and to identify the ways in which they are similar or dissimilar, i.e. whether they exhibit common problem structure implying the capability of being managed through the same institutions. It is also important to determine the manner in which the linkages with the trade regime will be approached. One approach is to attempt to address the trade dimension of all these issues within the WTO itself. This entails the risk that careless cumulation of marginally linked issues will result in poor policy at best, and lead to gridlock at worst. Another approach is to assign the “trade and” issues to separate organizations. This entails the risk that dispersing a linked agenda among separate, significantly independent organizations will leave the undeniable linkages inadequately attended to.

The need for maintaining coherence across a number of international organizations is of paramount importance for the trade agenda that has such linkages to attend to. Yet achieving coherence is

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1 See below.
something the international system has been singularly incapable of achieving. Ironically the “catalytic” role that was part of the original agenda for the United Nations Environment Programme (UNEP) remains unfulfilled—in large measure because the current international system is uniquely resistant to administrative coordination. The problem of coordination with organizations that address trade-related issues is a problem that the WTO can not solve by itself.

There are several, largely uncommented parallels between the development of trade liberalization and the growth of international environmental management. The dramatic growth in the trade agenda largely coincides with the Tokyo and Uruguay Rounds, which in turn coincide with the development of international environmental organizations since the 1972 UN Conference on the Human Environment in Stockholm. Both trade policy and environmental management are inescapably international issues that cannot be addressed without high levels of international cooperation. Both trade policy and environmental management seek to foster structural economic change, albeit with differing focus. No wonder the two agendas have ended up hopelessly intertwined. Yet the approach of environmental negotiators to the problem of creating an effective international management structure differs fundamentally from the “rules based” approach of the trade regime. It makes sense to assume that these differences reflect necessity rather than just happenstance.

The decades long struggle to construct an effective, coherent structure for international environmental management has created what is by now probably the largest enterprise in international society, at least in terms of human resources. It has seen both successes and failures. It has resulted in an extraordinarily complex structure.

The experience of international environmental negotiators may hold important lessons concerning the need to develop criteria for the construction of an effective architecture for the further development of the global economy, and for the WTO in particular. Experience with international environmental agreements suggests strongly that the key issues in creating effective international organizations concern an adequate understanding of the underlying problem structure and of the institutions that may be required to address the problems assigned to an organization. The key issue is the fit between problem structure and institutions. Organizations should not be asked to deal with problems for which their institutional capabilities are inappropriate, nor should the institutional instrumentarium of an organization be expanded in response to an expanding agenda to the point where organizational coherence is lost.

“Trade and”: Three Waves

The first wave of “trade and” issues are those that have been viewed as legitimate by trade negotiators and consequently have been allowed into the trade agenda with resistance based on negotiating positions rather than on a principled concept of what does and does not belong on the trade agenda. These issues have tended to be called “trade related” although in practice this terminology serves to hide the fact that parts of the agenda they represent are not trade related. They include services, intellectual property rights and investment.

The environment was the first “trade and” issue that was not readily accepted as legitimate, even though it had lurked on the trade agenda since 1972, when a GATT Committee on the Environment was created (but never convened). The principal difference between the environment and the other

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4 Konrad von Moltke, Whither MEAs (forthcoming)
“trade and” issues that had been allowed into the GATT/WTO system is that this was an issue that was largely forced on trade negotiators from the outside. It reflected growing evidence that unreflected development of the traditional trade agenda would interfere with necessary environmental measures.

The trade and environment linkage first acquired salience in relation to the tuna/dolphin conflicts and then came to play a significant role in the NAFTA negotiations. Because of the resistance of many trade experts to inclusion of the environment in their agenda the dynamic surrounding this issue has been dramatically different than that underlying previous “trade and” issues. Nevertheless the logic for including environmental issues is in many ways stronger than the need to incorporate IPR or investment issues. Over time it has become increasingly evident that all the agreements within the WTO have significant environmental implications, so that a structural problem exists that needs to be addressed.

Faced with broad resistance on the part of the trade policy community, environmental commentators were the first to seriously challenge trade experts on their interpretation of the GATT. They provided some of the rare public critiques of the proposal to create a Multilateral Trade Organisation (subsequently the WTO). The GATT had not been subjected to this kind of critique before. Certainly the community of trade experts had never envisaged the kind of debate that ensued from the environmental critique. The result was to demonstrate the institutional limitations of the trade regime, effectively opening the door for a range of other “trade and” issues.

The third wave of “trade and” issues essentially followed the path that had been opened by the environmental incursion into the trade regime. Labor, human rights and public health groups all recognized that trade policy could influence the results of their efforts and could even become an important vehicle for the accomplishment of their broader international goals. None of these issues has yet managed to obtain a foothold in the trade regime, either through organizational recognition of its agenda or through the existence of disputes that clearly affected its goals. While these issues have indubitable links to the trade agenda it is important to recognize, as will be explained below, that these are qualitatively different than those that drove environmental issues into the WTO.

“Trade and”: Commonalities and Differences

The common thread that unites all “trade and” issues—whether they have been embraced by the trade policy community or resisted—is that they have an essential economic dimension that can be affected by the processes of trade liberalization. To this extent they all have a reasonable claim to be a part of the trade agenda. The process of trade liberalization will impact their concerns as it triggers structural economic change in response to competition and the need to promote greater economic efficiency. Nevertheless there are powerful arguments, based on the need to maintain an effective trade regime, that militate against the inclusion of any and all “trade and” issues in the trade agenda. The fact that trade policies can be shown to impact the interests of one social group or another does not imply that its concerns need to become the object of international negotiation in the trade regime.

An initial response is to point out that it is the responsibility of each country to address the relevant concerns insofar as they affect its citizens. This serves to shield the trade regime from overloading the agenda. It appears to be an elegant solution to the risk of turning trade negotiations into the regulatory core of a global social and economic regime, effectively transforming the WTO into a WOG. Representatives of the trade regime frequently emphasize the principle that countries remain free to choose the level of social and environmental protection they desire, so long as they do so in a manner.

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that is non-discriminatory as defined by the trade regime. This ignores the fact that the process of economic globalization has inexorably led to the globalization of the broader social agenda. The environment never needed the trade regime to become what it is, a global issue. But the labor, human rights and public health agendas are progressively being transformed by the emergence of international markets and new international actors who wield significant economic power and thus have the ability to promote or hinder the accomplishment of these public policy goals. Moreover countries are increasingly constrained by trade rules in how they determine the appropriate level of social and environmental protection. Obviously such procedural rules can and do affect the material outcomes of the respective policy processes.8

The impulse to assign “trade and” issues that trade negotiators are uncomfortable with to the national level while embracing those they prefer highlights one of the central paradoxes of the trade regime. The premise of trade liberalization is that in trade national frontiers should not matter. This happens to be a premise shared by most environmental negotiations, explaining in part why the trade and environment linkage has proven so unavoidable. The inevitable result of this premise is to transform the principle of state sovereignty, maybe even to undermine it critically. Yet the trade regime is tightly wed to the notion that countries represent the only legitimate jurisdictions in international society, perhaps more so than any other international regime. The resultant tensions are growing increasingly difficult to manage as the trade regime fails to confront the results of its own actions. It is no coincidence that the “trade and” issues, and in particular the environmental agenda are bringing these tensions to the forefront. In some ways trade negotiators are as fearful of the results of globalization as their most vehement critics, at least insofar as they will force change in the WTO.

Failing resolution of “trade and” issues at the national level, it may be appropriate to assign them to other international organizations, focussing instead on the relationship between the trade regime and these organizations. Yet simple declarations on the part of trade negotiators that services, intellectual property rights, and investment are acceptable topics for trade negotiations while environment, labor and human rights are not represent an insufficient basis for deciding what must be addressed and what is best left to other negotiating fora. To legitimately make such a determination it is essential to understand the nature of the linkages between the trade regime and any issue that claims linkage with trade, in other words to identify the structure of the problem that requires attention.

The linkage between trade in goods and trade in services is easiest to justify. While there are some significant differences between these two areas of trade, the similarities predominate. In both areas market access and non-discrimination are the dominant concerns, and the institutions required to achieve this goal are remarkably similar: most favored nation treatment, national treatment, transparency and dispute settlement. Moreover many of the services that are the object of the General Agreement on Trade in Services (GATS) represent fundamental prerequisites for an efficient trading system: transport, banking, insurance and legal services are the institutional foundation of an open trading system. The principal difference is that trade in services frequently requires investment in both the home and the host country, and the GATS has appropriately incorporated rules governing such investments so as to secure the benefits that can accrue from more open trade in services.

The case for inclusion of intellectual property rights in the trade regime is much harder to make—never mind that they are obviously there to stay. Indeed, it may be significantly weaker than the case for including the environment. Trade in counterfeit and pirated goods represents an important threat to the integrity of any system of IPR. Countries that have strong IPR protection have a corresponding need to interdict the importation of such goods. That is a goal that can, however, be achieved by a variety of means short of imposing identical systems of IPR on all trading partners. The Convention on International Trade in Endangered Species (CITES) addresses significant trade impacts on species protection, not unlike the problem of counterfeit and pirated goods in the IPR regime. There is no inherent reason why a convention on counterfeit and pirated goods could not be agreed in the World Intellectual Property Organization—except that (contrary to CITES) the likelihood of effective

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8 Howard Mann,
implementation without the clout of the WTO appears slim. In truth, the essential reason for including IPR in the trade regime was to use its enforcement capability. In this respect, TRIPS is more like labor rights than it is comparable to the environmental agenda.

At its core, IPR represent a social bargain under which society grants innovators temporary monopoly rents as an incentive to produce more innovation than might occur in a market without IPR. It is unclear whether suppressing the unrestricted use of patented and copyrighted materials in other countries and extending IPR protections that may be appropriate in developed countries to all countries is an effective strategy to promote innovation in developing countries. In practice those concerned with IPR used the legitimate aim of repressing piracy and trade in counterfeit goods to pursue a much wider goal. They wanted to use the trade regime as an enforcement mechanism to achieve respect of international agreements that they proved incapable of enforcing in any other manner.

The linkages between trade and investment are even more tenuous than between trade and IPR. The fact that investment occurs to produce goods for trade—or to replace goods that were originally in trade—does not justify the inclusion of investment in the trade regime. The fact that multinational companies are both large traders and large investors does not provide adequate justification either. Finally the existence of investment rules as a necessary adjunct to the GATS does not imply that all investment activity should be brought under the umbrella of the WTO. In practice investment is an independent economic activity that is subject to a wide range of rules and institutions that would need to be considered if there is to be an international investment regime. Most importantly, productive investment is a long term activity and investors—unlike traders—acquire significant rights in the foreign country where they invest. The core of an investment regime involves a balancing of those rights with essential public goods, a vital function of government at all levels. While “non-discrimination” is the essential goal of an international investment regime, the institutions required to secure this goal are different than those for trade in goods (or services) since they involve a continuous balancing of private rights and public goods. There are few reasons to include investment negotiations in the trade regime. Indeed, if investment becomes part of the trade regime there is no rational basis for refusing to include labor, human rights, or public health issues.

To argue that IPR and investment should not be negotiated in the WTO does not deny the existence of important linkages between these issues and the trade agenda. It underlines the fact that the need to develop effective structures of organizational cooperation, addressed in Art. V of the WTO Agreement, is one of the fundamental tasks of the organization. It is not restricted to the World Bank and the International Monetary Fund; it needs to include the United Nations and its Specialized Agencies; and it involves both complementary and conflicting issues.

The environment is unique in that it confronts the trade regime with a large, diverse international governance structure designed to protect essential environmental values that is not ineffective and that remains one of the most dynamic areas of international policy making. Indeed, certain environmental issues are literally “global” in a manner that economic regimes are not yet. The need to protect the environment is itself one of the essential drivers of the process of globalization. Every one of the agreements within the WTO has significant environmental implications. Several international environmental regimes require controls over international trade to ensure that they are not undermined. This constellation of forces sets up a major and continuous intersection with the trade regime that will have to be managed sooner or later.

In contrast to all the other “trade and” issues, environmental regimes have no interest in the enforcement capability of the trade regime. The institutions utilized by environmental regimes to achieve some measure of effectiveness are entirely different than those of the trade regime: science, precaution, participation, assessment, transparency, cooperation\(^{12}\). Indeed, one of the central concerns of international environmental regimes relative to the trade regime is to ensure that trade enforcement activities do not interfere in the introduction of essential environmental disciplines into international markets.

Some observers assume that the lack of a dispute settlement system comparable to that of the trade regime is one of the principal reasons for the trade and environment interface. In other words they believe that the environmental regimes lack an essential institution for effectiveness and are trying to use the trade regime’s dispute settlement procedure. In practice there is little evidence to support this assumption. Most international environmental regimes deal with the problem of compliance and enforcement in ways that are not comparable to the approach of the trade regime: that is why CITES works whereas a convention on counterfeit goods is widely assumed not to work\(^{13}\).

By far the most important of the remaining “trade and” issues is that of labor rights. Indubitably trade liberalization has significant employment impacts: low wage levels in manufacturing and many services represents the most important comparative advantage of most developing countries. In other words, many of the benefits associated with trade liberalization are directly dependent on wage differentials between countries. Beyond that, trade liberalization between countries with comparable wage levels, or more properly comparable levels of wages relative to productivity, will still cause structural change in the countries involved as other sources of comparative advantage impact the distribution of economic activities and economic efficiency is promoted. These processes can be extremely painful for those least able to adjust to changing conditions, and trade policy that does not provide assistance to those who are impacted is socially irresponsible. While there are few international remedies to this dilemma, a broad international effort to ensure core labor rights, i.e. the right to bargain collectively and the right to a living wage, represents an appropriate demand in face of this need.

Given these linkages it is reasonable to ask whether labor rights do not need to be part of the trade policy agenda. The response is, as with investment and intellectual property rights, negative primarily because the problem structure of trade liberalization and the problem structure of securing core labor rights are significantly different. Consequently the institutional requirements of an adequate international response are far beyond the institutional capabilities of the trade regime. Not unlike the needs of environmental management, international agreements on labor rights are formulated and implemented in a manner that is necessarily distinct from the institutional structures of the WTO. The conflicts between trade and environment arise because international environmental measures are effective, in that they impact the functioning of international markets. The conflicts between trade and labor arise because the comparable international measures are ineffective. Consequently those who would introduce labor rights into the WTO are acting in a manner comparable to the IPR community: faced with ineffective international agreements they wish to use the implementation clout of the trade regime to achieve what they otherwise cannot. While it may be reasonable to assert that was good for IPR is only fair for ILR—one might speak of “trade related labor rights, or TRILR”—there are real risks associated with such an approach. While it may be appropriate to argue that the first step down that slippery slope was taken when IPR were included in the trade agenda it is worth keeping in mind that it represents a slippery slope nonetheless. If it is indeed important for the effectiveness of the trade

\(^{12}\) Konrad von Moltke, Whither MEA’s? (forthcoming).

\(^{13}\) Understanding why international environmental regimes are effective remains one of the more interesting research puzzles. It is clear that their effectiveness is not based on dispute settlement but rather on elaborate institutional structures that draw a wide range of constituencies beyond states into the regimes. Moreover most international environmental regimes exhibit only partial effectiveness so that it becomes easy to focus on the ways in which they are ineffective. Yet the real surprise is that they are effective at all and it is essential to understand why this is the case before advocating major corrective surgery.
regime to keep labor rights off the principal agenda, it is also reasonable to ask trade negotiators to make a much more positive contribution to the problem of rendering existing ILR more effective. Ineffective labor rights will pose a continuing risk to the trade regime.

Other “trade and” issues are less highly developed—and less powerfully prosecuted—than ILR. Human rights and public health issues in particular have a case not unlike that of labor: trade liberalization causes social disruption, and social disruption puts the legitimate concerns of the respective policy communities at risk. Yet their respective communities have limited ability to disrupt the process of trade negotiations and consequently are unlikely to be able to force their issues onto the trade agenda.

Finally it needs to be asked whether development—and poverty alleviation in particular—is a “trade and” issue? This is a question the WTO has struggled with for some time, setting up a Committee on Trade and Development that has not, however, been particularly effective. The principle of special and differential treatment, articulated in Part IV of the GATT, and reiterated in several of the other WTO Agreements, attempts to grapple with this dilemma, but it remains one of the most problematic parts of the regime.

The dilemma arises from the fact that trade liberalization is centrally about “development,” at least in the sense of “economic growth.” In this respect, development imposes no additional demands on the trade agenda. The current debate about the WTO and the World Bank and their contribution to poverty alleviation makes this argument in elaborate detail. In practice, however, global economic growth raises issues of distribution—or equity—that are among the most difficult for policy makers to confront. Wealth and political power are closely correlated; political power and the ability to appropriate rents that may become available in the course of economic change and growth are closely correlated. It is virtually axiomatic that economic growth, absent appropriate policies to promote greater equity, will reduce poverty at a painfully slow rate, and often at the price of accentuating the distance between the richest and the poorest. In other words even while poverty has been reduced worldwide by economic growth, disparities between rich and poor have increased. To the extent that poverty is not defined in purely economic terms, i.e. disposable income, but in positional terms, i.e. relative disposable income, there is little evidence to support the notion that economic growth by itself reduces poverty.

From the perspective of the trade agenda, that suggests that development in the sense of “economic growth” is not a “trade and” issue, but sustainable development clearly is. It is the cumulative response of the trade regime to all the newer “trade and” issues that have arisen and that address environmental and social concerns. The response to this particular issue—or complex of issues—is liable to be as complex as suggested above. In some areas it will be necessary to increase the effectiveness of regimes outside the WTO; in other areas it will be necessary to work out how to balance the trade agenda against competing priorities of international public policy; and in other areas again it will involve the creation of entirely new organizations.

If the trade agenda is opened further—and that extends to the inclusion of investment issues, which bring a heavy load of other public policy concerns with them—there will be no grounds for rejecting the inclusion of all “trade and” issues in the WTO agenda. This would turn the WTO into a WOG that everybody knows will not be an effective organization.

Criteria for Inclusion/Exclusion

The “trade and” agenda remains very much in flux. Getting the right balance of inclusion in the trade regime, separate negotiation and establishing linkages between international regimes is in many ways the central contemporary challenge for the trade regime. Until it is properly settled, a new “Round” is neither possible nor desirable because it will attract widespread opposition, and runs the risk of turning
the WTO into the WOG. After it is settled it may turn out that negotiating in “Rounds” is no longer an option for the WTO.

There are essentially four different approaches to the “trade and” agenda: ignoring, national responses (possibly within an international framework), other international responses (with provisions to determine “jurisdiction” between regimes), and inclusion.

Ignoring the “trade and” agenda does not appear to be an option. That is equivalent to declaring the entire process of globalization bankrupt.

National responses is the most attractive option since this largely removes the issue from the international agenda. As globalization progresses the number of issues that can be adequately addressed at national level will continue to diminish—faster for smaller countries, slower for larger ones but ultimately for all, even for the United States. The experience of the European Community is in many ways not comparable to the process of globalization because it involves a policy of intentional integration. Yet it is instructive as an example of how, as markets are integrated, it is ultimately impossible to draw a clean jurisdictional line in the sand between national and international jurisdiction.

The major challenges lie in “international society,” the emerging structure of interests, institutions and organizations, sometimes even individuals, that operate at the international level. The past decades have seen a breathtaking expansion of international society, constant declarations that new international organizations are undesirable notwithstanding. Increasingly private action is emerging as a factor in international society, moving to fill gaps left by public authorities.

To understand these developments it is important to distinguish between organizations, formally constituted bodies with offices, staff and budgets, and institutions, the “rules of the game” that have evolved to address the numerous issues that now require international attention. In this sense “property” or “contract” are institutions but the World Bank and the International Monetary Fund are international financial organizations. In some sense it is the institutions that matter since they ultimately determine the capacities of the organizations that utilize them.

Not all international organizations utilize the same institutions. This apparently self-evident statement underlines the fact that organizations must specialize to be effective, and their institutional arsenal should reflect the problem they are designed to address, the goals they seek to achieve. It also highlights the fact that it is possible to choose between institutions at the international level. It is no longer the case that what constitutes an “international organization” is pre-ordained by the principles of state sovereignty. Indeed, the past decades have seen the emergence of new institutions previously thought inoperable at the international level. No environmental organization can function without the institutions of science, assessment, transparency, or participation, and their dispute settlement mechanisms reflect the fact that rules are dynamic and subject to contextual interpretation and that formal disputes are seen as an unproductive way to pursue environmental goals. No trade organization can function without the institutions that secure non-discrimination: MFN, national treatment, some transparency and vigorous dispute settlement to ensure the respect of fixed rules.

The determinant of the effectiveness of international organizations is the “fit” between their goals and their institutional capabilities. What is urgently needed is a serious debate about the manner in which goals translate into institutions so as to identify issues that can effectively be managed together—and to ensure that organizations are not given tasks that cannot be accomplished with the institutions at their disposal.

This suggests that criteria for the inclusion/exclusion of issues in the WTO—and in other organizations for that matter—need to be rooted in a consideration of the institutional resources required by these organizations to achieve their goals. In a very real sense institutions are the essential building blocks of organizations. The reason why trade in services should be included in the WTO is
that it requires largely the same institutions as trade in goods; the reason why IPR, investment, ILR, environment, human rights, and public health should not be included in the same manner is that each of these issues requires its own institutional arsenal.

**Conclusion.**

At present there is no serious debate about the coherence of international policy making, the institutional requirements to achieve goals that are being articulated, and the appropriate organizational architecture to accommodate this activity. The negotiations surrounding the Kyoto Protocol, with their extraordinary focus on institutions (“flexibility mechanisms”) and how they will affect the ability of the regime to deliver the desired outcomes, come closest to this ideal. This paper has sketched some ideas for identifying problem structure and institutional fit in the “trade and” agenda but it represents no more than the beginnings of a possible debate.

The goal of such a debate is a much changed international organizational architecture. The central challenge of such a structure will unquestionably be the task of achieving coherence between various international organizations and between international and other jurisdictional levels. To describe this as a problem of “coordination” as is sometimes done is to underestimate the importance and the difficulty of the task. It involves the creation of an international process that can consider conflicting policy priorities—say the goal of trade liberalization on the one hand and the need to maintain essential market disciplines to ensure environmental quality on the other. It must make balanced determinations that are widely recognized as legitimate on how to move forward on specific and contentious issues. This is a task that is out of reach of existing international organizations that are typically focussed on a limited objective and have neither the authority nor the ability to take other policy objectives into account.

It is very hard to conceive of an international process that can meet this standard, despite the fact that every tribal chieftain, every village elder, every county executive, and every national government in the world engages in such an activity all the time. Given the complexity of international issues and the variety of interests that are typically at stake it is hard to conceive of any international process that can achieve this goal without a system of checks and balances. At least for democratic societies it is also essential that such a process be sufficiently open and subject to public scrutiny and debate.
International cooperation, free-riding and coalition building

Sophie Thoyer

The preceding papers tend to demonstrate that the acceleration of the globalisation process has created new and greater interdependencies across countries and has both amplified the risks of global negative externalities (e.g.: financial crisis, over-exploitation and degradation of global natural resources, food safety) and extended the scope for positive global externalities (knowledge and education, scientific research), although, quite surprisingly, the latter are often neglected by policy-makers. However since no legitimate supranational governing body can intervene and correct global externalities, the world economy is characterised by the over-production of negative externalities and the under-provision of positive externalities. The only solution lies in voluntary agreements between countries: national governments have to co-operate and co-ordinate their national policies in order to manage collectively these externalities. They therefore need to accept the implementation of collective standards of action – to the benefit of all -, which can be interpreted as some form of renouncement of national sovereignty. International economic co-ordination has been put in practice with renewed energy since the end of the second world war but the more recent necessity to strengthen the linkages between economic policies and other emerging global issues such as environmental and social concerns, has increased the complexity of negotiation agendas.

The UNDP book published in 1999 and entitled “Global public goods: international co-operation in the 21st century” focuses on the strategies needed to ensure a more efficient co-operation for a greater and more reliable supply of global public goods. Most global externalities do in fact affect global public goods, that is goods or services which are acknowledged as necessary for the whole society at a regional or world scale but which cannot be produced or preserved by one single country without the co-operation of other countries, due to their characteristics: the consumption by one user in one country does not impede the consumption by others in other countries (no competition in use) and it is extremely costly or technically impossible to exclude consumers, wherever they are located, even if there are rival demands. Therefore, global public goods benefit several countries without exclusion and when they are harmed or destroyed, the negative consequences are suffered by all.

In the introductory chapter of the UNDP book, three gaps are identified, which are responsible for the lack of international co-ordination in the provision of global public goods: (i) the “jurisdictional gap” due to the discrepancy between a decision-making system which relies on national jurisdiction and the globalisation of issues which must be tackled by international co-ordination; (ii) the participation gap which emphasises that international negotiations remain fundamentally an intergovernmental process although there is a growing demand from merging global actors and from the civil society to be associated to the policy-making process in order to improve the legitimacy and the acceptability of the decisions; (iii) the incentive gap highlights the need for new co-operation strategies between countries in order to reach more stable coalitions and to improve the implementation of collective decisions. These three issues are closely intertwined.

The “tragedy of the global commons”

The theory of collective action highlights the difficulty of reaching voluntary agreements between parties when the temptation to free-ride is high. The two main issues when negotiating an agreement

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1 The formulation of the public good theory was initially developed by Paul Samuelson in 1954 and provided a theoretical justification for state intervention within the framework of neo-classical economics.
are the issues of participation and compliance: how to reach a coalition which has a critical mass and which can remain stable in the long run? Countries are tempted to avoid the costs of collective action and to capture the benefits of co-ordination efforts made by others, by not joining the agreement. They are thus trapped in a prisoner’s dilemma in which they confront incentives to renege individually on commitments although they could gain collectively from reaching a stable co-operative agreement. The issue of international co-operation has proved to be an entertaining empirical field for game theorists and has given rise to many contributions on such « tragedy of the commons»: co-operative games focus on the way a coalition of countries can share the benefits of co-operation, whereas non co-operative games focus on the process of coalition formation and stability. One of the most common and recurrent conclusion of such models is the necessity, in the absence of an efficient multilateral sanction system for defection, to reach self-enforcing agreements (Barrett, 1994). This is an interesting question which should appeal to social sciences: what are the conditions for obtaining and reinforcing the stability of an agreement without a sanction system?

Such models have been instrumental also in revealing strategic biases linked to the negotiation process. The reality of international negotiations would be best modelled by non co-operative multi-lateral and multi-issues bargaining models in which each country announces its preferred outcome and then bargains its willingness to compromise on one issue as a trade-off on another issue. Bargaining models reveal the issue of strategic biases: information asymmetries between countries create incentives to exaggerate pre-announced losses in order to justify more rigid positions and to get greater compensations. Another strategy for potential losers is to ask for an enlargement of the negotiation agenda in order to find new scope for compromises and crossed compensation (the inclusion of carbon sinks in the climate change negotiation is a good example).

From whence international co-operation?

Despite the pessimistic predictions of game theory, it is a fact that a number of international agreements on global public goods have been signed between large subsets of negotiating countries and that some of them are reasonably enforced even in the absence of an effective sanction system. Explanations for co-operation include reciprocity and reputation concerns (one country cannot always play the “cynical bad guy” role), the use of credible threats, issue linkages and of course specific compensation transfers (Carraro and Siniscalco, 1993; 1998). It is also acknowledged that the hegemonic state can play a dominant role in broadening and stabilising a coalition by accepting to bear the largest share of the burden of public good provision. Nowadays, state hegemony is less easy to impose on the international scene and negotiations tend to be increasingly structured by the formation of coalition of countries: leader countries are countries able to initiate and maintain genuine and stable coalitions. There are three interesting points which can be made about the process of coalition formation in international negotiations.

The first one is that coalitions between subsets of countries have played a much greater role in recent international negotiations: It changes the path of the negotiation itself since two sets of negotiations take place in parallel: negotiations within the coalition to establish a convergence of objectives among members and a common position; and negotiations between coalitions. Coalitions might be an effective response to the increasing problem of large membership in international organisations and conventions, by facilitating compromises. In the biosafety protocol negotiations for example, it was decided in the Vienna meeting of September 1999 to reorganise the negotiation procedures by opening the discussions only between the coalitions representatives. It did contribute to the clarification of the debates and to a significant reduction in free-riding temptations.

The second fact is the moving borders of such coalitions, first because countries do not share common interests over all global issues at stake and second because they may also support contradictory positions in various international fora. The strongest coalitions are the coalitions which can defend coherent objectives over different international negotiations.
The third fact is that the role of NGOs in the formation of country coalitions is far from being negligible. It is often emphasised that the initial stage of international co-operation is the convergence of expectations and ideas: the first need is to build a common diagnosis of the issues at stake (Milner, 1998). International organisations have often contributed to the supply of information, to the gradual building-up of an epistemic community and to the emergence of a set of priorities which is collectively acknowledged: it is clearly the role played by the World Bank and the OECD for issues related to development and trade. However, the complexity of trade-related issues and the changes in the perception of political representation have led to a decision-making process which relies increasingly on networks (expertise, administration, decision-makers, civil society participation). What is at stake in this rapidly changing governance context is to create «negotiation tables» around which all categories of stakeholders engage into a reciprocal learning process about negotiated issues: international powerful NGOs have been creative in identifying society needs, in publicising information, in defending their views in the agenda-setting process of international negotiations and in founding their legitimacy on the effectiveness of their mediation skills (Tubiana, 2000). For example, the South-based NGO Third World Network does contribute to shape the dynamics of the like-minded group in the biodiversity convention. NGOs therefore play a major role in the international co-operation process because they are increasingly successful in transcending national groups and in promoting universal interests.

However, the most resilient negotiation constraint remains burden-sharing. It has become an increasingly acute issue and in Lisa Martin’s words (1999), «if lack of equity prevents the creation of co-operative mechanisms that could benefit all, then equity becomes also to some extent a global public good». It requires that the dialogue between developing countries and developed country be renewed on another other basis than only financial transfers.

The architecture of global governance

The multiplication of international treaties and agreements, the growing number of international fora in which collective rules are negotiated and the multiplication of potentially conflicting international agreements highlight the necessity to rethink the global institutional set-up (Tubiana, 2000). The answer of the existing international law - to resolve conflicts through jurisprudential decisions - may not be the best “good governance” solution.

Three broader questions underlie most international negotiations. The fact that they are not tackled directly and are therefore left unresolved may explain the recent failures of the Seattle and La Hague conferences: (i) the choice between setting-up an international financing mechanism for collective public good versus co-ordinating the decentralised production of global public good. It has of course very different implications in terms of international co-operation, (ii) the question of whether or not a legitimate and politically acceptable international mechanism for conflict settlement is desirable and how it should be designed (iii) the best procedures to structure the international decision-making process and to decide upon the hierarchy between global public goods.

Références :


L. Tubiana, 2000, «Environnement et développement - l’enjeu pour la France» La Documentation française
Challenges concerning the governance of global public goods

Daniel Piazolo

I. Can the international trade order be stretched to achieve additional aims apart from free trade?

1. ENVIRONMENT

a) National environment policy

The different environmental scarcities of countries can be expressed by different prices of environmental services. This is relevant when the absorptive and regenerative capacities of national environments vary, when a high population density makes it more difficult to spatially separate residential and recreational areas from environmentally degrading production activities and when the preferences of countries for environmental quality differ. Signalling different environmental scarcities by different prices does not require an international rule system but the pricing can be left to national policies. A market economy approach to environmental policy which taxes emissions or establishes prices for environmental services through licensing is consistent with an institutional framework for the international division of labour. The more successful the integration of the environment in the economic regulations of individual countries is, and the more successful welfare can be defined by taking into consideration the environment, the better environmental policy can be integrated into the international trade order.

Any country's environmental policy should not apply to external effects outside its own territorial area. Since countries have different amounts of environmental resources and also different environmental preferences, those with stronger environmental preferences should not be entitled to impose their environmental preferences on other countries by means of trade-restricting means. Countries should not have the right to employ unilateral measures to protect the environment in other countries.

It is a different matter, however, if transfrontier pollution occurs:

b) Global environmental goods

Global environmental goods, i.e. goods with a world-wide spatial dimension, require an agreement of all countries as to what amount and what quality of these public goods should be supplied. To achieve a sustainable reduction of emission, it is necessary to decide about the appropriate distribution of costs of emission reduction among individual countries. It is difficult to reach an international consensus, because countries have different preferences and because they have different per capita incomes and thus have different willingness to pay. In addition, the cost function for emission reduction differ from country to country and single countries can behave as free-rider. Thus, implementing the polluter-pays principle for global goods runs into difficulties. However, connecting the achievement of environmental goals with international trade policy will be an inappropriate instrument.

2. SOCIAL STANDARDS

It has been increasingly demanded in the last years to equalise world wide social standards through trade policy measures. Countries which do not employ these harmonised standards are supposed to be denied access to markets elsewhere.

This is a dangerous and misleading idea. Developing countries would be negatively affected if the harmonisation of social standards are enforced through the international trade order. Because of their low labour productivity these countries are unable to pay the same wages and to adopt the same labour standards as the industrialised countries. The industrialised countries have no ethical right to demand from the developing countries the implementation of the highly advanced social norms of the
industrialised countries by threatening with denial of market access. Any rules for harmonising social standards are likely to be misused as means for protectionism. International trade policy is unsuitable as a means of harmonising social norms. Social norms are not a public good. Minimum standards concerning labour or social norms have to be agreed upon by the members of the International Labour Organisation (ILO).

II. How to achieve consistency between the international trade order and the international environment order?

Both the environment policy order aimed at protecting natural living-conditions and the international trade order aimed at increasing prosperity of all countries through exchange deal with scarcity. Both orders attempt to reduce distortions and to achieve an efficient allocation. Since the different orders intersect at many points, the rules of the frameworks should not conflict. In principle, the aims are not contradictory, since scarcity must be defined by taking the natural living conditions into account. The more successfully the environment as a scarce good is integrated into the economic order of individual countries and the more affluence is defined by taking into account the environment, the sooner congruence of targets will be achieved between the two orders.

Even if the international environment order and the international trade order have consistent aims in principle, the rules of the tow orders should not be contingent upon each other. Making the rules mutually conditional would cause considerable uncertainty in the international division of labour. The sets of instruments of the two orders should be kept separate. Trade policy instruments should not be employed for environmental policy purposes. Countries should not have the right to apply their environment policy outside their own territory. Non-discrimination and the priority of the country-of-origin principle over the country-of-destination principle should be guiding principles. A similar mechanism to the WTO dispute settlement mechanism should be developed for the environmental domain.

EUROPE IN AN INTERDEPENDENT WORLD
Which Globalisation?
Building a European Model of Critique

Michalis Lianos

Both the expert and the lay debates on globalisation involve to different degrees its role in the imbalance between the richer and the poorer parts of the planet. The critical benefit of such perspectives is that they allow for the construction of a planetary representation of stratification and exploitation, both of living and material resources. Addressing planetary issues in terms of “globalisation” debunks as such the, overt or covert, imperialist or colonialis legitimation of cultural depreciation and brutal oppression of those who were less powerful and, accordingly, intended for exploitation. It is of course a great benefit that the qualitative leap towards a global market also promotes a convenient conceptualisation for inequality. There are, however, two major conceptual disadvantages that accompany this benefit. The first involves the reification of a global marketplace, and of its socio-cultural consequences; the second is connected with the political and cultural neutralisation of the social bond. All other adverse consequences of globalisation can meaningfully be analysed as tangible expressions of these two developments. I will briefly discuss those two effects separately below and I will address some issues that seem to me important for the immediate future of governance in globalising conditions in the final part of this note.

I. The production of globalisation and the deficit of rival paradigms

The current reification of the global market produces tangible large scale consequences. Both traders (and by this I mean trading players of any sort) and governments look at the current developments in the global marketplace not only as a given condition but – what is most worrying – as a given planetary dynamics. This situation is extremely new if one focuses on the fact that states, and multi-state concentrations, accept not only the present, but also the orientation for the future, to be an ineluctable one way avenue. But what is more astonishing is the acceptance of globalisation as an ‘event’ or a ‘phenomenon’ – something which is “happening” to us all – rather than a process generated by the socio-economic conditions that underlie it. This is explicitly or implicitly the position of both the promoters and the adversaries of trade liberalisation; that position facilitates the former in their defence of the nature of unstoppable human progress through economic growth and the latter in producing an assailable target. Although this is a practical binary frame for effective political opposition, the war is unconsciously being won by globalisation’s advocates precisely because of the reified terms of the debate. However, winning the political war against protesting social movements does not solve the problems that these movements focus on, from the legitimacy of market sovereignty to planetary justice and sustainability. What is missing is a certain degree of socio-economic causation, which I will briefly sketch here.

Globalisation should be seen as a socio-economically generated process, and this is more than a tautology. We need to look at it as a specific tendency produced and sustained by contemporary postindustrial societies. In other words, globalisation is not a global condition but a “western” product. Its causes are not, therefore, to be found in its components. The liberalisation of international trade is of course an underlying condition of globalisation but not an adequate cause; as it is often pointed out it was underway long before a debate on globalisation emerged. What is remarkably different is the rhythm at which postindustrial societies aligned themselves around a market-led model of proliferating investment and interaction, and the shift of power towards this new web of interaction. The concentration of investment, trade and power towards trans-national corporate entities is a secondary effect of this ‘turn to the market’ whose aim was to keep the promise of the post-war pact between Western states and their citizens: continuous increase in services and goods available to the majority.
It was the existence of applied socialism regimes that made this promise a pressing issue for capitalist democracies. The major benefits of applied socialism were in fact experienced by Western citizens and had to do with the awareness and leadership of the State in the areas of social justice and democratic political governance. Paradoxically, it was the collapse of applied socialism, and the social impact that this collapse had on western societies, that changed the orientation and the meaning of the globalising process. This was the single most important factor for transforming globalisation from a techno-economic condition into a de facto planetary model of unaccountable political governance; this second phase could be called horizontal globalisation, as it transverses and merges not only distinct markets, but also the spheres of conscience, existence, organisation and action in each society. We are, therefore, dealing here with the effects of the post-1990 deficit of conceivable socio-political alternatives. The reconstruction of an influential, rival paradigm is urgent if we want to re-politicise the major political, social and environmental issues. The network of movements and organisations that attracted attention in Seattle could be seen as an attempt to substitute for the lack of such a paradigm. It is unlikely, although not entirely impossible, that a permanent, recognisable socio-political platform will emerge from this network; but it is very likely that any such platform, whichever its origin, would greatly benefit from the work and support of these organisations.

II. Globalisation and the social bond

The second problematic effect is the neutralisation of the social bond. This is a qualitative effect that involves the mediation of social relationships by institutions; I use the term institution here in the context of my own theoretical work, to mean every structure that configures human action and interaction, i.e. not only public institutions but, most importantly, private organisations and establishments, ranging from business conglomerates to web sites, from shopping centres to motorways. I have argued in a series of recent works that the action of all these entities penetrates social existence and substitutes for the social bond by making it increasingly redundant; I have called this new condition of the link between socialised humans “institutionality”. Globalisation is from many viewpoints the high point of dense institutionality because it is the apotheosis of powerful market players offering an ever increasing array of goods and services, and causing proportional atrophy of negotiable and collective social interaction. In other words, it is a powerful contributor to the de-socialisation and the atomisation of human societies. Research underway on postindustrial, “emerging” and transitional societies in Europe shows that a great amount of social complexity is currently haunting the lives of Europeans who are concentrated on competing over accumulating social certainty in a destabilising individualist context. Under the pressure of globalised capitalist institutionality, stability disappears and the regression towards individual concerns deepens. All dimensions of collective existence, including citizenship, are under great stress; societies are transformed into concentrations of ‘users’. The situation is somewhat different, but not necessarily better, in more “traditional” societies, where “modernisation” comes through globalisation only in the form of large scale institutionality but without the historical benefits of a liberal public space, a degree of democratic representation, public institutions that serve the State of Law, and citizenry; in other words, social structures are lost in these societies without any political gains, while atomisation sequesters the horizon of social movements as such.

We are caught in a global desocialising dynamics which diminishes our defence capacity as a species. Desocialisation and atomisation prevent us from addressing well substantiated major problems that


2 EC 5th framework project “Uncertainty and Insecurity in Europe”.

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can only be resolved via the production and imposition of solutions which mobilise strong residual representations of collectivity; spasmodic and minority activism is not enough. In this sense, globalisation is a process which, unintentionally, denudes the planet from the means of governing and re-orienting it. An excellent exemplification of this is the recent collapse of the negotiations on global warming. There is today the widest possible consensus on the need for urgent measures. It is, however, impossible that such measures be agreed upon and implemented. as they challenge well established self-governing competitive options at all levels, from that of the individual car user to that of the State.

III. Governance and Re-Socialisation

The European Union is passively engaged in the production of contemporary horizontal globalisation and in the social, political and environmental erosion that this causes. There are two levels at which the EU urgently needs to take an active stance: a) the establishment of a clear distinction between ‘beneficial’ and ‘detrimental’ globalisation, b) the wider, underlying representation of the economy in terms that favour and legitimate this distinction. The first issue involves the re-definition of liberalised global trade as a process that acquires meaning according to its consequences, rather than a principle that should obviously be adhered to for reasons of “growth”, “wealth creation” and vague references to the “trickle down effect”. The link between governance in the EU and globalisation should be mediated by the representations of Europe that the European peoples adhere to. This involves the level of problematising the role of the economy, which I will address first.

a) The Re-Socialisation of the Economic

The issue of liberal global markets can only be addressed today at a pragmatic, utilitarian level. This is due both to the hegemony of the USA in establishing the terms of the debate and to the fact that social erosion has turned the majority of postindustrial citizens into mere speculators on potential benefits. Paradoxically, such utilitarian terms can help the EU to carefully promote a alternative discursive model for the representation of the debate. This model should be based on a consensus reflecting historical and social identities to which European political parties will adhere because of strong public support. It must be “branded” – probably as the “European model of global utility” – and promoted in the media and in public fora, both as a model of political discourse and as a generally accepted conceptual framework, within which social and political divisions are constructed in the EU. It should serve therefore as an identifiable frame of reference at the same time for external negotiations, internal divisions, and public policies. This is the only way to gather the immense degree of support needed to question the sovereignty of unaccountable, horizontal globalisation. I will outline here four of the major components of that European model:

i. sharp distinction between economy and society, not as operating systems but in their dimension as areas of application of values and norms; this should be supported by the parallel principle that the purpose of the economic is to serve the objectives of the social and the political; this could be formalised along the existing lines of European political discourse that although “one cannot govern against the economy”, “we want a market economy but not a market society”;

ii. insistence on the fact that social stratification and competition have to be justified in terms of politically acceptable social and environmental objectives;

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3 A good national scale example of how this can be done is the exception in the audiovisual sector demanded by the French Balladur government in the 1993 WTO (GATT) negotiations. The decision to negotiate such an exception generated a very high degree of active support across political divisions, and without recourse to nationalist views. The debate was introduced in terms of the survival of the French culture under the global hegemony of the USA audiovisual industry.

4 After the drafting of the Multilateral Agreement on Investment it is quite justified to speak of sovereignty in the context of unaccountable globalisation.

5 Respectively, well-known adages of the German Chancellor Gerhard Schröder and the French Prime Minister Lionel Jospin.
iii. reflexive attitude towards competition at all levels and introduction of the idea that competition – in the global market or elsewhere – should not be seen as a value, but as a game where all players should gain something of value, albeit some will gain more than others;

iv. clear reference to the link between social and psychological erosion in the life of postindustrial citizens (crucially including the middle classes), and the processes of unaccountable globalisation;

These main premises could serve as the foundations of the model and at the same time as criteria for bringing globalising processes under the assessment of the postindustrial citizens who produce it. Thus, they could serve as a basis of critical legitimation for EU claims at re-orienting, channelling and, selectively, limiting globalising processes of little social, equitable or sustainable utility.

b) Beneficial and Detrimental Globalisation

The attack on fora and institutions promoting liberalism on a planetary scale is often mounted on the twofold basis that liberalist globalisation is not inevitable and that it benefits the West and damages the rest of the planet. This is a stance that springs from the need to oppose the liberalist discourse, rather than a well thought out critique. In fact, globalisation is inevitable as a technological, environmental and informational process and it should be recognised as such. What is not inevitable is unaccountable, horizontal globalisation, which often damages Western societies to the same extent – though not in the same ways – that damages other parts of the planet.

As the invitation to this workshop put it, “the link and trade-offs between economic and social factors need further understanding”. A European critical appraisal of the globalising process, spearheaded by the EC along the lines of the criteria above, should have as its first objective to show to postindustrial citizens that they themselves are the first victims of unaccountable globalisation, and to gather wide support across social strata on this basis. Extensive evidence for a genuine social and political discourse which demonstrates this link can be put together by combining research and data that illustrate the phenomenal impact of intensifying competition within – and between – societies in a trade-oriented global context. Issues of “well-being” should be predominant, from the development of mental illnesses to the erosion of collective transport services, from the disappearance of friendship to pollution, from the increase of relative poverty and fear of crime to the deepening uncertainty and destabilisation, which has become a structural effect of competition at the level of individual life experience.

Social support on this basis is indispensable for establishing and pursuing the distinction between beneficial and detrimental globalisation; it will provide the necessary legitimacy for questioning the obviousness of increasing deregulated trade on grounds of global utility. The concrete impact of this could progressively lead to the application of the specific criteria of utility on every instance of horizontal globalisation, from WTO negotiations to large scale mergers, from IMF recommendations to OECD priorities, from aid programmes to the increase of foreign direct investment. Such criteria of global utility will also promote in the long run an alternative pattern for the design of monetary policy as well as for the co-ordination of regional policies. An ad hoc international body on the ‘social expediency of market initiatives’ could be the culminating stage of this process. This would formalise the dissuasive application of the global utility principle, i.e. that every assessed initiative needs to prove a substantial contribution on the basis of global utility criteria, otherwise it should be rejected.

The objective of a useful EC stance on globalisation should be neither to surrender nor to oppose, but to demonstrate the necessity of the dichotomy between beneficial and detrimental globalisation. It is by re-discussing the role of the economic that it will be possible to show how an inevitable process can be made to benefit the planet on the levels of individual experience, sustainability and equity. We are at the dawn of the first socio-economic transformation on a global scale. The EC should use all the strength of EU peoples to provide the type of leadership in which Europe has a great tradition: persistently challenging what seems to be obvious by asking why before it asks how.
Changing European Governance—global economy and globalising society

Brigid Laffan

Introduction

From the outset, the development of the EU interacted and intersected with changes in the wider international political economy and geo-politics. However, the relationship between Europeanisation and globalisation is problematic. Is Europeanisation simply an epiphenomenon of wider processes of internationalisation in the international system or does it have distinctive characteristics? Does Europeanisation complement internationalisation or is it in conflict with it? Very little scholarly attention has been paid to the relationship between globalisation and Europeanisation. (Wallace H. 2000, Laffan et al 1999) I would argue that Europeanisation is distinct from, although connected to, wider processes of globalisation. It is distinct because of its geographical reach and the density of formal and informal institutions, which bind the states of Europe together. European integration has fostered a form of deep regionalism that differs from other regionalisms in the international system, in terms of its policy scope, level of institutionalisation, and normative underpinnings. (Laffan 1998) The reach of EU regimes extends beyond the borders of the existing 15 Member States to the EEA states, the countries of East Central Europe and the Mediterranean non-member states. The EU is a buffer against internationalisation in some sectors such as agriculture and a site of internationalisation in others. Given the role of the EU as an actor in the international political economy, particularly in the trading system, the EU is a filter for wider processes of globalisation. The purpose of this short piece is to highlight the characteristics of EU governance.

Key Properties of EU Governance

There are numerous and contested definitions of governance. Oran Young provides a useful definition of governance as ‘the establishment and operation of social institutions (in the sense of rules of the game that serve to define social practices, assign roles, and guide interactions among the occupants of these roles, capable of resolving conflicts, facilitating co-operation, or more generally, alleviating collective action problems in a world of interdependent actors’. (Young, 1994, p.15) The key elements of the definition are the creation of institutions, assignment of roles to guide negotiations, conflict resolution and the enhancement of co-operation. The EU has evolved as a dense site of governance, albeit not the only one, above the level of the state in Europe. Europe, particularly the Western half of the continent, has experienced deep regionalism in contrast to other regionalisms in the international system. As a model of regionalism it lies somewhere between a continental federation and international liberalisation while sharing characteristics of both and with distinctive characteristics of its own. The EU and European states have extensive experience of managing ‘cross-border’ connections and the EU itself represents an ambitious template cross-border management. (Wallace, 2000, p. 376) How has it done so?

Extensive Institutionalisation

While less institutionalised than a nation state, the EU represents a dense site of institutionalised governance. Collective institutions bind the system of EU governance and have given it most of its durability and flexibility. EU institutions represent an admixture of supranational and intergovernmental features that together produce a complex executive and legislative process. All policy fields that have become a common concern at EU level have gone through a process of institutionalisation. In formal terms this involves the assignment of resources to the issue within the Commission—task force, division, full directorate and so on. This will be matched by the emergence of a Council Working Party and perhaps a separate Council. The decision to establish an Internal Market Council in 1982 was very significant in the evolution of the internal market programme.
Equally, the new policy area will be assigned to a committee in the other EU institutions and bodies. A key feature of institutionalisation in the EU is the emergence of a myriad of expert and advisory groups and working parties to produce a system of ‘governance by committee’. This form of governance tends to privilege expert knowledge over political power and executive power over parliamentary power. An important feature of EU governance in the 1990s is the delegation of functions to independent bodies and agencies. As a policy field becomes more developed and embedded, a distinct policy network will grow up around the formal institutions involving public and private actors from varying levels of governance. The EU arena works on the basis of drawing in actors from multiple levels and by embedding the national in the European. The model has not required the development of a strong and autonomous governmental capacity at EU level.

**Rules and Obligations**

Because the founding members of the EU were embarking on an experiment involving the creation of a common market, considerable attention was paid to the issue of ‘lock-in’ and credible commitments. The EU has produced a form of law—EC law—that is neither national nor international. There is general scholarly agreement about the importance of the Community’s legal order and the European Court of Justice (ECJ) to the dynamic of European integration. EC law evolved as a significant institution in the Union characterised by procedural, substantive and normative elements. The constitutionalisation of the founding treaties and the interaction between the EC and national legal systems has provided a system of adjudication and a rule based system of governance. The Community’s legal order was fashioned by a range of actors, notably, ECJ judges, legal advisors in the Court and Commission, legal practitioners, national judges and legal practitioners, and the litigants who addressed the ECJ with their concerns.

**Functional Differentiation and Differing Policy Styles**

EU governance is characterised by an uneven pattern of functional co-operation across the range of public policies and very different policy styles in different fields. The core of EU activity stemmed from market creation and liberalisation, most recently exemplified by the internal market programme, a programme that was transformative in character. The programme was developed on the basis of both de-regulation and re-regulation. In order to promote market integration, the EU had to find an innovative way of unlocking the ‘standards/certification/quality nexus’. (Pelkmans, 1997)The traditional manner in which the EU developed standards was time consuming and ineffective and was a major impediment to the competitiveness of the European economy. The introduction of new decision processes, the strengthening of European standards bodies and the adoption of new principles of governance— mutual recognition, home country control and reference to standards transformed market governance and facilitated the abolition of barriers. In addition, the concept of ‘the level playing field’ had a major impact on regulation in areas such as state aids, public procurement and health and safety. Notwithstanding the dominance of market regulation, the dynamics of integration led to demands for regulation beyond the narrow confines of the economic sphere to include important areas of social and environmental regulation. Arguments in Europe about the efficiency of liberalisation were never enough to persuade governments and other social forces about the desirability of the internal market. That drive had to be tempered with limited social regulation and side-payments to the poorer parts of the Union. The EU has had to take the distributional consequences of its policies into consideration from the beginning.

Because of the Union’s weak capacity for macro-economic management except in relation to monetary policy, benchmarking and peer review emerged as important instruments of EU governance at the end of the 1990s. With EMU in place, the Union turned its attention to the inter-related problems of competitiveness and employment. In considering measures to tackle these two issues, the EU was confronted with the limits of EU competence, the lack of member state consensus on what might be done, and the fact that the policy instruments in both these areas were predominantly national. The EU turned to new processes that involved benchmarking of good practice, the establishment of targets for the member states and the promotion of co-ordination between member state policies. (Laffan et al, 1999, pp.127-130), Wallace and Wallace, 2000, 32-33) A Commission
official claimed that ‘We’ve discovered the power of benchmarking almost be accident. Governments loathe being at the bottom of the pile in any comparative exercise’. (Quoted in Peterson and Bomber, 1998, p.254)

Additional governance styles can be found in justice and home affairs, the common foreign and security policy and cohesion policy. The evolution of EU governance suggests that the EU have a strong capacity to nurture new approaches to governance and to engage in policy and process-oriented learning. The EU has of course also experienced periods of stagnation at times when the member states were incapable of transforming their common concerns into common solutions.

Managing Diversity

Europe is characterised not just be deep regionalism but by deep diversity as well. Diversity in Europe is complex and multifaceted, manifesting itself in forms of economic management and levels of economic development, in the organisation of welfare, in political organisation and state tradition, in language, religious affiliation, mores and customs. In addition, the member states have diverse preferences about the process of European integration itself. Because of the need to accommodate diversity, the EU became adept at constructing package deals that allowed for side payments, transitional periods and derogation’s and governance principles such as mutual recognition that went with the grain of diversity. In the 1990s, the pressure of diversity became much more explicit with the emergence of ‘variable geometry’ integration and constitutional provisions that allowed for closer co-operation. With enlargement to the east, managing diversity is likely to continue to preoccupy the EU.

Democratic Accountability

Questions of democracy and legitimacy are now far more salient than they have ever been in the history of the European Union. This reflects the growing politicisation of integration. Legitimisation of the process of integration, at the outset rested on the authority of the member states consenting, in the form of international treaties ratified by national constitutional provisions, to the establishment of the Union. The consensual and voluntary nature of the process was and remains critical to its legitimacy. The following factors appear the most significant indicators of a shift to a new phase in the development of the European Union:

• The European Union impinges more on the Member States than ever before because of the extension in the policy reach of the Union and the growing Europeanisation of public policy making.

• Europeanisation is not just a question of breath but also of depth. With the advent of Economic and Monetary Union and growing co-operation in pillars two and three, the EU policy impinges more and more on core attributes of statehood–money, borders and security.

• The process of Europeanisation disturbs domestic policy networks and territorial politics in the member states. European matters have been internalised in domestic politics and have become politicised, in a manner that was not evident in the past.

• The process of constitution building, with three treaties in just eleven years, has imposed considerable demands on national political parties, constitutional courts, parliaments, governments and publics. Membership of the Union has implied acceptance of a developing and evolving set of institutions and policies with no end in sight.

• The growing visibility of the Union raises the question of public opinion and the level of support for the EU and its policies. It is clear from Eurobarometer surveys that support for the EU differs significantly across the member states and that in some member states, the public is not at all at ease with membership of the EU. Euroscepticism is a distinct feature of contemporary Europe.

European institutions and Europe’s political elites have responded to the politicisation of integration by ‘top-down’ policies of enhancing the polity like features of the system with an emphasis on rights, openness, transparency, and democratic participation. Much like the process of market creation, the more democratic processes, principles and practices are being grafted onto the fabric of integration.
What this will mean for the democratic quality of the EU remains to be seen. The ‘top down’ processes have been mirrored by ‘bottom up’ mobilisation characterised by the growing strength of trans-national social movements and transnational social protest.

Conclusions

This short synopsis of European governance identified its key properties. It is a pattern of governance that emerged because the EU had to turn constraint into opportunity. A pragmatic approach forced on the EU because of the need to reach consensus in diversity gave rise to a system that embedded experimentalism and decentralisation as key features of policy and implementation. Does the EU system contain important elements that may be of more general relevance in an increasingly interdependent, globalising world? Key features such as institutionalisation and systems of rules are already a feature of global governance and there will pressures for further institutionalisation and enhanced systems of rules. The management of diversity, even greater diversity, will be a continuing challenge to global governance. Principles such as mutual recognition are likely to surface at international level. Moreover, the EU learnt from an early stage that it was not possible to liberalise without flanking policies in the social and environmental sphere and without policies of redistribution. Finally, the EU has begun to confront challenges in relation to its democratic character, participation, and accountability. These pressures are also surfacing at the global level. The distinctiveness of the EU however must also be emphasised. EU governance is bound not just by material advantage but by a normative framework of common values about civic statehood. Second, within the EU and the wider continent although there is income inequality and a wealth gap, this pales into insignificance in a global context. Third, asymmetries of power within the EU are much smaller than in the wider international system. Finally, Europe has an advantage in scale when tackling challenges of interdependence and governance.
Conditions and Alliances for EU International Leadership

Jim Rollo

1. Introduction

The EU is by many measures (extra-EU exports of goods and services, foreign direct investment, number of countries with which it has bilateral preferential trading agreements) the largest commercial policy actor in the world. It also has the second largest fully integrated internal market in the world after the USA. A fact made the more remarkable since it is not a sovereign state but rather an entity that exhibits in varying degrees the characteristics of inter-governmentalism, confederalism and a proto-federation.

It has and has had an enormous impact on the world trading system mainly through its involvement in the GATT and the WTO but also via its dense network of preferential trading arrangements. In the context of the multilateral system however it has been perceived as being at best a partner of the USA in shaping the system and more usually as a drag on the process of progressive trade liberalisation that underpins that system. To be sure Services is an exception though even there audio-visual and telecoms to a degree offset the achievement of the GATS in general and financial services agreements in particular. Agriculture has since the Kennedy Round been the sector which has placed the Europeans on the defensive in the GATT/WTO.

That remains so even after the enormous effort that has gone into persuading trading partners of the necessity of a Millennium round of negotiations that includes rule changes as well as market access proposals. That is not as yet accepted.

Now the challenge to liberalisation that comes from the NGOs and to a degree from the developing countries as well as from domestic consumers worried about the regulation of risk potentially faces the Union with strategic choices.

If it wishes to demonstrate leadership it might follow two main paths which are not necessarily exclusive:

− Should it try to lead the world system along the well-worn if still rocky path to further global liberalisation? If so who will its chosen partners be and how does its policy approach have to change?
− Or should it rather try to take leadership of a coalition built around sustainability and precaution, labour and social issues, which explicitly moves away from the pure liberalisation agenda? Such an approach would turn the WTO away from its core role as a maker of rules about rules to become a regulatory body or the enforcement mechanism for global social and environmental norms. Who would be the Union’s partners in such an enterprise?

To explore how the EU might assert some leadership in both of these broad directions and which partners it might look to form coalitions with, this short note will discuss:

− challenges facing EU policy and policy making structures in the trading system
− potential coalition partners

It will make some proposals on potential ways to improve the credibility of the EU as a global actor and potentially its leadership role in the current system and what might be required to take an alternative route.
2. The Challenges Facing the EU

In the WTO the EU has to face:

- complete distrust of its approach to agricultural liberalisation beyond some allies in north east Asia and western Europe
- no broad acceptance for its concept of a big round (not least because of the distrust over agriculture)
- distrust by the developing countries of the EU agenda on environment and labour
- a lack of credibility with major trading partners because of unwillingness/inability to implement decisions of the dispute settlement process
- a reliance on regional trading arrangements to pursue market opening and political objections.
- The disputed role of NGO in the policy and dispute settlement process
- an American approach to trade policy which is increasingly case by case, litigious in nature, and focussed closely on export market opening

Beyond the WTO the challenges focus on:

- Consumer, NGO and media distrust of the regulatory system overall, in particular of foreign regulatory systems and hence of trade, whether intra EU or global.
- NGO and media opinion that sees the trade system as inimical to the environment and the poor (in developed and developing countries)

And within the EU

- an incoherent decision making system in which EU member states have different objectives and Commission competence is mixed across the relevant areas for negotiation notably over services trade. This can result in EU immobilism in the face negotiating partners
- within the Commission different directorates responsible for different aspects of trade policy making notably agriculture. This makes it difficult to convince partners that everything else is not hostage to defence of EU agricultural interests.

3. Making Coalitions

Who could the coalitions to be with:

In the WTO

- the Developing Countries
- the US and the Cairms Group

In Europe

- Business
- consumers
- labour and environmental pressure groups

a) Developing countries

To make alliances with developing countries the EU will need to go beyond where it now stands on liberalisation of trade for the least developed and carry the agenda to the less poor and larger developing countries. Five issues stand out for developing countries. Uruguay Round implementation agenda
the phasing out of the MFA as promised and limits on contingent protection to prevent old textiles protectionism reappearing by other means

- developed country agricultural liberalisation and the need to move to reliance on truly non-trade-distorting subsidies

- the protectionist threat from any proposals for environmental or labour codes in the WTO

- EU proposals for rule changes (notably competition policy and investment rules beyond TRIM) which might impose unreasonable implementation burdens on poorly resourced administrations.

- That food safety standards should not exclude them from EU markets

d) The USA and the Cairns Group

For the USA (and for the Cairns Group) the perceived issues are at least as complex as for developing countries:

- suspicions that the EU proposal for a broadly based round is an excuse to avoid a serious negotiations on agriculture

- suspicions that EU policy towards GMOs is just agricultural protectionism - a suspicion the US sees justified by EU actions on beef hormones

- EU lack of commitment to WTO rules demonstrated by unwillingness to undertake full and transparent implementation of WTO rules and judgements from the dispute settlement process

c) The EU Corporate Sector

The EU corporate sector is relatively quiescent. There is support for liberalisation in the WTO (500 business delegates turned up to a congress of services industries in Brussels on 28 November) but it is muted. Certainly business is not making the case for liberalisation. Perhaps it is keeping its head down in the face of NGO and media attention. Perhaps it thinks nothing will happen soon so nothing needs to be done now. Like Voltaire it is focussed on tending its own garden. But is does have a responsibility. Benefits from liberalisation flow to shareholders and employees as well as to consumers. If the EU wants to take a grip on the liberalisation agenda it will need to energise this constituency. In principle this should be a group that is easy to persuade to speak out about the benefits of trade and to take the argument to the media and to the people. The practice is not, however, so.

d) Consumer Groups

Consumer groups are not muted but they inevitably face some dilemmas. Open trade reduces prices and brings access to goods and services which increase consumer choice and welfare. On some issues however, and product safety is one of them, consumers potentially face a lack of reliable information to allow them to make informed choices. The lack of such information or trust in the process which provides such information leads to calls for trade prohibitions as the safest approach in such circumstances. Choices in this area are made harder since consumer perceptions of risk across different domains is diverse and difficult to predict. This constituency might therefore be energised for both trade liberalisation and trade restrictions.

One further point with potential relevance is that the very diversity of consumer tastes across and within countries raises doubts about whether harmonisation of standards on even mutual recognition is a sustainable path at global or regional level. A reversion to some form of national treatment in SPS and TBT codes might do much to quieten consumer fears.

e) Other NGO

The non-consumer NGO group is extremely diverse and presents significant challenges to any governance structure. Many are issue based and view the complexities of trade policy through a single
lens. Their members feel very strongly and are unwilling often to trade-off across conflicting objectives. They can be unsympathetic to other stakeholders sometimes to the point of demonisation. And sometimes they are right and do have wider support than their membership alone would signify. They can provide an alternative route for communication from governed to government.

In the trade debate two major NGO driven issues stand out. First is environment and sustainability and the second is labour standards linked to human rights and poverty.

The EU itself has since its inception included a degree of labour market harmonisation and of environmental harmonisation seen by some member state governments as necessary conditions for free trade in the internal market - to prevent so-called social and environmental dumping. These ideas have a long history. Broadly however in economic theory and in the global trade systems as it has developed they are seen as interfering with the development of comparative advantage and hence with the process of improving living standards. There is also considerable doubt about whether the use of trade sanctions in pursuit of these objectives will actually achieve the desired outcomes.

As far as coalition partnership is concerned development NGOs are interested in trade liberalisation in developed country markets even if sceptical in the case of developing countries. Other NGOs want the WTO to defer to environmental and social agreements and perhaps to capture the WTO as an enforcement mechanism for these agreements.

4. Hard Choices

To take a share of leadership in the existing trade system will require the EU to bring 2 main groups on board: the developing countries and the US/Cairns group. To do so would seem ideally to require a mix of organisational and policy changes.

Organisationally:
- make the Commission a more credible actor by extending competence across the whole field of commercial policy
- take de facto and de jure negotiating responsibilities for agriculture into the trade directorate to signal that agriculture is not a stand alone subject

Specifically:
- bring the EU rapidly into line with WTO commitments which it is currently in breach of i.e. beef and bananas. Making more use of consultations before going to DSP
- signal a long term plan for the shift of agricultural support from price and production related subsidy to truly non trade distorting subsidies.
- commit to phase out of agricultural export subsidies by a date certain
- agree to increased discipline on the instigation and use of anti-dumping actions against developing countries
- in the context of a new round agree to an early market access packaged linked to a rules negotiation in slower time
- look for ways in which its network of preferential arrangements can be harnessed in the pursuit of multilateral liberalisation

That approach would put the EU at the head of a coalition of developed and developing countries, EU business and some EU consumers and some NGOs committed to a continuation of the liberalisation policy and a WTO dealing with trade on a narrow front. It would not please NGOs concerned with environmental or social issues, farmers, or consumers concerned about safety issues.
To take a lead on a position based on sustainability and social objectives would require an agenda which

- put more emphasis on environmental justification for trade distorting agricultural support
- put more emphasis on precaution and to place it directly in the WTO rules, probably in Article XX and more clearly than now in SPS and TBT codes
- gave priority to environmental and social agreements over the WTO in international law
- championed the introduction of specific rules that allowed trade measures in response to perceived environmental or social "dumping"

The group that might coalesce round such an agenda would probably include non-EU Western Europeans, the Japanese and perhaps - on agriculture anyway - the Koreans. But it would alienate developing countries and the US even under a Gore Presidency. Some NGOs, farmers and some domestic consumers would like this approach while EU business is unlikely to back it.

These are straw men but they have the purpose of trying to point to where some shift in the EU position would help it assert leadership in the complex debate on trade and global governance that is now underway.

A minimum package that would seem necessary to maintain the WTO on a forward momentum but meet the legitimate concerns of consumers could be as follows:

- a credible commitment to agricultural liberalisation which would bring dividends in relations with the US/Cairns Group and developing countries as well as domestic consumers and some NGO
- to deal with consumer fears, propose a return to the principle of national treatment in SPS and TBT codes. This principle will need buttressing to deal with the problems of hidden protectionism implicit in national treatment. But it is clear that European consumers strongly dislike the imposition of foreign standards – particularly on food safety - that SPS brings through enforced mutual recognition. This might also quiet some NGOs. It will be difficult to sell to the US and others, but agricultural liberalisation would sweeten the pill.
- Some tactical separation of an early market access package (perhaps in two stages) from the rules element in the Millennium round proposal would also give the EU greater credibility

These are not meant to be a complete strategy but they indicate areas where the EU could advance the WTO agenda quieten consumer and NGO fears and as a result show leadership in the system. The main cost will be to stand out against the European agricultural lobby. So far no one has been willing to take that challenge head-on.
EU Trade Policy 2000

Pierre Defraigne

Rationale:
From time to time we need to update the guidelines of trade policy, in order to steer policy-makers, consolidate Council and Parliamentary support for EU objectives, and explain our priorities to economic operators, civil society and third country partners.

Why a Policy Statement?
Trade policy is no longer the preserve of business and government insiders. Trade now stretches well beyond the post-war core of goods and commodities. Trade rules in their present form impinge on every area of public concern in Europe today. Trade policy therefore deserves the attention it now receives from people in all walks of life.

Trade and trade policy are the day-by-day products of a thousand decisions, involving not only European Union institutions, but economic operators, consumers, standards bodies and regulators.

This complex process requires clear and up-to-date guidelines: guidelines to ensure that the EU’s trade policy will consistently serve not only EU interests but also EU values; meet the needs of interested parties; and enjoy legitimacy in the eyes of European opinion.

The strategic objectives
The EU has an open trade strategy, the core of which is the progressive removal of obstacles to trade, together with the non-discriminatory and transparent management of trade rules and the peaceful settlement of disputes. This approach serves the interests of Europe, but also of the world:

(a) The EU economy’s strengths in capital, technology and know-how, as well as our dependence on imports of energy, food, fodder and other commodities, fit us well for competition in the world economy we are helping to build.

(b) EU trade policy is the bridge between a global economy that must be harnessed for human needs and the modern EU values, such as employment-creating growth; social, environmental and consumer protection; cultural diversity; and “general interest” services. Founded on the principles of sustainability, inclusiveness, and transparency, trade policy is not an end in itself, but aims to develop trade in the interests of growth and the European social model.

EU trade policy is thus both:

(a) a motor for the development of the macroeconomic, structural and social policies that will maintain EU competitiveness, and successful EU participation in open markets; and

(b) the embodiment of this mix of EU values set out above.
EU trade policy works along 3 main axes:

1. **Sustainability**

   Rules governing world trade must, like those within the EU, aim for all to share in the growth and prosperity that can flow from the progressive opening of markets. But we must ensure that trade policy supports the broader push for sustainable development.

   Sustainable development depends above all on internal social, structural, environmental and macroeconomic policies, based on multilateral actions pursued in a range of (mainly UN) networks (International Labour Organisation, Food and Agriculture Organisation, conferences on environmental issues, etc.).

   So a sustainable trade policy must:

   - actively promote sustainable development by favouring sustainable outcomes to trade-liberalising processes; and
   - avoid trade rules being developed outside the trade world that risk creating obstacles to the full range of sustainable policies being developed – whether these rules are coming from national, EU or international fora.

2. **Multilateral Cooperation**

   The WTO must develop a role as guardian of an increasingly global network of trade in goods and services. The WTO is the most legitimate forum for removing obstacles to trade, creating global rules and ensuring the mutual supportiveness of those rules and of policies made in other multilateral fora.

   Our core objectives for WTO are:

   - to pursue rule-based market-opening for goods, services and investment, on a time-scale that ensures full implementation by all;
   - to make WTO a more open, transparent and therefore a more effective operation, to enable it to interact more effectively with Parliamentary bodies, with representatives of different social and economic interests, with civil society, and with other international organisations;
   - to bring developing countries fully into the WTO, and its decision-making - and the global economy; and
   - to reinforce the WTO’s support for sustainable trade policies worldwide.

   We shall pursue these objectives by using to the full the rights we enjoy under WTO to secure compliance where other countries’ WTO breaches harm our exports and where unfair competition threatens EU industries.

   To pursue these objectives, we need to work in the WTO with both developed and developing partners. We need to put more emphasis than ever before on trade-related capacity building.

3. **Bilateral and Regional Partnerships**

   The WTO defines the trading framework and sets the pace for liberalisation, but it is not the only reaction. WTO allows a good deal of scope for pursuing trade objectives by other means:
where trade creates a particular need for regulatory cooperation (industrial standards, competition policy, civil aviation safety);

where preferential market-opening and closer cooperation create the critical mass of subjects necessary for a full-fledged bilateral or inter-regional agreement (e.g. EU-Mexico, EU-Mercosur, EU-Mediterranean, EU-ACP post-Cotonou). Enhancing regional integration among developing countries increases the development role of the market, and widens the multilateral trading system basis; and

where rules agreed elsewhere in other multilateral and plurilateral fora can guide the WTO in deciding how the globalising world market and the provision of collective public goods should interact in the social, environmental, prudential and fiscal fields.

Next steps

The open trade strategy has stood the test of time, and must be pursued. But we need more progress:

- towards gradual and reciprocal opening of markets;
- towards the strengthening and extension of rules for trade which reflect EU values; and
- towards the acceptance worldwide of the importance of sustainable - and equitable - development.

We continue to seek a dynamic, transparent and efficient policy process in the EU institutions, where the legal scope of trade policy matches the needs of EU traders, and the expectations of civil society.

We would like to work to develop, through more active dialogue with all interested players, a closer common understanding of the goal of sustainability in trade policy.

We also want to build a growing consensus on the trade negotiations we will need to reach this objective: first of all in the WTO, but also in a series of parallel bilateral and regional initiatives throughout the world.

All of this represents a substantial agenda to clarify, reinforce, and extend international rules. Given the current position of the WTO, however, such a programme is better dealt with in the form of a suitably broad trade Round – as proposed by the EU.
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Dialogue Workshop on ‘Global Trade and Globalising Societies. Challenges to Governance and Sustainability. The role of the EU’

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