

Europe and a New Global Order

BRIDGING THE GLOBAL DIVIDES



A Report for the Party of European Socialists
by Poul Nyrup Rasmussen

PES Rapporteur on Globalisation and former Prime Minister of Denmark

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This report does not necessarily express the views of the PES, its member parties or its Parliamentary Group.



PREFACE

'One should not give up the hope that problems created by human beings can also be solved by human beings': Willy Brandt

Although the Cold War has ended, we still have a troubled and divided planet rather than a 'new global order'. We remain in a transitional phase in terms of world governance and policies, with ordinary people feeling great uncertainty and fear in a world of permanent change, extreme inequality and numerous confrontations.

To envisage and build a new and better world is the main challenge for humanity today. The quest for a new human project, which will be good enough to lead our planet into a new age of fairly-shared prosperity, peace and personal fulfilment for all human beings will dominate the global agenda throughout this new century. In meeting this challenge, social democracy in Europe and internationally is called upon to play a major role in the coming decades. This is an enormous, if not historic, responsibility for our political family and undoubtedly heralds a new phase in our own thinking and political action.

From the European point of view, we need more than far-reaching plans for a new world architecture. We must also develop specific ideas on how the European Union can become a forceful political actor in a new world, for the benefit both of our own people and of others. Equally, our political message and our detailed proposals must strike a chord with ordinary people in their daily lives across our countries. People look upon globalisation as increasingly damaging to their living standards and to the future of their children. At the same time, we must give greater help to poor countries so that they can emerge from poverty and exclusion.

It must be widely understood that this is not just a moral imperative. It is also in our own people's self-interest. And it is of vital importance to the sustainable, peaceful nature of our planet.

We must develop policies that combine these political aims. A major effort in the fight against poverty and environmental degradation, both of which are closely linked, is now a matter of practical politics within our reach. More than ever before, humanity has the resources, the technology and the intelligence to set about the steady elimination of poverty and environmental destruction. This is a wholly realistic goal for the new century. The only ingredient we need to make it happen is the strong political will of the international community. We must go beyond declarations of good intent and political commitments that lack the resources they need.

This is needed because, in a globalising world, human destinies are increasingly interlinked. The only workable political projects of the future will be those that take account of this growing interrelationship. They will pave the way for new forms of social justice, cohesion and solidarity on a world scale. They will bring about recognition that, despite individualism, national borders and cultural or religious differences, we are all part of a common human destiny. This is the only way that globalisation patterns can be turned into a new force for sustainable economic and social progress worldwide.

By taking these convictions as a starting point, this policy report intends to lead the way to a renewed social democratic political vision. That vision is built upon strong values and principles. It provides sound, ambitious policy responses at all levels, from local to global, and on different time scales, from short term to longer term action.

To meet the many challenges of our time, we need to break radically with the dominant thinking of compartmentalised national, versus European and global, policies. We must systematically address all issues in a multilayered way. This of course makes policy development more complex, but more effective, too. We will be able to bridge global divides only if we exploit the synergy between the different types of policy and the different levels at which they should be put into effect.

This will challenge our understanding of the role of nation states and their sovereignty. In a multilayered governance system, national governments need to play their part in shaping as well as in implementing parts of the European and global policy levels. They are essential actors but in a new, interdependent way with other policy levels.

Equally, the European Union must strengthen its role as a global player. Its contribution to a new peaceful and multilateral world order, which still has to be developed, will be absolutely crucial. Recent events have fully demonstrated this new feature of world politics.

In this respect, the Convention on the Future of Europe is of central historical importance not only for the EU but also for the whole world. The Convention and the IGC afterwards must not fail in their most important task, providing the political and institutional structures the EU needs to fulfil its international role and responsibilities coherently and effectively.

As well as developing policies to meet global challenges, we need to spend energy putting them into effect. In the world we live in, no single political force, not even one as internationally widespread as social democracy, can carry out sweeping reform of current policies and governance structures at world level.

We need global progressive alliances for change. Such alliances will have to bring progressive political forces together around shared political aims. They will go beyond the borders of social democracy and include progressive civil society organisations, NGOs, trades unions and businesses devoted to building a sustainable world of democracy, peace, security and social justice.

To reach this goal, we need nothing less than strong determination to change the world.

The vision of a new Europe, based on decades of progress and success, should guide efforts to develop a strategy for managing globalisation in Europe and bridging divides to shape a new world order.

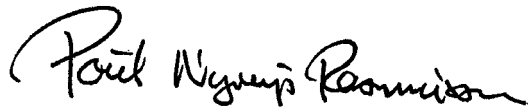
This report's aim is to provide a political agenda for a broad coalition of social democrats and other progressive forces, organisations and individuals, in Europe and beyond. Although political decisions will eventually have to be taken at the highest levels to make change happen, a widespread, bottom-up process will be needed for global progress.

We invite readers to contribute to our deeper understanding of the global divides and the need to develop and implement new concepts for stability and security, for economic, social and environmental sustainability, for the fight against poverty, for labour, social and human rights and for global multilateral governance. The report sets out to be a roadmap for this process of reflection and redirection.

We have chosen not to set out elaborate proposals on each and every issue. In many cases, more research and debate are needed to find the best way forward. In others, we know that our proposals are controversial and that public support is essential to progress. So we hope that the document will be widely discussed in the coming months to enhance the quality of its proposals and the support they attract. We will update it in the light of comment in the run-up to the Global Progressive Forum in November 2003 and the 2004 European Parliament elections.



We therefore invite all those who wish to react – social democratic parties, NGOs, trades unions, the business community, academics, institutions, other organisations and individuals – to send their contributions to the following e-mail address by 1 October 2003: mmersch@europarl.eu.int.



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EXECUTIVE SUMMARY



Two conflicting, long-term scenarios confront the world: global integration or disintegration. How can we ensure that the first will prevail? What policies are needed and which new global order – adapted to the 21st century – can translate such policies into action? What role should Europe play at world level? And how should European and national policies address globalisation at home in a world of permanent change, of new security threats but also of unprecedented opportunities for human progress?

The world is at a turning point: with an ambitious political vision, followed up by the right decisions and actions, we can create a world of opportunity; if we fail, we could end up with a world of permanent division and conflict.

The kind of globalisation we have is not the one we want. Our system of global governance – in simple terms, the way we try to deal with common global problems – is failing to turn globalisation into a common good. To a lesser extent, policies we have drawn up so far are still inadequate, although in many areas their direction is right. Most fundamentally, the world's nations lack collective political will and a shared vision to address these failures and bridge global divides within a new world order.

We are convinced that there is broad support among women and men in Europe and elsewhere for bridging those divides and building a peaceful, prosperous and inclusive world. But the number of ways of doing this are not infinite in number. For us, there is only one way – a global progressive policy agenda, for which we set out a blueprint in this report, open to comments in the months to come. We urge European social democrats to regard this agenda – and the underlying need to turn globalisation into a force for human progress both at home and around the world – not just as necessary but as part of social democracy's *raison d'être* in the new century.

We need to bridge five global divides: security; sustainability; North-South; labour, social and human rights; and governance.

- ▶ A security divide has emerged since the end of the Cold War. The world is fragmented, with severe political tensions, military conflict and terrorism on the rise.
- ▶ A sustainability divide puts our very future at risk. Economic growth to meet the needs of the present generation is at the expense of natural resources and the capacity of future generations to meet their own needs in a preserved environment.
- ▶ A North-South divide continues to separate rich and poor, keeping more than half the world's population in poverty and exclusion.
- ▶ A labour, social and human rights divide splits the population into those who have such rights, mainly in rich countries, and those who are deprived of them in the poorer parts of the world.
- ▶ A governance divide prevents existing global political action and institutions from bridging these global divides in a proportionate and effective way.

To tackle these divides, Europe needs to take up new global responsibilities as a bridge-builder and shape an agenda for a new world order.

It is not enough to act at national level to achieve our goals. We need simultaneous action on policy agendas at different levels. Hence the concept of multilevel governance that underpins our approach. We must act at national and European level, in liaison with the developing world, at global policy level and through reform of the governance system.



A key message of this report is that to make significant progress we must build the right policies into comprehensive strategies and remain focused.

However, our ability to translate such an agenda into action has never been so remote since the Cold War. There are strong reasons to believe that the traditional, international order cannot be restored and that a fundamental change in political direction is unavoidable. Up to now, neo-liberalism has been dominant, challenged by the anti-globalisation movement and more recently by those who seek a different kind of globalisation. As this last group asserts, the real problem is not globalisation as such: we need more political leadership and activity at global level, not less.

Progressive political forces are weak in Europe and internationally, especially compared to the second half of the last decade. The neo-conservative agenda of the current US administration seeks to impose its own global order. It undermines the still fragile and deficient multilateral system, against the will of a vast majority of Europeans and, we believe, of humanity. Europe and the US must revive their transatlantic dialogue to form a new partnership for global progress.

The urgent need for a global progressive agenda becomes even more pressing in this situation. Such an agenda must be promoted by a strong, assertive and cohesive European Union, a new Europe – which is a challenge in its own right. But this will not be enough. Progressive forces worldwide – political parties and governments, non-governmental organisations, trades unions, socially responsible businesses and academics must join in developing common agendas, generating public awareness and support, and making change happen.

BRIDGING THE DIVIDE BETWEEN EUROPEANS AND GLOBALISATION - A EUROPEAN POLICY AGENDA

Within the EU, we must bridge the divide between globalisation and an increasing number of our citizens. They are worried by permanent change and new security threats. To do so, we must of course act at world level. But there is also much we can do at home. This is dealt with in chapter two.

Ensuring security

Most importantly, the EU must be able to rely on a truly common foreign and security policy (CFSP) in the context of a wider security concept – reaching from conflict prevention to military crisis management and conflict resolution.

The Convention and the IGC must provide the institutional capacity to do so, by creating the post of European Foreign Affairs Minister jointly at Commission and Council level. In military terms, the Rapid Reaction Force will be an important link in a comprehensive CFSP. Its assembly should be speeded up. This should go hand in hand with significant upgrading of Europe's joint defence capacity, without leading to an unrealistic and unnecessary arms race with the US.

The Petersberg tasks should be redefined to include disarmament, military assistance, stabilisation and the fight against terrorism. Regional conflict prevention should be strengthened, both in assessment of potential threats and prevention of their emergence. We propose the creation of a Non-Military Rapid Reaction Unit. The fight against terrorism must remain a priority, but a more comprehensive approach is required. Europe must make joint efforts with its neighbours.

Taking concerted action for jobs, growth and the environment

Globalisation has created a world of permanent and irreversible change. To exploit globalisation's potential, people must have the right skills to enjoy new forms of job security. Europe must enhance competitiveness and move into new economic areas. This will enable us to cope with global economic redeployment and safeguard living standards in a society where knowledge is the key factor. Coping with change must not, however, be at the expense of cohesion and solidarity. Nor should it be at the expense of the environment.

A comprehensive strategy for sustainable development, embedded in the so-called Lisbon strategy, must therefore be vigorously pursued. This strategy is showing signs of weakness that must be addressed rapidly. The focus should be on a 'working-rich' strategy, on knowledge-based investment, on public finances supportive of the strategy and on effective implementation and policy-coordination at all levels. Europe must promote the right policies for sustainable production and consumption patterns that break the link between economic growth and pressure on natural resources. Industrial change must be socially responsible.

Managing immigration

Immigration has become an explosive political issue and is now a security issue. It is among the most difficult policy questions, whether in the economic, social or wider cultural dimension. Given the expected fall in the working-age population in coming years, increased immigration is broadly seen as a solution. However, this is a risky strategy given the failure to integrate immigrants successfully into our communities in economic, social and cultural terms and the exploitation of this failure by far right-wing and populist political forces.

Policies should first focus on raising the skills' levels of residents and immigrants alike and on increasing their rate of participation in the labour market. Cultural understanding and recognition is crucial to successful integration, especially for the Muslim community. This should be reinforced by a significant cut in illegal immigration and by stepping up the fight against clandestine work that undermines labour standards. We need a joint European Action Programme to take up the immigration challenge.

Building a unified and a wider Europe

The current enlargement process is in itself a great challenge to Europe. But it gives rise to an important extra challenge – how to organise our relations with border countries. The present piecemeal approach of bilateral or sub-regional agreements or partnerships is far from being the best possible, both in dealing with regional issues of shared interest and in grasping the international geopolitical potential of a wider Europe. We therefore propose the creation of a European Regional Partnership Organisation, bringing together the EU and neighbouring countries that either do not wish to join the EU or that could not be envisaged as members.

Strengthening Europe in the world

The EU's political ability to act at global level is becoming crucial. At political level, the EU needs a Global Strategic Concept. It must rethink its capacity to act strategically in geopolitical terms. Elements of a new EU global agenda are grouped together in chapter six. To be able to apply a concept and an agenda of this kind, the EU first needs to strengthen its institutional and political capacities as an international actor. This is certainly the defining task of the European Convention and the IGC. We provide a minimal list of institutional and political changes that are needed.



BRIDGING THE DIVIDE BETWEEN RICH AND POOR COUNTRIES - A DEVELOPING WORLD AGENDA

We have grouped this action into two complementary agendas. First are policies whose goal is to pull developing countries and their people out of poverty – bridging the divide between rich and poor countries, dealt with in chapter three. Second are policies – not now up to the task – for addressing truly global challenges, bridging the divide between global challenges and global policies. This agenda is developed in chapter four. Chapter five then deals with the crucial issue of governance – bridging the divide between the global challenges and the inadequate means by which we currently address them.

To bridge the divide between rich and poor countries, we call for:

Regenerating development policy

All rich countries must see development policy as a key policy instrument in the years ahead. We must ensure that it achieves its potential by designing it effectively and funding it adequately. We must learn from the many errors of the past. The UN Millennium Goals must guide international efforts. These goals must not be missed but the challenge is immense. We recommend a better balanced, innovative development policy, with closer coordination between donors, coherence at EU level, more debt relief and debt cancellation, a focus on human rights and democracy, new policies to use the knowledge factor in development strategies and – last but not least – more development aid. To achieve the latter, we must rapidly obtain more reliable estimates of actual needs to achieve the Millennium Goals, for they will be a key argument in raising funds. We must also move towards innovative sources of finance, including a global tax.

Focusing on job creation and social progress

A crucial shift in traditional development thinking must be to focus on income-generating jobs. The international community has begun to take this into account at the UN and the ILO. The Johannesburg summit of 2002 recognised this new approach. In the next 10 years, nearly one billion people will reach working age in the developing world. Population growth will add 500 million young people to the workforce. We call for a global employment strategy to give these people jobs. Without it, global unemployment will explode. This will require new efforts in education and training alongside social progress. Globalisation should not create working poor either in Europe or in the developing world. More than half of the world's workforce currently lacks any form of social protection. To address these issues, we call for a new global social strategy that can win support from developing and developed countries alike. As part of the strategy, we must back efforts to stamp out child labour, the worst form of social exploitation.

Achieving fair trade

The coming months will be crucial in meeting hopes raised by the 'Doha Development Agenda'. A fair trade agreement could help enormously to bridge the divide between rich and poor. But this will require far-sighted and generous trade concessions by developed countries. This is most needed on the biggest issue of all – agriculture. Radical reform of the EU's common agricultural policy should accompany fairer rules on trade in farm produce. Similar demands must be made on the US. The WTO must be made an open and democratically accountable organisation and process. It must be prevented from ruling on non-trade issues. We need to lay down conditions for turning the Doha Round into an Anti-Poverty Round – and we must put sustainability at the heart of the WTO agreements.

Promoting sustainable development

A global strategy for sustainable development must gradually be built into the policies of both developed and poorer countries. Development and economic growth should be less and less at the expense of natural resources and the environment. Poverty and environmental degradation are two sides of the same coin in developing countries. The Johannesburg summit made significant progress in defining a new sustainability agenda. But consensus has not been possible on all fronts. Due to weakness of global governance and lack of political will, implementation may be disappointing. Developed countries must help the developing world to meet the sustainability challenge by incorporating this dimension into adequately funded development strategies. They must also stimulate eco-friendly technology transfers. Having said that, we stress that developed countries must meet the highest demands of sustainability.

Deepening democracy

More than half the world's nations are at best partial democracies, still curbing important civil and political rights and freedom. Democracy is an aim in its own right. It is also a vital component of development. A comprehensive international effort to deepen democracy in the developing world should be part of a wider development agenda. Existing instruments and programmes, especially through UNDP, should be strengthened and backed up with the resources they need. This should be linked to more democratic international organisations that give developing countries a greater say in policy and decision-making.

BRIDGING THE DIVIDE BETWEEN GLOBAL CHALLENGES AND GLOBAL POLICIES - A GLOBAL POLICY AGENDA

There is a whole range of issues that can no longer be resolved solely at national or even regional level. The only way ahead is to combine action from national to world level in a globally agreed agenda. However, this is a complex and difficult undertaking in many fields. That is one reason for the international community failing to resolve global issues as rapidly and as effectively as it should. There is also a lack of political will or sense of global responsibility in some countries. More generally, the system of global governance, addressed in chapter five, is inadequate. The divide between the importance of global challenges and the inadequacy of global policy must be addressed in the following areas:

Promoting sustainable development

We will have to choose between different world economic development scenarios for future generations. There should be no hesitation: we need a world in which economic growth and the fight against poverty combine successfully with environmental balance. This aspiration will be achieved only if a comprehensive sustainable development strategy – whose basis was agreed in Johannesburg – is put into effect. The policies of both developed and developing countries must match. They must take account of restraints on poorer countries when it comes to commitment to such a strategy. We will need a New Deal at world level.

Ensuring wider security

Security has dominated much of the global agenda since the terrorist attacks of 11 September 2001. International efforts against terrorism have rightly been stepped up. Increased vigilance against threats from weapons of mass destruction and their proliferation is a priority for Europe and the rest of the world. We need new multilateral disarmament efforts and a new framework for



military intervention on humanitarian grounds. The fight against terrorism must go on. We need to restore the Middle East Peace Process. And we need a new international effort to fight crime with a ban on money-laundering centres around the world.

However, there is a clear danger of these issues being dealt with in a narrow security agenda. That would bring failure and a long period of military activity and conflict. We need a wider security agenda to focus much more effectively on the many root causes of international terrorism and weapons' proliferation. But we should not ignore the need for credible defence capabilities that allow the use of force in extreme circumstances.

Building a global legal order

Globalisation must gradually be built into a world legal order, founded on a Global Charter of Fundamental Rights. In the long run, a notion of global citizenship must emerge, based on rights shared by all human beings. These rights exist on paper – the UN Declaration of Human Rights and the civil-political and economic-social pacts. In the end, these rights should be drawn together and become reality for all.

The world needs regulation in many areas as a result of globalisation. They include: human rights; social and labour rights; taxation; finance; migration; environment; crime; trade; investment; intellectual property; competition; bio-technologies; and e-commerce. Progress is greater in some areas than in others and should be speeded up.

Reforming the international financial system

Despite a promising start after the Asian financial crisis, the reform process has been relegated to a few official circles. Ambitious reform proposals have been brushed aside. Far-reaching reform remains as crucial as ever.

Our reform proposals seek to:

- ▶ address IMF mission-creep;
- ▶ strengthen surveillance and international standards;
- ▶ rebalance and improve IMF governance;
- ▶ open the way for regional arrangements and a variety of sources of advice;
- ▶ allow temporary restrictions on capital liberalisation in some circumstances;
- ▶ separate IMF tasks from those of the World Bank;
- ▶ ensure proper private sector involvement; and
- ▶ improve the role of the Financial Stability Forum.

In the long run, we support the case for a World Financial Authority.

Developing cultural understanding and recognition

Globalisation is not just a technical, economic phenomenon. Its cultural dimension will gradually determine the whole global agenda. Progressive politics needs to develop an alternative agenda to the so-called clash-of-civilisations scenario. Increased globalisation could lead to growing cultural tensions based on religious, ethnical and linguistic divides. But there is also a growing clash *within* civilisations, between modernising forces and fundamentalism. These conflicting trends must be carefully taken into account. They are active in both developing and developed countries. We must promote recognition and understanding based on mutual recognition of shared values around the

world. A Global Cultural Agreement could be the starting point for a world policy of mutual recognition and trust, building on a complementary agenda of local to global initiatives.

Providing global public goods

The notion of global public goods is becoming a promising concept. If successfully developed in the years ahead, it could create a new space for global public policy on many issues. International consensus will be needed – and this will require further debate that must be encouraged and enriched. The connection between global public goods and global governance must be further explored and clarified.

Generating a global recovery

Last but not least, the world community must understand the full implications of our increasing economic interdependence – through trade, investment and money movements – for its approach to economic policy-making and coordination at international level. The same process, albeit more advanced, can be seen at EU level. Strong, sustainable and stable global economic growth will be an essential factor in the fight against poverty and exclusion worldwide.

BRIDGING THE DIVIDE BETWEEN GLOBAL CHALLENGES AND GLOBAL GOVERNANCE - A GOVERNANCE AGENDA

The inability of any one country to influence globalisation patterns is a huge challenge to democracy. It is the feeling of powerlessness, of democracy slipping away, that underlies the distrust or resentment that globalisation provokes in our people. To renew the democratic connection, to harness globalisation for the benefit of all, we need global institutions that are democratic, transparent, coherent and effective.

A roadmap for change

Progress towards better governance is needed in two ways. The urgency of tackling many issues requires short- to medium-term improvements. However, such improvements will not fundamentally resolve the governance divide. In the long run, we must bring about a paradigm shift in global governance. This will be a historic undertaking, best initiated through a World Convention on Governance. This World Convention should bring government representatives, parliamentarians and international organisations together to prepare a blueprint for reform, in active dialogue with civil society organisations. This blueprint should be submitted to the UN General Assembly for approval.

Medium-term improvement of the system of global governance

To begin with, international organisations in the economic and social fields – such as the IMF, the World Bank, the WTO and the ILO – should have to work within the common framework of the UN Millennium Goals, the ILO Declaration on Fundamental Principles and Rights at Work, the declarations adopted at the UN conferences of Monterrey and Johannesburg and the WTO's Doha Trade and Development Agenda. In some areas, more innovative approaches will be needed to engage a range of stakeholders. Proposals include Global Issues Networks and Round Tables on Global Issues.

Long-term reform of the system of global governance

As a minimal reform, institutions responsible for protecting the environment, social development and human rights must be strengthened. This will remove the imbalance in global governance that puts trade and finance first. The creation of a World Environment Organisation is therefore needed.



More ambitious reform should lead to the creation of a Human Development Council (or Council for Economic and Social Security) and should reshape the existing Security Council (which could then be renamed Human Security Council). To head the world's economic and social governance system, a Human Development Council should replace both the G8 and the UN's ECOSOC. This would include building the Bretton-Woods institutions into the UN system.

Developing global democracy

Alongside medium-term strengthening of democratic governance at world level, especially in the make-up of international institutions, we recommend the creation of a UN Parliamentary Assembly as a realistic and promising long-term objective. We cannot see how the democratic link to global governance can otherwise be ensured, for global decision- and policy-making will inevitably increase because of deepening international, economic, social, ecological and cultural interdependence.

Addressing the taxation and finance issue

We explore two dimensions of taxation. The first is global taxation and harmful tax competition between states. Tax erosion and the shift of the tax burden to the least mobile factor – labour – must be addressed globally. In particular, we need an international agreement to phase out tax havens and end harmful tax competition. Second, we recognise the need for a world tax to provide additional funds to meet the UN Millennium Goals and provide global public goods. We discuss different world tax options. Our preference is for a small tax on trade in goods and services. We believe that a world tax could also help to resolve the longstanding difficulty of financing UN activities.

Encouraging regional integration and inter-regional cooperation

Regionalism is a lasting and promising trend. It will gradually provide new ways of structuring global decision- and policy-making. It introduces an intermediate policy level between the national and the global, which, as shown by the EU, provides new opportunities for peace, prosperity and economic and social cohesion. Regional integration also creates new political potential through inter-regional cooperation, an extra way of strengthening multilateral governance. The EU and the international community should actively support regional integration processes as part of a wider agenda to build a new global order.

We are convinced that Europe's role will be crucial in ensuring that a new, democratic system of world governance is based on multilateralism and mutual respect.

THE ROLE OF

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EUROPE

IN BRIDGING

GLOBAL DIVIDES



OVERVIEW

Two conflicting, long-term scenarios confront the world: global integration or disintegration. How can we ensure that the first will prevail? What policies are needed and which new global order – adapted to the 21st century – can translate such policies into action? What role should Europe play at world level? And how should European and national policies address globalisation at home – in a world of permanent change, of new security threats but also of unprecedented opportunities for human progress?

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We are convinced that there is broad support among women and men in Europe and elsewhere for bridging those divides and building a peaceful, prosperous and inclusive world. But the ways of doing this are not infinite in number. For us, there is only one way – a global progressive policy agenda, for which we set out a blueprint in this report, open to comments in the months to come. We urge European social democrats to regard this agenda – and the underlying need to turn globalisation into a force for human progress both at home and around the world – not just as necessary but as part of social democracy's *raison d'être* in the new century.

We need to bridge five global divides: security; sustainability; North-South; labour, social and human rights; and governance.

- ▶ A security divide has emerged since the end of the Cold War. The world is fragmented, with severe political tensions, military conflict and terrorism on the rise.
- ▶ A sustainability divide puts our very future at risk. Economic growth to meet the needs of the present generation is at the expense of natural resources and the capacity of future generations to meet their own needs in a preserved environment.
- ▶ A North-South divide continues to separate rich and poor, keeping more than half the world's population in poverty and exclusion.
- ▶ A labour, social and human rights divide splits the population into those who have such rights, mainly in rich countries, and those who are deprived of them in the poorer parts of the world.
- ▶ A governance divide prevents existing global political action and institutions from bridging these global divides in a proportionate and effective way.

To tackle these divides, Europe needs to take up new global responsibilities as a bridge-builder and shape an agenda for a new world order.



It is not enough to act at national level to achieve our goals. We need simultaneous action on policy agendas at different levels. Hence the concept of multilevel governance that underpins our approach. We must act at national and European level, in liaison with the developing world, at global policy level and through reform of the governance system.

A key message of this report is that to make significant progress we must build the right policies into comprehensive strategies and remain focused.

However, our ability to translate such an agenda into action has never been so remote since the Cold War. There are strong reasons to believe that the traditional, international order cannot be restored and that a fundamental change in political direction is unavoidable. Up to now, neo-liberalism has been dominant, challenged by the anti-globalisation movement and more recently by those who seek a different kind of globalisation. As this last group asserts, the real problem is not globalisation as such: we need more political leadership and activity at global level, not less.

Progressive political forces are weak in Europe and internationally, especially compared to the second half of the last decade. The neo-conservative agenda of the current US administration seeks to impose its own global order. It undermines the still fragile and deficient multilateral system, against the will of a vast majority of Europeans and, we believe, of humanity. Europe and the US must revive their transatlantic dialogue to form a new partnership for global progress.

The urgent need for a global progressive agenda becomes even more pressing in this situation. Such an agenda must be promoted by a strong, assertive and cohesive European Union, a new Europe – which is a challenge in its own right. But this will not be enough. Progressive forces worldwide – political parties and governments, non-governmental organisations, trades unions, socially responsible businesses and academics must join in developing common agendas, generating public awareness and support, and making change happen.

PEOPLE'S FEARS ABOUT GLOBALISATION

Globalisation is a term used in many ways, but the main idea behind it is of growing interdependence of economies and societies. It is driven by new technologies, new economic relationships and the national and international policies of a wide range of actors. These actors include governments, international organisations, business, labour and civil society.

Broadly speaking, there are two aspects to globalisation. The first refers to factors such as trade, investment, technology, cross-border production, flows of information and communication that bring societies and citizens closer together. This can be described as an intensified international division of labour. The second aspect concerns policies at both national and international level that support the integration of economies and countries.

The present pattern of globalisation is not an inevitable trend – it is at least in part the result of policy choices.

Although these processes have been at work for a long time, globalisation has only recently begun to make an impact on the public domain. This has shown itself in two ways. First are the increasingly vocal international movements that oppose or seek to change globalisation. Their ability to

mobilise became clear at the WTO's 1999 meeting in Seattle and has not weakened since. Second is the new support in many European countries for far right and populist political forces and their alliance with the traditional right. One can argue that these are not expressions of mainstream public opinion – but recent opinion polls show that fears about globalisation are widespread.

Europeans are divided in seeing positive or negative effects¹ of globalisation.

Many Europeans think that globalisation has given Europe an important role in the world economy. But others do not believe their governments can master globalisation.

A clear majority think that globalisation leads to concentration of power among big enterprises at the expense of smaller ones. Europeans approve of the fact that globalisation is creating a real global market. They see that this market provides opportunity for European producers and more choice for consumers. More than two-thirds of people say that globalisation has increased the range of products they can buy locally. But most believe that it makes food quality control more difficult.

As far as social issues are concerned, people see both pros and cons. Two-thirds of Europeans say globalisation makes it much easier to travel. Yet about half of us think that globalisation increases the risk of losing one's job, leads to uncontrolled immigration and widens the gap between rich and poor. Half the population also thinks that globalisation causes greater environment problems.

Europeans are divided over globalisation: positive attitudes to opportunities created by globalisation of markets are mixed with concerns over the social, environmental and political consequences.

Public opinion accurately reflects the contradictions at the heart of globalisation. Both an opportunity and a threat, its final outcome remains unclear: will it improve or worsen? We believe that this will be determined by a range of political choices in the years to come. Citizens will rightly blame policy-makers if the world becomes worse not better.

GLOBAL DIVIDES

The contrast between globalisation, which brings societies and citizens closer together, and deepening global divides is alarming. This contrast is obvious in many fields, particularly security, economic, social and environmental sustainability, relations between rich and poor countries and labour, social and human rights. Globalisation provides two conflicting long-term scenarios:

- ▶ a scenario of global disintegration with continuing – if not widening – division between those who gain and those who are left behind. Frightening prospects of destabilisation and confrontation exist in the very long run: this is what we risk if the progressive global agenda put forward in this report fails to win support in good time; and
- ▶ a scenario of global integration within which the global divides described below are successfully bridged in the next two to three decades. This will entail using the enormous potential of continued globalisation in a positive way. This scenario will require a paradigm shift in global governance towards a new world order. We will need global progressive alliances that bring together political forces, civil society and institutions. These alliances must be strong enough to make change happen. The European Union is an essential actor in this process.



The many global challenges that politics will need to address are structured below into five global divides:

- ▶ a security divide
- ▶ a sustainability divide
- ▶ a North-South divide
- ▶ a labour, social and human rights divide
- ▶ a governance divide

The security divide

Political conflicts of the Cold War, based on ideological differences, have been replaced by deep-rooted economic and cultural differences and aggravated by the globalisation of information. The end of the Cold War and faster integration between different world economies raised hopes for global security and political stability. The transitional world of the 1990s seemed to point in the direction of a new multipolar, multilateral system. The UN Millennium Assembly's agreement on a highly ambitious, socially-progressive declaration confirmed this impression.

Since then, the fundamentals of international politics have changed dramatically. The bipolar world of East and West has been replaced by a fragmented order with severe political tension, military conflict and terrorism. Armed conflicts continue to dominate large parts of the world. In 2001, there were 37 conflicts in 30 countries, 27 of which began more than a decade ago. Entire generations of children have thus been denied access to meaningful education. Health care is minimal and economic development is on hold. Most of these conflicts are inside sovereign states and take place in two continents, Africa and Asia. They account for 80 per cent of armed conflict in the world. The Middle East continues to be the most conflict-intensive area with more than a third of its states affected. This region takes up about half of world armament deliveries to the Third World.

The link between armed conflict and underdevelopment is striking. A country in the poorer half of nations has a 50 per cent chance of being at war. International terrorism has become more prominent with close links to political and military conflicts.

The multilateral security system has been substantially weakened by dramatic change in the last few years. Today, there is a deepening security divide, posing a threat to progress and prosperity that in some ways reminds us of the Cold War.

The sustainability divide

In an ideal world, globalisation through growing international trade and investment would create a virtuous circle of ever-greater wealth creation and improved living standards for everyone. Despite its enormous wealth-creating capacity, however, post-war globalisation is very far from bringing this vision about. Since the 1980s, it has changed from industrial to financial globalisation, generating new inequality, instability and risk.

Relentless expansion of economic activity has also led to severe pressure on our natural environment. The depletion of the ozone layer is a threat to our health. It causes climate change that in turn leads to natural disasters with enormous human, economic and social costs. Fifteen per cent of the world's landmass (two billion ha) is already deemed to have been damaged by human activity. In Africa, desert takes over an area the size of Belgium every year. About half of the world's rivers

are seriously polluted. Other environmental problems include deforestation, loss of fisheries and toxic waste.

The crisis for wildlife is just as worrying. Extinction threatens nearly a quarter of mammals. While the international community tries to address at least some of these problems, for example through the Kyoto Protocol on climate change, new environment risks emerge because of rapid economic development, mainly in parts of Asia.

In the coming years, India and China will account for two-thirds of the increase in world energy use. China will have to build one 1,000-megawatt power plant a month for the next 30 years, and most of them will be coal-based. Unless new and cleaner technologies can be used, this energy production will lead to a large scale increase in carbon emissions, further depleting the ozone layer just when we need to protect it.

The way we developed our economies in the last century has left us with a sustainability divide: economic growth to meet the needs of the present generation is at the expense of natural resources and the capacity of future generations to meet their own needs.

The North-South divide

A third aspect of the global divide is unequal distribution of income and wealth between nations, particularly between people in the North and in the South.

The proportion of people living in extreme poverty has declined massively in the last five decades. In 1950, half the world's population lived in absolute poverty. But by 1992 this was down to less than a quarter. On these grounds, it can rightly be said that people have never been so well off in proportional terms. It is also correct to say that this spectacular decrease was partly brought about by increased economic globalisation, though mainly to the benefit of the earlier industrialised countries of the North, with the notable exception of certain parts of Asia.

This historic proportional fall in absolute poverty must be counter-balanced, however, by figures for absolute poverty. Globalisation has by and large failed to catch up with continued population growth in many poorer parts of the world. That is why the number of people living in extreme poverty has never been so high. Nearly three billion people, most of them women, live under the \$2-a-day poverty line.

The explosion of world trade and foreign direct investment (FDI) in recent decades, as well as the growth of multinationals, remains firmly rooted in the North.

- ▶ Of the 500 largest multinationals, 90 per cent are based in the US, Europe and Japan (179 are US-based, 159 are European (incl. Switzerland), 107 are Japanese).
- ▶ Nearly half of world goods' trade is due to NAFTA and the EU, a share that increases to 90 per cent when APEC and ASEAN² are added.
- ▶ Most foreign direct investment (FDI) continues to be captured by the richer countries, where expected returns are higher. The US and EU together receive more than half of worldwide FDI every year. In comparison, less than a fifth of world FDI goes to Asia and the Pacific – and a similar amount goes to the all of Latin America and the Carribean. The whole of Africa attracts less than 10 billion euro a year. It must be added that these figures reflect the post-Asian crisis pattern, for in the year before, 1996, Asia had captured 43 per cent of worldwide FDI. An increasing



amount of FDI is attracted solely by China, to the detriment of other countries in the region.

- ▶ Large parts of south Asia, most of Latin America and, above all, sub-Saharan Africa were not able to benefit from this development. Within this group, the 49 poorest countries – with 11 per cent of world population – generate only 0.5 per cent of world GDP.

Some of the developing countries have been able to benefit from globalisation, for example in south-east Asia, while others, particularly in Africa, have not. The North-South divide remains deep.

The labour, social and human rights divide

There is another global divide between those who have and those who lack labour, social and human rights.

For hundreds of millions of workers, even basic labour and social rights remain a distant dream and a privilege of the richer North. Most people in the world population lack any form of social protection. Yet a tiny minority in many poorer countries enjoys enormous wealth.

There is a deeply-rooted assumption that, for poorer countries, social exploitation is an essential part of development. Local and multinational employers, often with the active help of – or at the behest of – governments, keep wages and workers' rights at the lowest possible levels.

Among developing-country workers, women, even more than men, bear the brunt of this social injustice. The worst form of such exploitation is child labour, estimated at 200 million children worldwide, of whom 55 per cent are aged under 15. Export-processing zones, where workers most often have no rights, flourish in Asia and in Latin America.

This social exploitation in the South mirrors an increase of pressure on social systems and labour markets in the North. Workers in both developed and developing countries suffer from the current, tougher form of financial and globalised capitalism, albeit in different ways. This also leads to new forms of social exclusion in richer countries.

Weakness of social rights is matched by a similarly bleak picture of civil, political and, more generally, human rights. The absence or weakness of truly democratic systems in many nations lies behind a vast failure in human rights. In many developing countries, human rights' abuses hit women even harder than men. The lack of strong civil and political rights for billions of people continues to pose one of the main challenges to a progressive global agenda.

The governance divide

The current system of global governance is at the limit of its ability to deal with different global divides. Incoherence in the activities of international organisations has led over the years to ineffective, conflicting global policy agendas. Nation states have lost control over a whole range of issues that can be addressed only through collective action – global warming or international crime are good examples. Yet political systems and our understanding of democracy remain inside the logic of the nation state.

It is increasingly clear that a paradigm shift in governance is needed. Global divides will be bridged, within a progressive global agenda, only through well-integrated, multi-level action. To make this possible, governance reforms are needed at all levels. These reforms must improve both the effec-

tiveness and the legitimacy of public action. Ambitious reform of global governance structures is needed to adapt them to the challenge of multi-level governance.

This approach will require a new form of political thinking. We need the ability to develop and promote complementary policy agendas at the different levels of public action. This report is an attempt to apply such new thinking alongside such policy agendas (i.e. European, developing world, global policy, governance) to bridge the global divides.

THE WORLD IN NEED OF A NEW GLOBAL ORDER

During the 1990s, pursuit of a global, progressive, economic and social policy agenda could reasonably have been seen to be feasible – albeit difficult to trade off against various conflicts of interest. The decade ended with the UN's Millennium Summit and agreement on a highly ambitious, socially-progressive declaration in which 189 world political leaders united around a common global agenda for the next 15 years.

Since then, the fundamentals of international politics have changed dramatically.

The EU-US transatlantic relationship, a vital engine for global progress, is under strain. The current US administration has on many occasions turned its back on multilateral commitments, even on highly significant global issues. This was true both of its refusal to sign up to the Kyoto Protocol and of its opposition to the International Criminal Court. The terrorist attacks of 11 September brought many calls from all over the world, including the US, for action against the root causes of terrorism to be at least as forceful as that against terrorist activity and networks. However, hopes of a boost for an ambitious, global, economic and social agenda were soon dashed, although the need is stronger than ever.

The European Union must meet the challenge primarily by rebuilding its partnership with the US. The context must be a common, progressive global agenda with shared willingness to address global divides forcefully at root level in a longer-term view and multilaterally. Equally, the EU must have a structured dialogue with other global players to promote such an agenda.

Sustainable global stability will not be achieved simply through military expansion and pre-emptive wars against rogue states. Military intervention can never be ruled out: in some cases, it is the only option. However, defence capacity must be a credible part of a wider security policy, not its main pillar.

There is a need to take pre-emptive political action. Experience shows the need for a wider security concept with such a pre-emptive policy approach. This means acting against threats before they become crises, by tackling the root causes of instability and insecurity.

Pre-emptive action must first and foremost be civilian. But we should not rule out military intervention for it is the only available option in some cases. Europe should strengthen its own military capability. Joint action by nations with a multilateralist approach is needed³. The EU should actively promote a broad, progressive policy agenda with its international partners and the UN. It therefore also needs to strengthen its own unity around a common global vision. The common heritage of our history and achievements – which have given rise to a new Europe – should be a lasting source of inspiration for all Europeans.



THE NEW EUROPE

In addressing the challenges of globalisation and promoting an inclusive, global, progressive agenda internationally, the experience of European integration is of fundamental importance. The EU is a new form of political and democratic governance. It has changed from an old Europe of war and conflict into a new, dynamic, peaceful, cooperative and pluralistic Europe. This achievement should give us confidence in the search for a new vision and a long-term strategy for bridging global divides.

► ***The new Europe: security through economic integration***

The old Europe was a Europe of political and military conflict. Over the last 50 years, Europe has transformed itself through rule-based economic and political integration into an area of democracy, stability and peace. Four successive EU enlargements have proved the strength of these basic ideas behind European integration. Our vision of the new Europe is to further develop the EU into a peace-keeping political entity that poses no threat to its neighbours and that contributes to stability and security inside and outside Europe.

► ***The new Europe: taking the lead in development***

The old Europe was a colonial Europe that conquered vast areas of Africa, Asia and South America. Over the last 50 years, Europe has given up this past and transformed its relations with the Third World. It has become the biggest donor of development aid. Our vision is to make the EU the leading actor in a new development strategy for social justice, in which trade, aid, investment and migration are mutually supportive elements for achieving the UN Millennium goals.

► ***The new Europe: anti-discrimination and inclusion as principle and practice***

The old Europe was a Europe in which people were excluded, persecuted and oppressed because of ethnic origin. Over the last few decades, the EU has fixed common principles for combating discrimination, taken the lead in the fight against xenophobia and social exclusion and maintained high labour and social standards. Our vision of the new Europe is an inclusive society based on solidarity. Common principles will be translated into national and local policies, giving new opportunities to people who are marginalised or in danger of becoming so.

► ***The new Europe: equality of women and men***

The Old Europe was a Europe that did not fully recognise or respect women's human rights and dignity. Over the past decade, Europe has made significant progress towards equality of women and men, particularly in employment. Our vision of Europe is one where achieving equality of women and men is a guiding principle and objective in all policy areas.

► ***The new Europe: governance in a complex world***

The old Europe was based on a political system dominated by national policy-making. This system fostered conflicts rather than cooperation. Over the last few decades, Europe has developed new forms of governance, based on community methods, including EU legislation and policy coordination. This is a system through which common challenges and problems can be addressed whilst maintaining cultural traditions. Our vision of Europe is to further develop these new forms of governance, strengthening the legitimacy of the EU institutions, in our effort to meet the challenges of global complexity in the 21st century.

► ***The new Europe: sustainability as a common aim***

The old Europe was a Europe in which economic progress was created at the expense of environmental damage and social sacrifice. Europe has a new long-term strategy for full employment and economic growth without pressure on natural resources. The EU should become the most dynamic, knowledge-based economy in the world – and the most responsible society to both the people and the planet. This is a vision for sustainability and widely-shared prosperity.

► ***The new Europe: a knowledge-based society***

The old Europe had fragmented research and innovation systems driven by national competitiveness aims. The ECSC and Euratom Treaties included research and development provisions in their specific fields that paved the way for sustainable European cooperation on strategic knowledge in many more areas. Today, the European Research Area builds upon these achievements and further promotes the establishment of science-based policies and the strengthening of cooperation in research, particularly with third countries.



**BRIDGING
THE DIVIDE
BETWEEN
EUROPEANS
AND GLOBALISATION**

2.

A EUROPEAN POLICY AGENDA



OVERVIEW

Within the EU, we must bridge the divide between globalisation and an increasing number of our citizens. They are worried by permanent change and new security threats. To do so, we must of course act at world level. But there is also much we can do at home.

Ensuring security

It is most important for the EU to be able to rely on a truly common foreign and security policy (CFSP) in the context of a wider security concept – reaching from conflict prevention to military crisis management and conflict resolution.

The Convention and the IGC must provide the institutional capacity to do so, by creating the post of European Foreign Affairs Minister jointly at Commission and Council level. In military terms, the Rapid Reaction Force will be an important link in a comprehensive CFSP. Its assembly should be speeded up. This should go hand in hand with significant upgrading of Europe's joint defence capacity, without leading to an unrealistic and unnecessary arms race with the US.

The Petersberg tasks should be redefined to include disarmament, military assistance, stabilisation and the fight against terrorism. Regional conflict prevention should be strengthened, both in assessment of potential threats and prevention of their emergence. We propose the creation of a Non-Military Rapid Reaction Unit. The fight against terrorism must remain a priority, but a more comprehensive approach is required. Europe must make joint efforts with its neighbours.

Taking concerted action for jobs, growth and the environment

Globalisation has created a world of permanent and irreversible change. To exploit globalisation's potential, people must have the right skills to enjoy new forms of job security. Europe must enhance competitiveness and move into new economic areas. This will enable us to cope with global economic redeployment and safeguard living standards in a society where knowledge is the key factor. Coping with change must not, however, be at the expense of cohesion and solidarity. Nor should it be at the expense of the environment.

A comprehensive strategy for sustainable development, embedded in the so-called Lisbon strategy, must therefore be vigorously pursued. This strategy is showing signs of weakness that must be addressed rapidly. The focus should be on a 'working-rich' strategy, on knowledge-based investment, on public finances supportive of the strategy and on effective implementation and policy-coordination at all levels. Europe must promote the right policies for sustainable production and consumption patterns that break the link between economic growth and pressure on natural resources. Industrial change must be socially responsible.



Managing immigration

Immigration has become an explosive political issue and is now a security issue. It is among the most difficult policy questions, whether in its economic, social or wider cultural dimension. Given the expected fall in the working-age population in coming years, increased immigration is broadly seen as a solution. However, this is a risky strategy given the failure to integrate immigrants successfully into our communities in economic, social and cultural terms and the exploitation of this failure by far right-wing and populist political forces.

Policies should first focus on raising the skills' levels of residents and immigrants populations alike and on increasing their rate of participation in the labour market. Cultural understanding and recognition is crucial to successful integration, especially for the Muslim community. This should be reinforced by a significant cut in illegal immigration and by stepping up the fight against clandestine work that undermines labour standards. A common European Action Programme to address the immigration challenge is called for.

Building a unified and a wider Europe

The current enlargement process is in itself a great challenge to Europe. But it gives rise to an important extra challenge – how to organise our relations with border countries. The present piecemeal approach of bilateral or sub-regional agreements or partnerships is far from being the best possible, both in dealing with regional issues of shared interest and in grasping the international geopolitical potential of a wider Europe. We therefore propose the creation of a European Regional Partnership Organisation, bringing together the EU and neighbouring countries that either do not wish to join the EU or that could not be envisaged as members.

Strengthening Europe in the world

The EU's political ability to act at global level is becoming crucial. At political level, the EU needs a Global Strategic Concept. It must rethink its capacity to act strategically in geopolitical terms. Elements of a new EU global agenda are grouped together in chapter six. However, to be able to apply a concept and an agenda of this kind, the EU first needs to strengthen its institutional and political capacities as an international actor. This is certainly the defining task of the European Convention and the IGC. We provide a minimal list of institutional and political changes that are needed.

ENSURING SECURITY

A new and wider concept of security

The global security divide calls for new ideas and initiatives – just as Olof Palme's Commission on global security used the concept of common security to challenge the escalation of nuclear armament and the East-West conflict of the 1980s.

Europe can build on its own experience of transformation through rule-based economic and political integration to become an area of democracy, peace and stability. After 50 years of hard work to bridge old European divides – and after four EU enlargements – the strength of these basic ideas of economic

and political integration has been proved. Soon almost 500 million Europeans will be citizens of member states that belong to this successful organisation of prosperity and common security.

A European strategy for global security has three aspects:

First, the principle of common security still applies to Europe and elsewhere. This principle recognises that lasting security will not be achieved unless it is shared by all through cooperation on the basis of equality and justice. The multilateral system must be the centrepiece of any effort to bridge the global security divide. The UN system and respect for international law must be strengthened.

Second, we support the wider concept of sustainable security through a comprehensive approach to the causes of conflict. Many factors cause conflicts and keep them going – social tensions, environmental questions and more. They often have a human rights' dimension. There may be historic causes. There may be a mix of short- and long-term problems. Addressing them should be part of any policy on insecurity. A good example of such a comprehensive policy is the EU itself or its enlargement process – integration as an agent of security.

The third aspect is value-based security. Democracy in all its forms is the best guarantee of security. The rule of law, respect for human rights, a culture of democracy and stable, democratic institutions are essentially also pillars of security.

Using a wider concept of security means that we must develop a broader range of instruments to guarantee all aspects of security.

A truly common foreign and security policy

The European Union has made progress – but recent political events have shown that current institutional arrangements do not stand up well under pressure in difficult international situations.

The EU needs a coherent foreign and security policy to complement its increasing economic and political weight, to strengthen its capacity for autonomous decision-making and action and, above all, to improve its contribution to peace and security at all levels. Development of the CFSP should be considered in the context of a wider security concept, which should also apply at international level. The EU must be able to act when military crisis management or humanitarian intervention is needed. This includes EU action to enhance collective security in Europe, since NATO involvement is not always necessary. But we should develop accountable and transparent procedures for cooperation.

The Helsinki Council decisions have been welcomed. They are a dynamic step towards EU ability to carry out Petersberg tasks⁴. The Rapid Reaction Force will be an important link in a more comprehensive CFSP. It will be an important instrument of crisis prevention, crisis management and humanitarian intervention. However, it will be successful only as one of a wider set of instruments to restore or enhance collective security, mainly in Europe.

Institutional and political changes currently discussed in the Convention are of key importance. They must enhance the EU's ability to define its common foreign and security policy more profoundly and more coherently, and to deploy this policy with greater effectiveness and credibility on the international scene, a point to which we return in chapter four.



However, the CFSP should not lead to a growing democratic deficit. Proposals are needed to eliminate the existing deficit and to prevent it from growing again as the CFSP expands. In any event, the scrutiny role of the European Parliament should be strengthened. A wider CFSP debate, involving NGOs, social movements and the academic world, should be encouraged.

Towards a European Defence Policy

Our emphasis on the need for a broad range of security instruments should not lead to neglect of defence capability. Credibility of security operations is often linked to the availability of the military option. We cannot ignore the need to strengthen the defence capability of the European Union as an essential part of the CFSP. Progress has so far been limited. Basic decisions have been taken and a structure has been set up. But the capability remains limited to the deployment of a peacekeeping force in FYROM. Decision-making procedures are cumbersome and to some degree ineffective.

The EU could never match US military capacity if it wanted to. Even the capacity for autonomous action is limited by the need to use NATO assets. Thus, a new arms race – but this time between the EU and the US – would be foolish. Our aim should neither be to match the US militarily nor to replace NATO as the collective defence organisation for most EU members. EU members that want to sign a collective defence clause should be allowed to do so through a treaty protocol.

The EU does, however, need a more effective defence capability in the context of broader measures for conflict prevention, peacekeeping and crisis management. It should therefore redefine the Petersberg tasks to include disarmament, military assistance, stabilisation and the fight against terrorism. It should speed up establishment of the Rapid Reaction Force and ensure that it can act more independently as the EU develops its military capability. For this, adequate defence budgets are needed but even more important is improved cooperation. The EU should consider developing naval resources. The decision-making process should be simplified and made more efficient.

Such a capability could of course be used outside Europe in multilateral operations but we foresee a more regional role for the time being. It is therefore urgent to establish the precise relationship between the EU force and the intervention capacity that NATO is to develop. Deployment of the EU force in UN operations to destroy weapons of mass destruction should not be ruled out.

We must recognise that new global threats, including terrorism, underline the absolute necessity of Europe increasing its military capability. This is also fundamental to renewed cooperation in many areas with the US.

Strengthening regional conflict prevention

There are many definitions of conflict prevention. In our view, it is either anticipating or resolving conflict by peaceful means (civilian crisis management). Conflict prevention has a wide scope. It can be sectoral. It can be geographical, as in the Balkans. It can be of global scale, as in global warming. It can be regional, as in OSCE operations. A wider security concept thus leads to a wider definition of conflict prevention. Prevention of conflict is based on predicting the future by learning from the past and the present. We need greater ability to do that. Alongside military planning scenarios, we must develop conflict prevention planning scenarios. We need additional special skills. Some call this the change to a culture of conflict prevention.

We must examine the instruments available. The EU has a wide range of possibilities for conflict prevention. They are used in the examples cited. It has great potential in economic and political areas. But conflict prevention works only when the potential conflict is defined precisely and a full set of instruments is made available. This varies from situation to situation. At present, the EU does not have flexible combinations of instruments for different types of conflict prevention. Defining conflict prevention needs in terms of situations and instruments is hampered by the overlap between the first and second pillars of the EU. There are no coordinating mechanisms yet, so it is difficult to concentrate efforts. There is also no common pool of national and EU resources. The European Council is aware of this and has called for initiatives. The Commission has also drawn up proposals.

The EU must urgently develop an evaluation of global and regional conflict potential and identify structural risk factors. This evaluation will allow new areas and new activities to be identified. As already stated, the EU is currently engaged in a number of conflict prevention activities. But there are neglected areas.

Test cases could be envisaged – for example the water issue in the Mediterranean or the stabilisation of Albania. The EU will have to list existing instruments and possibly identify new ones. It should have at its disposal the necessary expertise for use in all relevant sectors – from prevention activities to technical operations. A well-trained police force should also be available. This could form the “Non-Military Rapid Reaction Unit”, which goes beyond existing police instruments. Obviously, we also need efficient funding arrangements. We should look into ways of involving the business community, trades unions and civil society in conflict prevention.

The EU should improve structures for assessing security threats that might develop into conflicts. This should include a centre for active crisis prevention and a network of specialists to develop the culture of conflict prevention. In order to strengthen the CFSP in general but also in terms of conflict prevention, the EU should improve its intelligence capacity.

Fighting terrorism

The battle against terrorism does involve a military dimension. But a systematic effort, whether in Europe or at international level, takes place mainly in the area of justice and home affairs. It will have clear implications for foreign policy and security. This does not have to be contradictory and can be complementary. We must develop a more comprehensive approach based on the following elements:

- ▶ In order to guarantee citizens’ rights to life, freedom and security, as established in the treaty, our best tool is close cooperation in justice and home affairs. Following 11 September, this need has become more evident.
- ▶ The member states should accept the need for more flexible, efficient mechanisms and more democratic operation of justice and home affairs policies. We support the incorporation of these policies into the community framework using the procedure foreseen in article 42 of the EU Treaty.
- ▶ The decisions of the extraordinary European Council of 21 September 2001 are on the right lines:
 - to convert Europol into an operational agency in which there is real, effective exchange of information. Europol should act under judicial and parliamentary control;
 - to put judicial cooperation into effect through Eurojust;



- to adopt the European law on arrest and search;
- to continue the process of bringing national laws into line for cross-border crimes as described in article 29 of the European Union Treaty;
- continuous monitoring to ensure effectiveness and to safeguard people from abuse of their rights.

Greater effectiveness means less sacrifice of freedoms and individual rights. Cooperation within the Union can offer citizens increased efficiency in protecting the freedom that terrorism tries to destroy. Cooperation in justice and home affairs must also form part of the EU's foreign policy agenda. Cooperation between governments with the aim of legal and judicial law enforcement, and increased police and intelligence cooperation, must be an integral part of our fight against terrorism both in Europe and around the world.

A successful global alliance against terrorism depends very much on Europe's ability to act jointly with its neighbours and to have such diverse nations as Russia, Iran and the countries of the Middle East and North Africa become part of that strategy. New offers of political and economic links with these countries, decisive steps towards the solution of the Middle East crisis and extension of aid for economic and social reforms needed in these countries are vital. We propose the creation of a European Regional Partnership Organisation in chapter two. A partnership with the US is a prerequisite for lasting peace in the Middle East.

In parallel, Europe must insist on respect for human rights as a more efficient way of ensuring long-term stability. Europe's ability to enter into and enhance this dialogue is paramount to the success of military, judicial and police activities in combating terrorism. Beyond this, the fight against terrorism is ultimately part of the much wider policy agenda addressed in many other parts of this report, of which the most prominent is the fight against poverty and social exclusion in the world.

TAKING CONCERTED ACTION FOR JOBS, GROWTH AND THE ENVIRONMENT

The Lisbon strategy - a comprehensive agenda for sustainable development

At Lisbon in 2000, the European Union adopted an economic and social strategy, along with an environmental strategy to produce a full agenda for sustainable development. This strategy responds positively to globalisation and takes advantage of technological change. It defines a European path to a knowledge-based economy and restores the prospect of more and better jobs and eco-friendly production and consumption. This approach is based on the conviction that Europe must build new competitive strength and move to new economic areas in order to cope with global economic redeployment and safeguard its living standards⁵.

The basic assumption of this agenda⁶ for structural reforms is that knowledge is becoming the main wealth of nations, companies and people – but can also become the main factor in deep inequalities. These inequalities go beyond the so-called digital divide because knowledge is more than information. The European way of building a knowledge-based economy should retain social cohesion and respect for cultural diversity. This agenda will allow Europe to reinforce its attractiveness and influence internationally – and thereby its ability to create the long-term partnerships needed for true global governance.

The Lisbon strategy seeks to balance economic and social modernisation whilst upholding European values of cohesion and solidarity. It has therefore defined new priorities for a whole range of policies: information society, research, innovation, enterprise, single market, employment, education, social inclusion and social protection. These must serve the common goals of greater competitiveness, higher employment and inclusion for all. Environment policy in the broader framework of sustainable development was added later by the Stockholm and Göteborg European summits. These new priorities have been translated into action plans as well as many specific measures involving European institutions, national governments and civil society in the member states including, more recently, the new ones⁷.

An opportunity not to be missed

However, recent practice in putting this strategy into effect, shows a number of weaknesses and failures, which, if not corrected in time, could imperil the project. Major causes for concern are:

- ▶ The balanced policy-mix of the Lisbon strategy (economic-social-environmental) is in danger of being abandoned for a predominantly market-oriented economic agenda;
- ▶ National budget policies are under continuous pressure in the stability and growth pact, which is detrimental to public investment spending, be it in education, research or infrastructure;
- ▶ It has been difficult to foster structural reform, notably in legislative initiatives that remain dead-locked;
- ▶ It is difficult to develop the strategy into an effective, policy-coordination mechanism of multi-level governance. National, regional and local governance levels are either not aware of or are unwilling to commit themselves to the strategy.

This whole agenda must be vigorously reactivated if Europe wants to achieve the ambitious goals it set itself in 2000. The following guidelines could give the whole undertaking a far better chance of success:

Focus on a working-rich strategy as a clear alternative to a combination of low wages, insecure jobs and low levels of education and training. Utmost priority must be given to the quality of education and training. This will require increased and intelligent investment in our schools and training systems. To equip women and men to cope with change, they must have equal access to high-quality education to begin with. Attractive, serious, life-long learning schemes must also be available to them throughout their working lives. New efforts in education and training should go hand in hand with renewed support for research and innovation. Europe's scientific and technological potential is at stake. People will be able to cope with such change only if the wider social policy framework is supportive. This will entail strengthening services for the care of children and other dependent people in order to ensure the reconciliation of work and family life for women and men.

Focus on knowledge as a key driver for employment, cohesion and international attractiveness. New knowledge creates the conditions for efficient policy-making. The efficient use and spread of knowledge promotes economic growth and employment. The attractiveness and openness of centres of excellence promote global governance and strategic partnerships. Current European public and private under-investment in research must end. Public support for research and innovation systems must be increased and made more effective. Conditions for private partners' involvement in research should be improved.



Focus on public finances supportive of sustainable growth and employment in an innovative approach to coordination of national economic policies. This can be done by connecting the stability and growth pact to the Lisbon strategy commitments. In practical terms, member states would begin to provide details of national growth strategies in their national stability programmes. These growth strategies would have to show how political commitments of the Lisbon strategy (such as investment in education or research) are reflected in budgetary plans. This should turn EU economic coordination into a new process in which fiscal discipline and stability are complemented by joint economic policy measures for stronger economic growth. Such coordinated action could create up to 11 million extra jobs by 2010⁸.

Focus on implementation and policy coordination at all levels. The open method of coordination, which underlies the Lisbon strategy, should not become an easy way for governments to avoid delivering on their promises. Recent experience shows that peer pressure does not work with governments and that the European Commission finds it hard to pressurise member states that do not deliver. National growth programmes described above could resolve this problem. More institutional innovation might, however, be needed. A solution could be to charge the General Affairs' Council with the responsibility – delegated by the European Council – of closely monitoring implementation of the strategy, in coordination with the Commission. Recognition of the open method of coordination as a Community instrument – which should be proposed by the Convention – would be a further step in the right direction.

Sustainable production and consumption

As a major building block of the Lisbon strategy, the vision of sustainable development and its environmental, economic and social perspectives is fundamental to a society based on solidarity and justice – a society in which citizens believe in the future and actively participate in development.

Parallel with – and built into economic and employment strategies – we need to step up the fight against environmental degradation through concerted action for sustainable patterns of production and consumption. Progress will not only benefit Europe – it will both significantly lighten the global burden on our planet and generate new eco-friendly technologies that can then be spread around the world.

The purpose is to break the link between economic growth and pressure on natural resources. Innovation, new technologies and investment are key to a successful strategy. Technology is a double-edged sword. It is both a cause of many environmental problems and a key to solving them. It is a matter of fact that the technologies of the past – still dominant in transport, energy, industry and agriculture – undermine our basic life-support systems, clean water, fresh air and fertile soil.

In all of these sectors, new technologies are available or are emerging. They may not only slightly reduce environmental impact but, if widely used, may solve many environmental problems.

We have a choice between technological change at historically unprecedented rates or a change in the make up of the atmosphere unlike any since the dawn of humanity. Improvement in environment technology through greater investment might increase the rate of improvement in eco-efficiency. Such a development would also improve the trade-off between economic growth and environmental pressures, allowing more favourable developments in both.

There is no inherent contradiction between economic growth and maintenance of an acceptable level of environmental quality. Economic growth typically enables society to provide people with a cleaner, healthier environment. So the issue should not be seen as one of economic growth versus the environment but of how improvement in living standards can be accompanied by safeguarding and improving the quality of the environment. Strengthening integration should benefit both environment and economic policy. Greening fiscal policy, for example by removing subsidies to environmentally harmful activities, should enhance economic efficiency.

Basically, sustainability is a question of phasing out old technologies and phasing in new, more eco-efficient and productive technologies. We should be seeking new, lean, efficient technologies. They will produce more in terms of value to the consumer but use less energy and other resources.

We shall be moving towards the dematerialised economy. Europe could set itself the challenge of turning this idea into a driving force, giving it significant competitive advantage. We should focus on measures to combine productivity and resource efficiency through innovation, new technology and job-creating investment. Every investment should be regarded as a choice between more or less sustainable forms of production. This also applies to deferring new investment and thereby choosing to continue using older, less resource-efficient technologies.

In macroeconomic terms, all investment, amounting to about 20 per cent of GDP, is a potentially central strand in a strategy for sustainable development. Furthermore, a great deal of private and public consumption, amounting to 80 per cent of GDP, includes technological elements and choices of great importance for sustainable development.

Technological change is not only a question of investment choices. It is equally important to understand consumption patterns as a vehicle for change. This is evident in the home and transport sectors, for example. To attain a GDP growth rate of three per cent a year in the EU – in line with the Lisbon strategy – an investment growth rate of about four to six per cent for several years seems necessary. Such a growth rate is a significant acceleration from the two per cent average over the 1990s in the euro area.

Replacement of old technologies with newer, more sustainable ones gives the spin-off of strong growth from the investment made. A higher rate of investment will make room for faster replacement of old technologies. A strategy for sustainable development – including a determined policy to get prices right – will make introduction of new technologies more profitable and help boost investment and economic growth. Thus, the EU strategy for sustainable development can make a strong contribution to such an investment strategy.

This approach to technologies for sustainability also has a development aspect. EU member states and other developed countries have in the past developed, implemented – and exported – the technologies behind our unsustainable patterns of production. These countries will have the main responsibility for introducing new technologies and making them available to developing countries. The long-term vision must be combined with a bold action programme for investment, economic growth and employment with the aim of breaking the link between growth and pressure on natural resources. To make such a programme realistic it could be based on the principle of best performance – i.e. on new technologies, systems and principles that have proved to work well.



The best performance approach could be used as a lever for more fundamental, structural transformation of our economies in the next ten years. This might be done by making the best performance of today a minimum standard of tomorrow. We would not claim the knowledge to be able to identify key requirements in different sectors, but some examples may be useful:

- ▶ In **transport**: in ten years' time, our private and commercial fleet should be replaced by vehicles that match at least the best standards of today. The standard of most vehicles should be much better than today's best. A market-based system for emission trading between low emission cars and old cars could be established to bring about incentives for modernisation of the fleet.
- ▶ In **energy**: in ten years' time, energy efficiency should at least match best performance today in all areas of energy production and use. Price relations in energy production should gradually have been adjusted to reflect long term sustainability.
- ▶ In **agriculture**: in ten years' time, farm support policies should be limited to farming methods compatible with sustainable development, taking forward themes already identified in the Commission's mid-term review of the CAP.

These sustainability aims for some of the most important economic sectors could be backed by horizontal aims for the business sector and public administration. For example:

- ▶ In five years' time **all firms** (or at least those listed on the stock market) should present annual reports with triple bottom lines, building the three dimensions of sustainability into business considerations.
- ▶ In five years' time **all public procurement** should be based on sustainable development and all tenders should include a sustainability declaration. Non-sustainability should be seen as distortion of fair competition, thus building sustainable development into the single market.

The reason for choosing such targets is that the EU needs a strategy that is both bold in relation to past strategies and so well developed that people can identify new opportunities. These lie in the demand for innovation and new investment. People can therefore appreciate that sustainable development is not all about restrictions and sacrifices, even if some will be needed. The EU needs to set targets that can provide guidance on investment decisions for firms and households. Setting targets could be a powerful instrument, particularly alongside incentive mechanisms and competition between firms that are eager to be in tune with new consumption patterns.

Implementation of a strategy for sustainable production and consumption will affect the overall economy, different sectors within it, most enterprises and workplaces. There is reason to believe one result will be fundamental change in what we produce, how we produce it and what we consume. Thus, it will have a fundamental effect on the economic conditions of enterprises and the social conditions of workers. It must be supported by a strategy for socially responsible management of change. Incorporation of a social and employment dimension in the long-term strategy for sustainable patterns of production and consumption must be a top priority.

Towards socially responsible change

Industrial restructuring through mergers and acquisitions is historically a result of the European internal market. It is now increasingly the result of changing business strategies in response to corporate challenges from expanding economic globalisation. Such industrial change often results in

large-scale redundancies, thus adding to a general feeling of economic and social insecurity among employees⁹.

Restructuring within the European Social Model must lead to a win-win situation for employers and employees. A social compromise within the European Social Model should be reached ensuring both competitiveness and workers' rights. Until now, the traditional paradigm of social policy sought to repair damage from restructuring. The challenge for a new paradigm must be to manage restructuring and change so as to anticipate developments and avoid deterioration. It would also seem after years of experience that there is a need for more mandatory information, consultation and negotiation. This needs to be accompanied by improvement of European competition law and workers' involvement in competition procedures.

The obligation for a fair and genuine process of consultation must be strengthened. The right for European work councils and trades unions to negotiate the social model of restructuring must be established. For instance, there should be an in-depth review of the Collective Redundancies Directive and European Works Council Directive. This should focus on the timing and quality of information and consultation. It might be necessary to make consultation with employees' representatives obligatory and to safeguard the right to negotiate social plans in order to alleviate the negative consequences of restructuring. Such social plans would have to include extra measures such as opportunities for professional training and the acquisition of new skills as well as equal opportunities for men and women.

MANAGING IMMIGRATION

Over the past five years, migration has accounted for 70 per cent of the growth in Europe's population. In less than 15 years the number of European citizens in their twenties will fall by 20 per cent and those aged 50 to 64 by 25 per cent, while those aged more than 80 will increase in number by 50 per cent. The EU working age population will fall by approximately 40 million people from 2000 to 2050 and the old age dependency ratio will double from 24 per cent to 49 per cent¹⁰.

The wish to compensate for this "demographic deficit" has led to proposals for new immigration into Europe. We should be cautious about automatically following this path. We are not convinced that it is a sustainable solution – either for the developing countries from which immigrants come or for Europe. Instead, we should begin by reforming our employment policies and making efforts to increase employment rates for women and men. Our strategy is clear: by implementing the guidelines of the Lisbon strategy and by using the economic interdependencies within Europe in a proactive and coordinated way, we can create a large number of better jobs.

A political paradox

The difficulty of identifying the best political response to the immigration issue lies in the fact that we are confronted with political paradoxes:

- ▶ The economic and social costs and benefits of immigration are unevenly distributed;
- ▶ Attraction of new, highly skilled immigrants (as in the IT sector) runs the risk of a brain drain in developing countries, potentially harming their own development. This in turn can lead to further migratory pressure;



- ▶ Europe continues to have high unemployment rates, notably among low-skilled workers and the existing immigrant population. Even skilled migrants run a high risk of losing their expertise by not using it in time;
- ▶ Social integration of existing immigrants, especially from the Muslim community, has so far failed in many European countries, although many Muslims have integrated and make a significant contribution;
- ▶ Much of public opinion is reticent about an increase in the immigrant population. More immigration, if badly handled, can lead to xenophobic and anti-immigration voting patterns. The public should be adequately informed about actual migrant numbers and the benefits that migration brings.

The complexity and apparent contradictions in the immigration issue can be properly addressed only through an equally complex, comprehensive package of policies. Immigration is one of the main ways globalisation confronts many of our citizens – often negatively, resulting in the kind of anti-immigration and protectionist attitudes we have seen in recent elections. We must address existing problems and find solutions. To play down or even ignore issues is the wrong option.

Immigration and the potential of the Lisbon strategy

Through coordination and sharing of best practice within the Lisbon strategy, the immigrant population should become the focus of tailored, active, labour-market policies to match skills and supply and demand. These should not be isolated initiatives but part of the mainstream strategy. Publicly recognised evaluation of migrant workers' skills should be developed to help them upgrade qualifications and find jobs¹¹. The EU could encourage the creation of such centres at national level along with a network to help in the recognition of qualifications between member states and movement of migrant workers within the EU.

Improving the skills level of existing residents and improving their pathways into work remains the first priority, with labour migration as a complementary element built into the overall Lisbon strategy. The number of working age immigrants who actually have a job is only 54 per cent for the EU, compared to 69 per cent for EU nationals. Increasing this rate should become a clear policy target at national level. This will both improve the social integration of immigrants and reduce demographic pressure for more immigration. As skilled immigrants run the high risk of losing their expertise by not using it in due time, upgrading skills and life-long learning should be stressed.

Special attention must be paid to the quality of education for immigrant children. This tends to be lower in primary schools where there are many such children, for reasons of language and unfavourable social background. Governments should support such schools through special programmes aimed at raising education quality. More generally, social integration should be supported by anti-discrimination legislation and initiatives. Last but not least, given that the demand for more immigrant labour originates from the business community, it is fair to think that ways should be found of linking companies to effective integration policies in a socially responsible way.

Fighting illegal immigration

Illegal immigration prevents proper integration of legal immigrants. It creates a general feeling among nationals of uncontrolled flows into their country and can give the terms of public debate a very negative turn.

Experience shows, however, that tighter border controls are only part of the answer. For a significant, long-term cut in illegal immigration to be achieved, an attack on its root causes is needed.

The main cause is underdevelopment – which creates sub-causes. However, increasingly well-organised illegal immigration and trafficking networks are becoming a cause on their own. This calls for specific political action and international cooperation. Second, we need better arrangements with countries of origin to return those who are found to be in the EU without permission. Third, the fight against clandestine work and the conditions that create it should be actively pursued. Studies show that such work provokes, rather than results from, illegal immigration.

Beyond the economic and social dimensions

Immigration is economically good for a country as a whole but can be an economic and social cost to areas with high immigrant populations. Again, this often leads to local xenophobia and extreme voting patterns. This can be counteracted only by changing the terms of distribution of those economic benefits and by recognising that immigration can be part of a strategy to regenerate a declining area. National governments and the EU should address this challenge forcefully and connect their policies and their financial support to such deprived areas, investing in better infrastructure and greater security.

In many European countries today, the main challenge in integrating the immigrant population lies with the Muslim community. Cultural and religious differences can be strong compared to native communities, and stronger in the second generation as a result of the exclusion they and their parents have experienced. The whole international context – particularly the Middle East conflict, the existence of several fundamentalist and/or dictatorial regimes in the Arab world and the continuing threat of Al-Qaida terrorism – is unfavourable for the peaceful, stable inclusion of these communities in our different countries. It counters the readiness of nationals to support integration efforts. However, cultural recognition and understanding must be achieved and integration into the labour market secured. Those communities have a right and a duty to play a full part in the countries that accepted them and in which they now live legally. The wider population has a right and a duty to bring about an inclusive, cohesive society.

An Action Programme

The challenge is important. It is time for a *common European action programme to address the immigration challenge*. Such an action programme could have six focused points:

- 1 A clear set of common, universal values based on The Charter of Fundamental Rights and the Declaration on the World Ethos. These would include human rights, equality between men and women, the right to choose your own partner, equal rights and duties for all. The values should respect separation of religion from state and of religion from law. No-one should be able to deny respect for the law on the basis of religion. Everyone – all nations, peoples, individuals and religions – must respect this set of values and fundamental rules.
- 2 A common asylum and immigration policy based on non-discrimination.
- 3 A determined fight against clandestine work, trafficking, illegal immigration and international crime.



- 4 A set of common, basic principles for integration. The challenge: a united rather than divided society. Integration means the same rights and duties for all, rejecting ghettos, promoting language-learning and providing education and jobs. To achieve this, we need to remove barriers to equal rights, particularly at work, by implementing the EU race directive effectively. This should be widely understood and put into practice. The sharing of best practice and experience throughout EU would be very helpful. Cultural understanding, recognition and dialogue should be actively encouraged and supported at local and national level. Small, local initiatives can make a difference if widespread. This could be backed up by a European initiative on cultural dialogue with a clear focus on specific, local actions.
- 5 Greater joint assistance to areas that produce economic migrants. Repatriation is closely connected to better aid for rebuilding homelands. As far as high-skilled immigrants are concerned, sustainable partnerships with non-EU countries are needed to counter migration and brain-drain.
- 6 An active, coherent development policy for Third World countries. We cannot solve world poverty by migration to Europe. So we must create the basis of a social and economic future for the poorer countries.

BUILDING A UNIFIED AND A WIDER EUROPE

Unifying Europe

The European Union is on the verge of its biggest enlargement – to 10 new member states. This enlargement process is bound to continue, adding at least another few countries to the soon 25-strong Union. The current enlargement is an enormous internal challenge for Europe, especially for future economic and social cohesion. Success in achieving economic and social cohesion will be a formidable asset for turning a unified Europe into a major international political player within a progressive global vision. Although this in itself is an impressive challenge, we also need now to focus our attention beyond the Union's borders far more than we have done so far.

Towards a wider Europe

Enlargement will greatly change the geopolitical context in pushing EU borders further east, following the push to the south in the 1980s and to the north in the 1990s. The enlarged Union will be surrounded by countries with which it already has or will have individual or regionalised partnerships or relations. They include Russia and Ukraine on the eastern border and the Mediterranean partnership of the south. Within the current approach, these will form a diverse set of cross-border, bilateral and sub-regional agreements.

The weakness of a piecemeal approach

The extent to which this piecemeal approach to international neighbourhood policy is of real political value either for the EU or for its partners is questionable. Whilst the strictly economic dimension of bilateral agreements can produce results, the wider international return is bound to be modest for both. At global level, the theoretical potential of regionally-rooted, strategic alliances can only matter greatly in EU-Russia relations. Even then, relations would need to be further deepened

and structured around common preferences and interests. If structured piecemeal, EU relations with small- and medium-sized partner countries will be of no value at global level.

Standing against this weak approach, even for border countries, is the greater attraction of full EU membership. We are likely to see a large number of applications in the next 20 years. Although it may be too great a strain for an EU with political ambition to increase its membership beyond 30 countries, applications will be all but impossible to resist unless we offer an attractive alternative. The recent Commission paper on the wider Europe puts forward useful proposals for improving current arrangements but does not meet these challenges.

Towards a European Regional Partnership Organisation

The dilemma could be overcome by improving current EU border relations policy. Partnership agreements could be grouped Europe-wide in a single economic and political cooperation framework. This would entail the creation of a **European Regional Partnership Organisation**, bringing together the EU and interested neighbouring countries. Such an organisation would have several important advantages for both the EU and its neighbours:

- ▶ It would create a Europe-wide regional platform whose international weight would be considerable. Joint EU-plus-partner-country positions could be reached on major policy issues;
- ▶ It would provide a wider-organised regional zone of economic and political stability beyond EU borders, potentially covering more than 800 million people;
- ▶ It could provide both a pre-accession space for countries that might in the long run want to join the EU and an attractive regional association structure for countries willing to be part of a wider regional structure without the deeper integration of the EU; and
- ▶ It would streamline political and institutional management of EU relations with neighbouring countries, clarifying aims, rules and principles in a single, comprehensive framework.

The organisation could be a framework for a number of important policy areas, including:

- ▶ Common conflict prevention and resolution instruments to stabilise the region;
- ▶ The creation of a vast internal market for the free circulation of goods, services and capital and, gradually, of people;
- ▶ A regional sustainable development policy;
- ▶ A common migration policy;
- ▶ Common policies to fight terrorism and cross-border crime; and
- ▶ Regular political coordination by consensus on major policy issues on the international agenda.

From a global view, such a regional organisation would be an important contribution to the gradual structuring of the global governance system and to peace, stability and prosperity in a major part of the world.

STRENGTHENING EUROPE IN THE WORLD

The unstable world that emerged from the Cold War suffers from both fragmentation and unilateralism. Europeans face two dangers but also, more importantly, two conflicting concerns.



On the one hand, Europe's citizens are worried about their security and the impact of international terrorism on their everyday lives. They are anxious about fundamentalist movements, secret networks, ethno-nationalist extremism, sub-national fragmentation and world anarchy. As a result, more than seeking fairer global governance, they demand global, long-term security. This encompasses social and economic security, protection from the negative effects of globalisation and security against international crime and political disorder.

On the other hand, many of our citizens are afraid of security at the expense of the domestic rule of law, civil liberties and democracy. For them, an even more hierarchical, unipolar and unfair world order would be equally uncertain and unstable.

These *new security challenges* need to be answered at national, European and world levels with a broad approach to wider security. As we discussed in the introduction, what is new after 11 September is the impossibility of dealing with global governance without taking account of world instability. The turning point from the Clinton administration's approach to the Bush administration's New Security Strategy affects the international agenda and the traditional, multilateral, multi-level global governance of the European Union. The approach of Europeans to governance is dramatically affected by the new security agenda.

In such a new international context, there are many signs that the EU's political ability to act is becoming crucial to the scope for progressive movements and ideas to influence global governance.

The EU must take a significant step towards a political capacity to act, enabling it to contribute to the current lack of progressive leadership at world level. Up to now, Europe has not only defended the positive legacy of five decades of multilateralism, but has also strengthened the current multilateral framework and the new global civilian agenda¹². Last but not least, it helps to build new multilateral organisations and policy agendas (notably the International Criminal Court and the Kyoto Protocol). In short, the EU increasingly identifies its international discourse and actions with strengthening multilateralism. This is not enough, however.

The EU needs a *Global Strategic Concept*. This would link a more democratic and effective global governance architecture with a peaceful world order. It would connect crisis policies (for example on the Middle East, North Korea, terrorism, or the new security agenda) to a long-term vision of the necessary reforms to the global institutional polity. This includes medium-term structural reforms of global governance. The EU must rethink its capacity to act strategically in the world. First, it needs to strengthen its institutional capacities as an international political actor.

The European Convention could well be the last chance in a long time for the EU to improve the consistency of its international political role and its scope for action. In order to help the next IGC to approve a constitutional treaty on these lines, the Convention should reach broad consensus on an enhanced international political role for the EU by at least:

- ▶ establishing a single international legal personality;
- ▶ enhancing coherence and consistency in two ways: horizontal, between the various dimensions of its external relations (cooperation with developing countries, humanitarian aid, trade policy, foreign policy, monetary policy) and vertical, between the European Parliament, the Commission and the member states' foreign policy action;

- ▶ reforming treaty article 133.5 on common trade policy and delegating power to the Commission on services and property rights, while enhancing the prerogatives of the European Parliament. (The European Parliament should at least have an advisory role when the Commission strikes international trade deals);
- ▶ appointing a single European foreign minister for both Council and Commission, of which s/he should be vice-president. This foreign minister should be able to build on a network of EU foreign embassies;
- ▶ establishing a unified EU representation in international organisations where possible;
- ▶ making open enhanced cooperation between a smaller group of member states easier to initiate, particularly as far as defence and foreign policy is concerned, in order to counter a tendency to dilution in the wider Europe and to prevent the tendencies to set extra-Treaty hard cores.

The development of a global strategic concept for the EU must necessarily cover a wide range of policies to address the challenges ahead and bridge the global divides discussed earlier. The best approach will be a multilayered one, combining complementary policy agendas into a comprehensive, coherent, global progressive vision. To turn such a vision into reality, the EU must commit itself and be active in promoting these policy agendas internationally. Subsequent chapters explore these points in detail.



BRIDGING **3.** **THE DIVIDE BETWEEN** **RICH AND POOR** **COUNTRIES**

A DEVELOPING WORLD POLICY AGENDA



OVERVIEW

We have grouped this action into two complementary agendas. First are policies whose goal is to pull developing countries and their people out of poverty – bridging the divide between rich and poor countries, dealt with in chapter three. Second are policies – not now up to the task – for addressing truly global challenges, bridging the divide between global challenges and global policies. This agenda is developed in chapter four. Chapter five then deals with the crucial issue of governance – bridging the divide between the global challenges and the inadequate processes through which we currently address them.

To bridge the divide between rich and poor countries, we call for:

Regenerating development policy

All rich countries must see development policy as a key policy instrument in the years ahead. We must ensure that it achieves its potential by designing it effectively and funding it adequately. We must learn from the many errors of the past. The UN Millennium Goals must guide international efforts. The goals must not be missed but the challenge is immense. We recommend a better balanced, innovative development policy, with closer coordination between donors, coherence at EU level, more debt relief and debt cancellation, a focus on human rights and democracy, new policies to use the knowledge factor in development strategies and – last but not least – more development aid. To achieve the latter, we must rapidly obtain more reliable estimates of actual needs to achieve the Millennium Goals, for they will be a key argument in raising funds. We must also move towards innovative sources of finance, including a global tax.

Focusing on job creation and social progress

A crucial shift in traditional development thinking must be to focus on income-generating jobs. The international community has begun to take this into account, at the UN and the ILO. The Johannesburg summit of 2002 recognised this new approach. In the next 10 years, nearly one billion people will reach working age in the developing world. Population increase will add 500 million young people to the workforce. We call for a global employment strategy to give these people jobs. Without it, global unemployment will explode. This will require new efforts in education and training alongside social progress. Globalisation should not create working poor either in Europe or in the developing world. More than half of the world's workforce currently lacks any form of social protection. To address these issues, we call for a new global social strategy that can win support from developing and developed countries alike. As part of the strategy, we must back efforts to stamp out child labour, the worst form of social exploitation.

Achieving fair trade

The coming months will be crucial for meeting hopes raised by the 'Doha Development Agenda'. A fair trade agreement could help enormously to bridge the divide between rich and poor. But this will require far-sighted and generous trade concessions by developed countries. This is most needed on the biggest issue of all – agriculture. Radical reform of the EU's common agricultural policy should accompany fairer rules on trade in farm produce. Similar demands must be made on the US.



The WTO must be made an open and democratically accountable organisation and process. It must be prevented from ruling on non-trade issues. We need to lay down conditions for turning the Doha Round into an Anti-Poverty Round – and we must put sustainability at the heart of the WTO agreements.

Promoting sustainable development

A global strategy for sustainable development must gradually be built into the policies of both developed and poorer countries. Development and economic growth should be less and less at the expense of natural resources and the environment. Poverty and environmental degradation are two sides of the same coin in developing countries. The Johannesburg summit made significant progress in defining a new sustainability agenda. But consensus has not been possible on all fronts. Due to weakness of global governance and lack of political will, implementation may be disappointing. Developed countries must help the developing world in meeting the sustainability challenge by incorporating this dimension into adequately funded development strategies. They must also stimulate eco-friendly technology transfers. Having said that, we stress that developed countries must meet the highest demands of sustainability.

Deepening democracy

More than half the world's nations are at best partial democracies, still curbing important civil and political rights and freedom. Democracy is an aim in its own right. It is also a vital component of development. A comprehensive international effort to deepen democracy in the developing world should be part of a wider development agenda. Existing instruments and programmes, especially through UNDP, should be strengthened and backed up with the resources they need. This should be linked to more democratic international organisations that give developing countries a greater say in policy and decision-making.

REGENERATING DEVELOPMENT POLICY

The need for effective, adequately-funded development policy lies at the heart of the globalisation challenge. But – despite recent political lip-service paid to it – there is a danger of it remaining outside mainstream world politics. Development policy has had very mixed results: in many cases, it has failed to pull developing countries out of poverty. The causes of these failures, despite decades of development aid and programmes, are manifold and subject to continuing debate. The format of this report does not allow a detailed discussion of these causes, some strongly disputed among academics and development experts. It is useful, however, to mention the main points. In a long list, the following seem to us to be particularly relevant:

- ▶ Lack of development-supportive policies in other fields, such as trade or finance
- ▶ Inadequate development strategies and concepts
- ▶ Insufficient development aid.
- ▶ Insufficient debt relief
- ▶ Multiplicity of donors and tied aid
- ▶ Corruption and diversion of aid
- ▶ Lack of democracy and human rights
- ▶ Lack of ownership of policies and development strategies by national political and public authorities

The Millennium Development Goals and a new development approach

Development policy must be geared to the Millennium Goals agreed by the international community in 2000 (see annexe). While these goals have the nominal support of the international community, the fresh burst of thinking already needed in the 1990s has not yet happened. This runs the risk of undermining the implementation phase through lack of funds and continuing shortcomings in the overall development approach. Failure must be avoided at all costs. More discussion is needed at international level to create the best possible conditions for reaching the Millennium Goals. This should be built into the follow-up international conference to review how the Monterrey consensus has been put into effect. The conference is part of that consensus and its terms must be fixed no later than 2005. In the meantime, implementation must be maximised and a number of steps taken. We put forward the following priorities:

Balanced development policy: Development policy must undergo a paradigm shift from the failing Washington consensus approach to a more balanced approach. This will limit excessive privatisation of basic supplies. It will see redirection of finance to social and basic services, such as education, health, water and sanitation. In this process, developing country governments must gradually take control of their own development policy. On these lines, the international community and the EU in particular should consistently give strong support to development initiatives emerging from developing countries themselves, such as the NEPAD initiative for Africa.

Better coordination: First of all, aid must be better coordinated among numerous donors, both in recipient countries and more broadly through the international organisations. Equally, development policy must be better integrated into other policies impacting on development, notably into trade policy. Negotiations should be screened for their impact on development goals.

Coherence at EU level: Synergies between the development policies of the EU and its member states (of which there will be 25 from next year onwards) must be increased, by applying the open method of coordination. This will allow monitoring of the 0.39 per cent ODA target by 2006. It will ensure coordination of national development policies, based on commonly agreed guidelines and targets and the sharing of best practice.

More debt relief and cancellation: Creditor nations must implement more radical foreign debt relief and cancellation. The enhanced HIPC initiative could be speeded up and more debt cancellation possibilities should be identified and carried out without hitting aid flows.

Human rights and democracy must be actively promoted by international institutions as well as bilaterally. This would achieve consistency across the international community and help ensure that the prerequisites for successful economic development are put in place.

More development aid: This crucial dimension is developed separately in the last section of chapter 2 on *Financing development*.

Innovative development policy: Fresh thinking and a wider debate about development policy should be encouraged, embracing such ideas as:

- ▶ Addressing the digital divide between North and South by using tailored programmes to bring developing countries into the information technology age;



- ▶ Promoting transfer of technologies, notably via public-private partnerships;
- ▶ Supporting the role of small businesses;
- ▶ Shifting a greater share of development aid to rural development;
- ▶ Introducing property rights to remove barriers to private sector growth in both town and country ; and
- ▶ Stimulating the potential of microcredit and microfinance.

FOCUSING ON JOB CREATION AND SOCIAL PROGRESS

Job creation as a global challenge

In the next ten years, about one billion young people, today aged between five and 15, will reach working age. They are the best-educated, best-trained generation ever, looking for decent work to earn a living for themselves and their families. These young people – the real wealth of the world – represent enormous potential for economic growth and prosperity and for the fight against poverty. However, the global village is not set up to use more than a little of this potential; working life today offers opportunities to some, but poor jobs and unemployment to a great many. The facts are striking:

- ▶ Unemployment is a serious problem in many countries, developed and developing. Some 160 million people are officially registered unemployed in the world today, almost half of them young people;
- ▶ Unproductive work is an even bigger problem in the developing world. There has been a significant drop in the percentage of people living in extreme poverty, i.e. living on less than a dollar a day. But one billion people, mainly women, are still very poor, including 500 million ‘working poor’, most of them young people;
- ▶ In the next ten years, the one billion newcomers will lead to a huge increase in the world labour force. There will be an additional 500 million people, nearly all of them in developing countries;
- ▶ More than 150 million young men and women are illiterate, most of them in developing countries where access to basic education, the precondition for training and employability, is still limited.
- ▶ There is widespread discrimination against women in education and training. There are more than 40 countries in which literacy rates for men are 15 points higher than for women. The gaps are even more striking in secondary education, where they are actually growing.

Employment for development

The labour market is the filter through which wealth is redistributed and poverty can be tackled at global level. It is critical therefore to stay focussed on the impact of globalisation on an economy’s labour market. In the UN Johannesburg Declaration, governments agreed “to provide assistance to increase income-generating employment opportunities, taking into account the International Labour Organisation (ILO) Declaration of Fundamental Principles and Rights at Work”.

This commitment to employment underpinned in rights as a way of fighting poverty is a new and important priority for development strategies. It offers a way out of the present global economic crisis. It is recognition of the fact that absorbing one billion young men and women into more productive work is the big challenge for national governments, social partners, civil society, UN agencies and Bretton Woods institutions over the next ten years.

Economic development in the first years of this decade does not provide the job opportunities and the economic resources needed to reach the Millennium Goals. We need a new macroeconomic strategy that is well designed and identifies the growth dividend of the present and future labour force. However, there is a long way to go before local and regional labour markets and national economies are working so well that we can achieve the necessary growth in productivity and employment. Forceful macroeconomic policies are needed. But such policies will not work well in the long run without well-designed structural policies.

Therefore, it is time to reinvent the strong focus on employment that was lost in the neo-liberal era of the 1970s and 1980s. It is time to:

- ▶ make full and sustainable employment, a central – not residual – macroeconomic aim for the Bretton Woods institutions as well as for national governments;
- ▶ make all policies, macro- as well as structural, work together towards full and sustainable employment. Employment policy should not be a sector on the margin of economic policy. Labour market policies should bridge economic and social policies;
- ▶ make employment a centrepiece of global and European development strategies and give strong support to employment in national poverty-reduction strategies.

A global employment strategy

A global employment strategy for the 21st century must focus on creating jobs that are both more viable and sustainable as well as jobs that are more productive.

Productivity is the basis for competitiveness and business success. It is the basis for adequate wages, decent work and improved working conditions. It is the way to fight poverty. Improved productivity counteracts risks of inflationary pressure and gives more room for growth-oriented macroeconomic policies. It is a shared interest of employers and workers, governments and global actors. Productivity is created by change, by expanding trade, by new technology, by business and entrepreneurial initiatives. Technology is the most important factor in globalisation, a vital ingredient in the growth of the developing world. Promotion of technological change is a cornerstone of successful development and employment strategies. This side of employment policy, often neglected, must be strengthened¹³.

However, such changes have a profound effect on the labour market and on working conditions. They create winners and losers, include some and exclude others. Whilst competition and “creative destruction” is necessary in markets for goods and services, it may lead to a race to the bottom in labour markets and to exclusion from working life. That is why the labour market needs both a policy for human resource development and a social floor in the form of labour standards and social protection. In other words, it needs one policy to promote “best practice” and another to prevent “worst practice”.

Thus, strong forces of change in the globalisation process must be balanced by strong social policies and an active social dialogue. Employment policies must pay more attention to socially-acceptable management of change. There must be more emphasis on promotion of change for productivity and more emphasis on management of change for widely-shared prosperity. This means both flexibility for firms and security for workers, not an either/or policy. To this end, we need a new approach to labour market policies.



The new global framework based on the Millennium Goals and the conclusions of Doha, Monterrey and Johannesburg offers new opportunities for ambitious initiatives to strengthen employment in global strategies. One way is to get UN organisations and the Bretton Woods institutions to build alliances for employment. One such alliance – the Youth Employment Network – already exists between the UN, the World Bank and the ILO following the initiative of UN Secretary General Kofi Annan. This initiative led to a General Assembly resolution to encourage member states to draw up national reviews and action plans on youth employment and to involve youth organisations and young people in the process.

This model of *global alliances for employment* should be further developed by global organisations. At regional level, political and economic organisations including the development banks should be mobilised to build strong alliances for more and better jobs, like the Jobs for Africa Programme. At global as well as regional and national level, social partners need to play a leading role, focusing social dialogue on creation of more and better jobs. To have more productive jobs, we need promotion as well as better management of change. The more the social partners can do together in policy development, the more credible, concrete and successful the global and regional strategies will be.

Ensuring education

Three years ago, the international community agreed that by 2015, every child should have access to a full period of primary education, known as Education for All. Today, nearly one billion people are either illiterate or have only very basic reading and writing skills. Two thirds of them are women, essentially in the developing world. There are more than 100 million children aged between six and 11 (one in five children around the world is in this age group) who do not go to school. Even among those who attend primary school, one-quarter leave before completing it. The importance of this global education issue cannot be overstated. It is closely linked in the developing world to people's ability to find decent jobs at adult age. Beyond, education is a driving force for democracy, which makes it even more important to invest sufficiently. The international community must step up its efforts to achieve Education for All by 2015 and provide more resources. The EU should devote more of its development aid to this vital aim¹⁴. It has been estimated that all the world's children could have primary education with an annual ODA of 10 to 15 billion euros¹⁵.

Ensuring primary education for all should be the first step. However, many young people in the developing world will need more than primary education to acquire the skills they need for jobs that a global employment strategy must create. Post-primary education systems in developing countries must be significantly strengthened. This need must be taken into account in designing poverty-reduction strategies. Innovative means of providing students from developing countries with access to developed countries' schools, universities and training centres, through e-learning schemes, should be developed as a promising longer-term route. Cooperation between Northern and Southern schools and universities should be stimulated to build up more and better education facilities in the developing world.

A special focus on knowledge

The Lisbon strategy applied at European level is also valid for the political agenda of developing countries. It is built on deep-rooted, widely-shared values and principles: freedom of research, open and common critical assessment, access to knowledge, promotion of excellence while sharing the

benefits with all of society, transformation of knowledge into sustainable economic development and sound policies. Cooperation in science and technology has always been a component of bilateral and multilateral relationships. A new paradigm shift is now required, however, to establish knowledge as a key element of global progress. While knowledge is already a key component for many European policies, it should also be included in global policies. Worldwide stability and growth depend on tapping new sources of growth. Technology and human capital are key in this respect, and the challenge is to develop policies that harness their potential. We must pursue specific measures, which could include the following in which the EU should play a leading role:

- ▶ Develop further joint initiatives for the worldwide eradication of disease, on the model of the present EU initiative for clinical trials of vaccines against AIDS, tuberculosis and malaria. This will involve the Union and its member states as well as research centres, industry and health practitioners in the associated third countries;
- ▶ Develop a knowledge-based initiative for water and food management;
- ▶ Triple by 2010 the number of grants – including a return component – for scientist exchanges between the EU and its partners in comparison with the year 2000;
- ▶ Create a research visa for third country researchers and ensure the right of mobility for these researchers within the Union;
- ▶ Build stronger links between research organisations, universities, business and SMEs in the EU and partner countries and strengthen balanced and mutually beneficial participation in joint projects and networks of excellence;
- ▶ Pursue the creation of a European Research and Innovation Area open to third countries;
- ▶ Implement the Research Framework Programme as well as appropriate financial and regulatory instruments.
- ▶ Develop a research agenda in humanities and social sciences to promote dialogue, mutual recognition and cultural understanding
- ▶ Develop a global network of key research centres.

Advancing global social progress

For hundreds of millions of workers, even basic labour and social rights remain a distant dream and a privilege of the richer North. More than half of the population is excluded from any form of social protection and about 80 per cent have a minimal level of protection at best. There is a deeply-rooted assumption that for poorer countries, social exploitation is a necessary ingredient of development. So, local and multinational employers keep wages and social rights at the lowest possible levels. Among the worst forms of such exploitation is child labour, estimated at 200 million children worldwide of whom 55 per cent are aged less than 15. Export-processing zones, in which workers have no rights, flourish in Asia and in Latin America. This social exploitation in the South mirrors increasing pressure on social protection systems in the North. Thus, workers in both developed and developing countries suffer from the current tougher form of financial and globalised capitalism, albeit differently. However, where shared interests should become increasingly obvious and understood, the conventional relationship between the two categories of worker remains one of competition and opposition.

Global labour standards and social protection standards have been adopted in the ILO through social dialogue. But without government support, the ILO and global trades union federations cannot ensure that those standards are implemented, especially in developing countries. Although ILO Conventions, when ratified, become binding on states, such legal obligations are given little weight



in international finance and trade institutions. On a different front, recent initiatives on corporate social responsibility have yet to prove their effectiveness⁶.

Globalisation of production and services has significantly increased women's workforce participation rates across the world, often at a much faster pace than for men. This has been associated in many countries with erosion of wages and deterioration in working conditions. The wage gap between men and women has not shrunk. In some countries it has widened because of existing institutional structures, male dominance and stereotypes that limit women's bargaining power at work. The growing numbers of women in informal employment shows another globalisation problem. In many industrialised countries, making work flexible has pushed women into contract work where they are paid piecework rates or by project and have little social protection. Job segregation still persists "vertically", keeping most women in the lower ranks of the hierarchy, even though "horizontal" segregation has declined.

There could be an understandable temptation to "social pessimism" at global level. This cannot be an option. There must be a new *global social strategy*, bringing together a range of actions to achieve overdue progress. In order to achieve a socially fairer globalisation pattern for the working people of both the South and the North, multiple efforts will be required by different actors. An effective strategy could draw together the following elements:

Generate an understanding in developing countries that higher labour standards and social rights are not a Northern protectionist instrument against the poor South: they are a legitimate claim for human dignity, decent working conditions and part of a fair distribution of wealth. Emphasise that the ILO's core labour standards defend universal human rights that can be applied in all countries, whatever their level of economic development. Labour standards and social rights are not a burden but a source of new productivity, as has been illustrated by the European experience, where the introduction of labour standards and social rights led to a rise in labour productivity and to enhanced business efficiency.

Reaffirm the principle of the rule of law at international, regional and national levels and, using economic arguments, **mobilise new support within the international community for respecting obligations under ILO standards** and enhancing the ILO's capacity to promote their implementation.

Develop system-wide implementation and monitoring of the ILO declaration on Fundamental principles and Rights at Work, requiring international economic institutions such as the IMF, World Bank and WTO to stop violating core labour standards and start promoting them.

Introduce special measures to correct disparities in access, opportunity and capability. This is necessary to ensure equality between men and women. Government action will secure equal wages for work of equal value. Other measures will give women the chance of promotion and of taking top jobs as well as ensuring that they have access to life-long education, particularly vocational training. In order to tackle informal and unprotected employment, governments need to extend legal recognition. They should remove legal and other obstacles to freedom of association and establish links to decent work.

Link commitment from developing country governments for social progress, including recognition and protection of trade union activity, **to renewed and sincere commitments by developed countries.** **The commitments should include increased funding of development policy and better access to developed country markets** using trade incentives in return for respect of labour standards.

Strengthen the corporate social responsibility process at European and global levels. This needs to be further structured and developed. Such a step could be favoured by promotion of international instruments to ensure that business lives up to its social responsibilities and engages in genuine social dialogue. These instruments include OECD Guidelines on Multinational Enterprises, the ILO Tripartite declaration of Principles on Multinational Enterprises and Social Policy and the UN Global Compact, jointly set up by the UN with transnational corporate partners, trades unions and NGOs. A complementary way to promote such social progress is to stimulate the social responsibility of consumers. Both public authorities and NGOs could do more to provide reliable information about and to promote social, as well as environmental, standards and labels, to help consumers make well-informed, socially responsible choices about products.

Build up a progressive global alliance for social progress bringing together progressive political forces, the international trade union movement, social movements and NGOs, socially responsible businesses, socially progressive governments in North and South, and the ILO as the backbone of such a strategy.

Focusing on the elimination of child labour

A global employment and social strategy for the 21st century must also include a continued fight against the 20th century legacy of child labour. The latest estimates from the ILO offer an insight into the scale of child labour. Some of the main conclusions are:

- ▶ child labour persists on a very large scale; there are 200 million child workers worldwide;
- ▶ the extent of the worst form of child labour, particularly hazardous work, appears to be more serious than was previously thought; some 180 million aged between five and 17 are now believed to be engaged in hazardous work and the very worst form of child labour (slavery, trafficking, debt bondage and other forms of forced labour)
- ▶ the vast majority of child labour, about 70 per cent, is in farming.

Experience shows that a combination of economic growth, respect for labour standards, universal education and social protection, along with better understanding of the rights and needs of children, can significantly reduce child labour. Such a youth employment strategy adds to special ILO efforts to stamp out child labour and ensure that children can go to school to develop employable skills for the world of work.

The Copenhagen Social Summit of 1995 highlighted the twin focus on full, productive and freely-chosen employment and fundamental rights to freedom of association, equality, and freedom from child- and forced labour. This has led to reaffirmation of the ILO's role as both a standard-setting body and a laboratory for promoting change through social dialogue. ILO employment standards on such social protection elements as income, working time, health and safety make up a decent work regime. They, and the institutional arrangements needed to draw everything together, can be promoted through fair, targeted supervision and technical cooperation as well as programmes for advice and aid. Means of mainstreaming these points in the multilateral system, especially international financial institutions, are needed.

ACHIEVING FAIR TRADE

Unfair distribution of trade benefits has been a major source of popular discontent about globalisation. A second, powerful current of suspicion concerns the way that globalisation has trans-



formed links between markets, society and government. Markets and societies have moved seamlessly into a global dimension – but our ability to govern this new force has lagged behind. So globalisation is seen as a negative, uncontrollable force that curbs the ability of governments to manage their own affairs, and shifts power away from people into the hands of multinational companies.

Towards fairer trade

If we are to achieve our aims of ending poverty and reversing this shift of power away from democratic institutions, we need to harness globalisation and use it to ensure a better quality of life for all. The touchstones of reform must therefore be fairer distribution of the benefits of trade and reassertion of democratic accountability. That is why a reformed system of global governance of trade is essential. We need multilaterally agreed trade rules to regulate the conduct of governments and companies and ensure fair treatment for all. Radical changes are needed to ensure a fair deal for the world's poor, to ensure that trade rules do not override national sovereignty on non-trade issues and to make the world trade system more open and accountable. Global markets must be underpinned by global rules and institutions that place human development and the public good above the interests of corporations and national advantage.

Opening up trade will not be enough on its own to bring about development. Other elements are needed, including efforts by national governments to provide education and healthcare. But more open markets are an essential ingredient for development. No country has developed by turning its back on trade. That is why we cannot afford to turn our back on the globalisation of trade. Our challenge is to reshape the world trade system in the interests of democracy and development.

Trade will provide the first, massive test of our ability to manage globalisation. A comprehensive round of WTO trade talks is underway. Launched in Doha in December 2001, it is scheduled to close by December 2004. World leaders have dubbed it the “Doha Development Agenda”. Will the Doha Development Agenda live up to its name by addressing the imbalances in the world trade system that keep millions in poverty and by making trade a tool for development rather than an end in itself?

The role of the EU

The European Union has played an honourable role in trying to put development issues firmly on the WTO agenda. The EU took the lead in working for the new trade round. It has argued throughout for development as the key aim of the negotiations and has taken a number of steps to make trade work better for development.

- ▶ Before the round started, the EU's Everything But Arms initiative unilaterally abolished all tariffs and quotas for the 49 least developed countries.
- ▶ EU negotiators strongly supported the inclusion of development-friendly language throughout the terms of reference set in Doha for the negotiating round.
- ▶ Against backsliding from the USA and other industrialised countries, the EU has defended the agreement reached in Doha to ensure that public health needs, such as access to medicines in developing countries, take precedence over intellectual property rules. And across the negotiating agenda, the EU has put forward responses to the needs and interests of developing countries.

Success in the Doha round requires more than a commitment to development by EU negotiators. Close to the half-way mark in negotiations, most industrialised countries have delivered little of substance to turn rhetoric into reality. Negotiating deadlines have been missed, commitments abandoned and the remorseless logic of trade negotiation – where every offer is a bargaining chip, used to win reciprocal concessions – has taken hold.

On the biggest issue of all – agriculture – the EU, the USA and other industrialised countries have failed to live up to their development rhetoric. The hands of the EU's negotiators remain tied by the failure of EU governments to face up to the urgent task of CAP reform. Radical reform of the CAP is needed in the interest of the EU's own citizens and the sustainability of its own environment. Externally, the urgency is still greater. It is through fairer rules on agricultural trade that the Doha Round can make its biggest contribution to the fight against world poverty. EU governments must face up to their responsibilities – the responsibility to play their part in making a success of the Doha Round and to make it a genuine development round – by taking the necessary decisions on CAP reform, before Cancun, to allow a radical opening of agricultural markets and scrapping of export support by all developed countries.

The bitterness of the struggle over CAP reform is just one illustration of the fierce opposition from commercial interests and from some developed country governments to the changes needed to redress the injustices of the world trade system. To deliver radical reform, therefore, wider political mobilisation is needed to subordinate the “business as usual” of trade negotiations to a higher, political and humanitarian imperative. Trade must answer to the demands of society, not vice versa. We call upon social democrats and civil society to mobilise around the following demands, to shift the parameters of the trade system in favour of democracy and development:

We need an open and democratically accountable WTO

To ensure that democratic choice prevails in an era of global interdependence, international treaties and institutions must pass the same tests of democracy and fairness as we apply in national and local politics. That requires reform of the WTO, but also a broader strengthening of global governance. We should seek to redress the lack of democratic governance at international level by having greater transparency in the WTO and by promoting greater involvement of civil society in trade issues. More WTO meetings should be open to the public, with wider and earlier derestriction of documents (including those relating to disputes). Changes are needed to ensure that all WTO members, however small or poor, can participate effectively in its work. A WTO parliamentary assembly should be created and parliamentary scrutiny by WTO member parliaments strengthened.

The WTO must not rule on non-trade issues

Changes are needed in the architecture of global governance to ensure that the WTO, and other international organisations, collaborate more closely. On trade disputes which also raise – for example – environmental, consumer protection, health or development issues, those aspects must be dealt with by the competent bodies, so that the WTO does not exceed the limits of its authority. An extension of the WTO's remit to include responsibility for global rules on investment and competition should only be contemplated with broad support from developing countries; such rules must respect fully the right of host countries to regulate investment and pursue their own development model; and they must form part of a wider package that strengthens the obligations of investors towards host communities and restores the regulation of corporate activities, which the globalisation of capital has undermined.



The WTO must not let trade undermine respect for workers' rights

At present, globalisation creates constant pressure for reduced core labour standards and all too often for increased misery and exploitation (especially of women workers) in export processing zones. It is a priority to protect the fundamental rights of workers against unscrupulous governments or companies that seek unfair advantage in international trade through the violation of core labour standards. Respect for these standards is crucial to achieving fair, sustainable and democratic economic development. WTO members must update agreements, including GATT Article XX and GATS Article XIV, to incorporate human rights standards that include core labour standards. To enable full examination of the link between trade, jobs and core labour standards, the WTO, with the ILO playing a full and equal part, must set up a formal structure to address trade and core labour standards. Such a body should also address wider, trade-related social issues such as the impact of trade policies on women and the provision of adjustment assistance for workers displaced by trade.

The Doha Round must be a Development Round - and an Anti-Poverty Round

Huge imbalances against developing countries in the world trade system should be urgently addressed, to enable developing countries to capture a greater share of the benefits of globalisation:

- ▶ Rich countries must give duty free and quota free access to their markets for the least developed countries, and improved market access for all developing countries;
- ▶ Changes are needed in many WTO rules that disadvantage developing countries – including agreements on antidumping and agriculture;
- ▶ WTO rules on intellectual property must be redesigned in order to promote technology transfer, cut the cost of access by developing countries to intellectual property and overcome the North-South knowledge divide, which is a major obstacle to economic and social development in the South;
- ▶ WTO rules must grant developing countries the flexibility they need to pursue their development strategies and protect public services;
- ▶ Core labour rights should be promoted, in the interests of fairer distribution of the benefits of trade;
- ▶ Special and differential treatment for developing countries must be strengthened within WTO rules, to allow flexibility for countries at different stages of development;
- ▶ Rich countries must radically reduce barriers to agricultural exports from poor countries, reflecting their levels of development;
- ▶ All forms of agricultural export assistance should be gradually eliminated by all countries and permitted domestic agricultural support should shift towards measures directly targeted at promoting public goods, such as environmental protection and rural development;
- ▶ All WTO members must stick to pledges on trade-related assistance to strengthen the role of developing countries in world trade; and
- ▶ In addition to changes at the WTO, the World Bank and IMF should end their insistence on trade liberalisation by developing countries as a condition of assistance.

Sustainability should be put at the heart of the WTO agreements

- ▶ WTO rules should be clarified wherever there is a risk that they may conflict with Multilateral Environmental Agreements.
- ▶ The precautionary principle should be more clearly and less restrictively defined, and should apply to all WTO agreements.
- ▶ The right to refuse imports of goods whose production is environmentally damaging should be clearly established.
- ▶ International agreement must be found to ensure that transport costs reflect their environmental impact.

- ▶ Assistance must be given to developing countries to help them comply with environmental measures. Developed countries should also help developing country exporters to meet their higher standards by allowing widespread access to information and making sure regulatory frameworks are transparent.

PROMOTING SUSTAINABLE DEVELOPMENT

A global strategy for sustainable development must gradually be built into the policies of both developed and poorer countries. This might seem to be a step against their development prospects, but there is fortunately a growing understanding that in order to safeguard the planet's environment and its natural resources:

- ▶ Environmental problems of global reach, such as global warming, can be tackled effectively only if action is taken at all levels;
- ▶ Many environmental problems in poorer countries, such as deforestation or soil erosion, present enormous risks for those countries and are closely linked to their poverty levels, as was formally recognised by the UN Johannesburg summit;
- ▶ Stronger economic growth in developing countries in coming years – needed to lift people out of poverty – cannot be achieved by ignoring its environmental impact. The planet could not possibly extend the already unsustainable production and consumption patterns of developed countries to several billion people more without risking global collapse.

The relevant results of the Johannesburg summit concern new commitments to:

- ▶ halve, by the year 2015, the proportion of people who do not have access to basic sanitation;
- ▶ improve access to affordable and environmentally sound energy services and resources;
- ▶ develop integrated water resources management and water efficiency plans by 2005;
- ▶ maintain or restore depleted fish stocks; and
- ▶ improve access by developing countries to alternatives to ozone-depleting substances by 2010.

These commitments come in addition to the Millennium commitment to halve, by 2015, the proportion of people without access to safe drinking water.

In the coming years, most developing countries will not have the resources to achieve these aims. To some extent, financial needs can be met through the attraction of private investment combined with public funding. However, this will not be enough. What is the scale of the financial needs if countries are to develop in acceptable conditions without overburdening the environment and natural resources? Will sustainability aspects be adequately built into national poverty reduction strategies and into development aid policies of donor countries?

After Johannesburg, as was seen after the 1992 Rio summit, we might already be on the road to failure. Grand commitments might again not be followed up by enough resources and political commitment. What steps should be taken to avoid this in good time? There are at least two answers: reform the system of global governance, by creating a World Environment Organisation, and provide extra, innovative sources of funding. These proposals are discussed in the chapter on global governance.



DEEPENING DEMOCRACY IN DEVELOPING COUNTRIES

Support for democracy throughout the world must become an unwavering principle of development policy – and of international relations in general. The rhetorical support for democracy expressed by the EU, the USA and other world powers is too often compromised in practice by support for convenient or friendly dictatorships. Governments justify this in the name of pragmatism and national interest, but time and again – in the Middle East, Africa, Latin America and Asia – we have seen that support for undemocratic governments leads to instability and conflict as well as impoverishment and abuse of human rights. And when – sooner or later – change comes, the credibility and national interests of those who have supported the dictatorship inevitably suffer. Democracy is perhaps the most powerful instrument we have for development and peace. Support for democracy, and for democratic forces in undemocratic regions, must become an unwavering principle of international relations.

Today, nearly two-thirds of the world's people live in nominally democratic countries. The world is more democratic than it has ever been – 140 of the world's nearly 200 countries now hold multi-party elections. But in practice, only 82, with 57 per cent of the world's people, are fully democratic in guaranteeing human rights, with institutions such as a free press and an independent judiciary. And 106 countries still limit important civil and political freedoms¹⁷. Recent decades have seen progress in democratic government in the developing world. But a closer look reveals that fewer than 60 per cent of those nominally elected governments can be classified as fully democratic¹⁸. Moreover, democracy is unfortunately reversible. In Africa, for instance, several fragile democracies have returned to authoritarian rule.

Democracy and development

This is not only a worrying fact from a political point of view. Nowadays, democratic government is recognised as an essential part of development, although the link between democracy and economic and social progress is not automatic. Insistence on good governance is closely linked to democratic government. People must be able to vote against a government that fails to achieve economic and social progress. As developing countries will increasingly become the actors of their own development – a welcome evolution – their citizens must be able to assess the government's efficiency and to sanction it through democratic elections. As democratic government goes hand in hand with open public debate and free media, a country's economic and social development, respect for human rights including trade union rights, and the corresponding policy agendas are subjected to public scrutiny and debate.

The UN, and in particular UNDP, have been instrumental recently in fostering democratic processes, in coordination with bodies such as the Inter-Parliamentary Union. This requires large-scale initiatives at ground level. In Bangladesh, for instance, UNDP trained 1.8 million election officials and law enforcement officers¹⁹ to strengthen the electoral system. Other initiatives in developing countries typically aim at improving people's access to justice and human rights, to information, progress to decentralisation and improved local governance and reform of public administration.

Peaceful democracy-building

A comprehensive international effort to deepen democracy in the developing world should be an essential part of the wider development agenda. This should not only focus on free and fair elections and a representative legislature but also broad-based political parties, an independent judiciary,

media that are ethical, professional and free, and a vibrant civil society. This effort should form part of every developing country's development agenda and be adequately funded with the help of the UN and donors. The close link between democracy-building and education should be the centrepiece of a strategy for democracy. This dimension was discussed above. Last, but not least, democratic progress in the developing world should be matched by increased democratisation of international institutions.

FUNDING DEVELOPMENT

In the year 2000, through the UN Millennium Development Goals, all 189 UN member states pledged to achieve eleven development targets by 2015 and to engage in a global partnership for development (see annexe).

In March 2002, at the UN Monterrey conference on finance for development, heads of state and government urged all "developed countries that have not done so to make concrete efforts towards the target of 0.7 per cent of GNP as Official Development Assistance (ODA) to developing countries and 0.15 to 0.20 per cent of GNP of developed countries to least developed countries."²⁰

In the run-up to the 2002 UN Johannesburg conference on sustainable development, the EU committed itself to increase its own ODA by 22 billion euro by 2006, which will increase the share of ODA in EU GNP to 0.39 per cent.

However, although precise estimates are not available, UN development goals could risk not being achieved by 2015, unless new efforts on the ODA front are made by other donor countries and a further increase in European ODA is agreed. Rough estimates of financial needs exist, but are they reliable? The World Bank projected that doubling current ODA (around \$50 billion a year) would be needed to meet the UN Millennium Goals. This figure is also used by the UN, asserting that "The broader need for ODA, beyond these crucial goals, is certainly much greater than this additional US\$50 billion."²¹ To be reliable, such estimates would need to be built up from individual country estimates, which are not available. This approximate approach runs the risk of significant under-funding of the Millennium Goals because of a lack of ODA, which in the worst case would mean another lost decade for development after the 1990s, in the run-up to the 2015 deadline. This is because of two factors:

- ▶ Rough estimates of actual needs make it difficult to seek a specific increase in ODA but also make it easy for unenthusiastic donor countries to evade or limit any rise;
- ▶ Lack of reliable individual estimates on the recipient side makes it difficult to link needs to results and vice-versa. How, at a given point in time, can one assess that available ODA is enough to meet development goals in a given country? Without this knowledge, monitoring of progress and further needs is extremely difficult, both overall and at individual country level.

In order to prevent the failure of the Millennium Goals, we propose that:

Precise estimates of financial needs should be produced on an individual country basis. This would allow more exact calculation of the overall level of ODA needed for the years ahead. The Monterrey follow-up conference would then be able to agree extra funding based on reliable estimates. Such estimates would allow the EU to draw up a multiannual plan to achieve the 0.7 per cent ODA in a period that matches estimated ODA needs;



The development policy debate should be reactivated in donor countries to mobilise new support for ODA and achievement of the development goals. This is the whole thrust of this report. The fight against poverty is very much in the richer countries' long-term interest;

Use of development aid must be redesigned in a new sense of transparency and accountability in both donor and recipient countries. This will change the terms of the debate on ODA to avoid a new development 'fatigue'. Corruption and misuse of funds must be made impossible by new requirements for transparency and tracking of fund use through independent audit control;

New sources of global funding for ODA should be more seriously explored in order to decouple financing from national budgetary constraints. These constraints will tighten after 2010 in Europe due to the demographic impact on public pension systems. This dimension is further explored in our section on global taxation²².

BRIDGING THE DIVIDE BETWEEN GLOBAL CHALLENGES AND GLOBAL POLICIES

4.

A GLOBAL POLICY AGENDA



OVERVIEW

There is a whole range of issues that can no longer be resolved solely at national or even regional level. The only way ahead is to combine action from national to world level in a globally agreed agenda. However, this is a complex and difficult undertaking in many fields. That is one reason why the international community fails to resolve global issues as rapidly and as effectively as it should. There is also a lack of political will or sense of global responsibility in some countries. More generally, the system of global governance, addressed in chapter five, is inadequate. The divide between the importance of global challenges and the inadequacy of global policy must be addressed in the following areas:

Promoting sustainable development

We will have to choose between divergent world economic development scenarios for future generations. There should be no hesitation: we need a world in which economic growth and the fight against poverty combine successfully with environmental balance. This aspiration will be achieved only if a comprehensive sustainable development strategy – whose basis was agreed in Johannesburg – is put into effect. The policies of both developed and developing countries must match. They must take account of restraints on poorer countries when it comes to commitment to such a strategy. We will need a New Deal at world level.

Ensuring wider security

Security has dominated much of the global agenda since the terrorist attacks of 11 September 2001. International efforts against terrorism have rightly been stepped up. Increased vigilance against threats from weapons of mass destruction and their proliferation is a priority for Europe and the rest of the world. We need new multilateral disarmament efforts and a new framework for military intervention on humanitarian grounds. The fight against terrorism must go on. We need to restore the Middle East Peace Process. And we need a new international effort to fight crime with a ban on money-laundering centres around the world.

However, there is a clear danger of these issues being dealt with in a narrow security agenda. This would lead to failure and a long period of military activity and conflict. We need a wider security agenda to focus much more effectively on the many root causes of international terrorism and weapons' proliferation. But we should not ignore the need for credible defence capabilities that allow the use of force in extreme circumstances.

Building a global legal order

Globalisation must gradually be embedded in a global legal order, built on a Global Charter of Fundamental Rights. In the long run, a notion of global citizenship must emerge, based on rights shared by all human beings. These rights exist on paper – the UN Declaration of Human Rights and the civil-political and economic-social pacts. In the end, these rights should be drawn together and become reality for all.



The world needs regulation in many areas as a result of globalisation. They include: human rights; social and labour rights; taxation; finance; migration; environment; crime; trade; investment; intellectual property; competition; bio-technologies; and e-commerce. Progress is greater in some areas than in others and should be speeded up.

Reforming the international financial system

Despite a promising start after the Asian financial crisis, the reform process has been relegated to a few official circles. Ambitious reform proposals have been brushed aside. However, deep reform remains as crucial as ever.

Our reform proposals seek to:

- ▶ address IMF mission-creep;
- ▶ strengthen surveillance and international standards;
- ▶ rebalance and improve IMF governance;
- ▶ open the way for regional arrangements and a variety of sources of advice;
- ▶ allow temporary restrictions on capital liberalisation in some circumstances;
- ▶ separate IMF tasks from those of the World Bank;
- ▶ ensure proper private sector involvement; and
- ▶ improve the role of the Financial Stability Forum.

In the long run, we support the case for a World Financial Authority.

Developing cultural understanding and recognition

Globalisation is not just a technical, economic phenomenon. Its cultural dimension will gradually determine the whole global agenda. Progressive politics needs to develop an alternative agenda to the so-called clash-of-civilisations scenario. Increased globalisation could lead to growing cultural tensions based on religious, ethnical and linguistic divides. But there is also a growing clash *within* civilisations, between modernising forces and fundamentalism. These conflicting trends must be carefully taken into account. They are active in both developing and developed countries. We must promote recognition and understanding based on mutual recognition of shared values around the world. A Global Cultural Agreement could be the starting point for a world policy of mutual recognition and trust, building on a complementary agenda of local to global initiatives.

Providing global public goods

The notion of global public goods is becoming a promising concept. If successfully developed in the years ahead, it could create a new space for global public policy on many issues. International consensus will be needed – and this will require further debate that must be encouraged and enriched. The connection between global public goods and global governance must be further explored and clarified.

Generating a global recovery

Last but not least, the world community must understand the full implications of increasing economic interdependence – through trade, investment and money movements – for its approach to

economic policy-making and coordination at international level. The same process, albeit more advanced, can be seen at EU level. Strong, sustainable and stable global economic growth will be an essential factor in the fight against poverty and exclusion worldwide.

PROMOTING SUSTAINABLE DEVELOPMENT

The UN summit in Johannesburg was a major political test case for sustainable development. Its three dimensions – economic, social and environmental – made the links between them clearer. The key commitments made by world governments at the summit were:

- ▶ to halve, by the year 2015, the proportion of people who do not have access to basic sanitation;
- ▶ to improve access to affordable and environmentally sound energy services and resources;
- ▶ to develop integrated water resources management and water efficiency plans by 2005;
- ▶ to maintain or restore depleted fish stocks, and
- ▶ to improve access by developing countries to alternatives to ozone-depleting substances by 2010.

There are issues, such as access to water and sanitation, that are crucial to ending the spread of infectious diseases, developing agriculture and fighting poverty. But there are also contradictions to address. Uncontrolled expansion of farming and fisheries can endanger biodiversity in forests and fish stocks. Industrialisation of developing countries can increase carbon dioxide emissions and climate change. Exports from these countries to developed countries, essential to their economic growth, can put many jobs and working conditions at risk. Thus, we face a very complex dynamic in which increasingly organised interests are opposed. Tension between them will worsen in the years ahead for population explosion and economic globalisation increase pressure on environmental resources.

The central issue is: How do we help developing countries to catch up without endangering the global ecological balance? To prevent this problem from assuming more dangerous proportions than it already does, we need political options for the future of the planet. Four possible future planets confronted one another in Johannesburg, each with clearly-identified supporters and opponents:

- ▶ a planet that would extend current trends to increase relative poverty and environmental degradation;
- ▶ another, where environmental degradation would increase because of the need to speed up economic growth and fight poverty;
- ▶ a third, where environmental concerns would slow economic growth and the fight against poverty; and
- ▶ a planet where economic growth and the fight against poverty would be combined successfully with environmental balance.

Needless to say, this fourth planet, undoubtedly the most attractive, is much more difficult to create, either in technical or in political terms. This was the strategy that began to take shape in Johannesburg, despite many difficulties and much opposition.

This **strategy for sustainable development** requires:

- ▶ from developing countries, growing integration into the global economy, along with programmes to build their national economic, technological and educational capacity. It also requires ecological



control, action against poverty and enhancement of working conditions – which in turn require democratic governance and respect for human rights;

- ▶ from developed countries, the opening of markets to developing countries' exports, the corresponding shift to other activity areas, strengthening of cooperation and financial aid to developing countries, assisting workers displaced as a result of introducing environmentally sound production processes and making the change to sustainable consumption and production patterns.

Successful implementation of the strategy will require consultation and involvement of employers, trades unions and other major groups in civil society.

ENSURING WIDER SECURITY

With the Cold War over, the main enemies to peace, democracy and development are the enormous imbalance between North and South and poverty in much of the Third World. This worsens the refugee problem.

No military arsenals or nuclear arms race can provide security in such a situation. You cannot shoot at poverty - but poverty can shoot back at you.

Security and solidarity are two sides of the same coin nowadays. So a massive campaign to end poverty must be a priority for foreign and security policy. It is morally outrageous and politically mindless for rich countries to cut international development aid. Security is closely linked to economic and social development, east and west, north and south. Poverty is not the only global threat to security. Others include ethnic and religious conflict, terrorism linked to nationalism and fundamentalism, organised crime, drug trafficking, lack of democracy as well as environment and water issues. Combinations of these factors are often the cause of conflict. Nor should we underestimate the role of political ideas and politicians as sources of conflict.

The concept of wider security

Security is no longer just a military problem. For the world to be secure, we must deal with problems of democracy, economic globalisation and environmental damage. New concepts, policies and instruments are needed. We must now take on more responsibilities than in the past, when confrontation between power blocs limited scope for international action. Even if these responsibilities have a military dimension, they must not be defined in such terms alone. Non-military concepts, policies and strategies must have at least the same priority as the military dimension now has.

As described in chapter two, there are three basic aspects of security: common security, sustainable security and value-based security.

Wider security and political action

When translating these aspects into political guidelines, the following should head a more comprehensive, global security concept.

Cooperation must be promoted to avoid confrontation. Wherever possible, conflicts should be avoided or resolved through cooperation with all parties involved. Only when this fails, should alternative solutions be considered. The international community's ability to prevent conflicts must be greatly enhanced. Implementing UN Resolution 1325, on the central role of women in conflict prevention, resolution and post-conflict security, should be a priority. For continents or regions with permanent instability, and specifically the ACP countries, the European Parliament has in two reports (1995 and 1996) proposed the establishment of regional Social Tensions Observatories. Such observatories would provide early warning on worsening ethnic, linguistic or religious relations that could lead to violence.

Applying a wider security concept implies the need for a broader range of security instruments to guarantee security in all its aspects. Many policies will have to be reassessed. National security must be redefined. Civilian means of conflict solution – with a credible military capacity in the background – should have priority. Military force is often not the best option and sometimes it is not possible to use it. It should only be called upon after the failure of serious attempts to prevent or resolve a conflict by other means. Stressing sustainable security does not mean that we can do without the military. They remain fundamental to any security policy. Credible defence capabilities are essential in many ways.

Disarmament: old promises and new needs

The end of the Cold War also meant the end of intense disarmament talks that led to important agreements on nuclear and conventional weapons and bans on chemical and biological weapons. At the same time, there is a strong trend to cut defence budgets as a kind of peace dividend. It seemed that there was no need for a new disarmament agenda and international attention focused elsewhere. More than a decade later, we must conclude that this neglect carries certain dangers. There are still serious problems about putting some treaties into effect. The agreed destruction of a large number of nuclear weapons has not yet been completed. There are concerns about the way nuclear material is dealt with. The nuclear powers still have to fulfil their promise to scrap all nuclear arms. The US has not ratified the Nuclear Test Ban Treaty. There are still concerns about proliferation of chemical and biological weapons. In principle, the UN should be able to disarm rogue states that have weapons of mass destruction. But using force should be a last resort approved of by the UN Security Council. We have already highlighted the dangerous implications of US unilateralism and the concept of pre-emptive military action. The Iraq crisis highlighted how this put a great strain on transatlantic relations.

But there are positive signs, too. In the Non Proliferation Treaty (NPT) 2000 review conference the nuclear weapon states for the first time unequivocally agreed to scrap their nuclear arsenals. The conference reaffirmed that total elimination of these weapons is the only safeguard against their use. It agreed to practical steps for implementing the relevant article of the NPT. These include:

- ▶ a comprehensive test ban treaty;
- ▶ an agreement banning production of military nuclear material within five years;
- ▶ increased transparency in military nuclear matters;
- ▶ strengthening the Anti Ballistic Missile (ABM) treaty;
- ▶ further cuts in nuclear weapons systems; and
- ▶ a reduced role for nuclear weapons in security policies.



It is clear that the introduction of a National Missile Defence (NMD) system would not be in line with the NPT review. Full implementation of the 2000 conclusions should remain the aim. The situation concerning India and Pakistan, which have not signed the NPT and maintain a tense relationship, needs to be addressed. The international community will also have to address risks posed by North Korea. Finally, much work must be done on landmines and small arms that are becoming ever more a scourge in underdeveloped countries.

The European Union can and should become more active. Disarmament falls within the scope of the CFSP. The EU has always tried to coordinate disarmament policies in the UN and the OSCE. Its role in reform of the nuclear industry in CIS countries should be extended.

The EU needs to produce a comprehensive definition of its role and to outline specific activities.

First, an answer is needed to the question of whether or not the EU should claim a political role in the nuclear debate. It might do so by putting forward a disarmament initiative, including a time plan within the NPT framework described above. The answer can be “Yes” given existing coordination on NPT issues. There is some urgency, in view of the disagreement between Europe and the US on missile defence.

If China and Russia reply in kind, a new nuclear arms race might begin and this would clearly also threaten our security. The EU should also follow the example of the US Cooperative Threat Reduction Programme, whose aim is to help CIS countries destroy agreed stocks of arms and counter illegal proliferation. The EU has the knowledge and the means to become more active. Finally, in its relations with certain countries, the EU should address landmines, small arms and proliferation of missile technology.

A framework for humanitarian intervention by military means

The theory and practice of humanitarian intervention using the military are still underdeveloped. The instrument has only been used on occasion, especially in Bosnia and Kosovo. Other examples of major interventions at UN level were based on a peace-agreement brought about without outside military intervention and/or with permission of the local authorities, as in Cambodia or Mozambique.

The military episode in Kosovo left unanswered questions. Should coalitions without a clear international mandate be avoided in future? The answer must be positive. But this immediately raises another question. What can be done in a humanitarian disaster when an uncontested mandate cannot be fulfilled? On the basis of the existing international approach (especially within the UN Security Council) the need for a Kosovo-type intervention cannot be ruled out. The rules should therefore be discussed if we are to respect UN and OSCE competencies. The UN Charter is partly outdated. It was drawn up in the 1940s when a bipolar world had already emerged and the so-called great powers gave themselves vetoes.

The ban on attacking states sometimes undermines the need to protect human rights. National sovereignty protects small and weak states but it should not be a shield for crimes against humanity. A state's lack of stability can become an international threat. Rules for UN intervention must be improved. The UN security system must become more democratic. Only then can the UN become the sole arbiter in practice. Until the rules have changed, we propose a stronger role for the UN Secretary General. The EU should take the lead in this debate.

The second major question concerns when and how to intervene. Can we develop criteria? Should the international community react identically in every situation where identical criteria apply? In theory, the answer should be “Yes”. In practice, we know this will not happen. There will always be a political assessment of whether military intervention will be effective or counterproductive. There will always be the element of proportionality. The outcome of these assessments leads to diverging approaches that are sometimes hard to justify. Again, as a major international actor, the EU must help in drawing up criteria.

Fighting terrorism

The terrorist attacks of September 2001, and responses to them, can in no way be seen as expression of a conflict between East and West, North and South, Christianity and Islam or between Israel and the Palestinians. This kind of terrorist attack aims to destabilise everyone, regardless of race, religion or origin. The aim of terrorists, as some Western ideologies claim, is to persuade people that there is a conflict between cultures and civilisations or between religions. There is agreement today between most peoples on fundamental values – freedom, respect for human rights, solidarity, consolidating democracy and so on – that must unite states in their fight against intolerance.

This core of civilisation, even if seen in different ways, is still the only path to a world of freedom and solidarity freed of fanaticism and extremism. Today, all cultures are challenged by the events of 11 September. Forces of progress and dialogue need help to fight those who seek to destroy the foundations of democratic civilisation. Far from dividing humanity into opposing camps on the pretext of irreducible cultural differences, the fight against terrorism must bring us closer together as peoples mobilised for the only cause that matters – Europe’s purpose – justice for humanity.

The EU and its member states must fight terrorism in the short run within the global alliance, through internationally-coordinated police, security and judicial cooperation. However, terrorism as an international phenomenon will not be wiped out whilst its breeding ground still exists – poverty, social exclusion and the dominance of the North in global governance.

Restoring the Middle East Peace Process

Perhaps a key test of our ability to maintain a shared core of civilisation based on common values after 11 September and the war in Iraq is whether it is possible to achieve lasting peace in the Israel-Palestine conflict. If we fail, the winners will be those religious and ethnic nationalists on both sides who advocate the Clash of Civilisations that we so strongly reject. But the implications will go beyond the immediate conflict. Without peace in the Middle East, we will be handing a powerful recruiting tool to extremists throughout the Muslim World, from Morocco to Pakistan to Indonesia, as well as within our own immigrant communities. Every fresh image of death and destruction in the West Bank and Gaza is for many Muslims a daily reminder that the international community is selective in whose rights it protects.

For all these reasons, it is crucial and urgent to bring the parties back to the table. The EU, the US, the UN and Russia (the Quartet) have prepared a roadmap to peace that leads through confidence-building measures to negotiations on a two-state solution. The promise of the Oslo peace accords and the relevant UN Security Council Resolutions will thus finally be fulfilled. After months of delay, the roadmap was finally published on 30 April 2003. It is to be hoped that it will all be implemented without delaying tactics from any of the parties or members of the Quartet. It is divided into



three phases and the process is to be finished by 2005-06. However, the beginning of each phase is conditional on completion of the previous one.

Ending terror and violence, normalising Palestinian life and building Palestinian institutions

Palestinians put an end to all violence and incitement to violence against Israel. Israel will take all necessary steps to help normalise life for Palestinians, including withdrawing from areas occupied since September 2000 and cease punitive actions against Palestinians. Israel will also dismantle outposts built since March 2001 and freeze settlement growth. The Palestinians will undertake political reform. Each side will issue unequivocal statements guaranteeing the other's right to statehood.

Transition

An international conference will launch peace negotiations between Israel and Syria and Lebanon. That will trigger Israeli-Palestinian negotiations to fix the borders of a Palestinian state.

Permanent status agreement and end of the Israeli-Palestinian conflict

A second international conference will endorse agreements on a Palestinian state and launch final status agreements on issues such as settlements, Jerusalem and refugees. The final status agreement will bring an independent Palestinian state into existence and will end Israeli occupation of the West Bank and Gaza.

Initial reactions on the ground were not hopeful. Suicide bombings stole headlines from it and military reprisals and civilian casualties next day showed only too clearly that powerful forces on both sides are happy to undermine any peace initiative. However, there is a huge opportunity here for statesmanship by Israeli and Palestinian leaders. Clear majorities of their populations have suffered enough and are willing to make sacrifices for peace. This opportunity must be grasped. The EU must play a key role, through the roadmap and other policies affecting the region, to restore peace.

Fighting crime globally

Even if crime rates in industrial societies – at least in the countries of Western Europe and North America – tended to stagnate in the 1990s, global figures are still frightening.

According to the UN Global Report on Crime and Justice, the “chances globally to be victimised by serious contact crimes like robbery, sexual crimes or assault are one in five”. Far more critical is the situation for people in the great towns and cities. Over a five-year period anywhere in the world, two out of three big-city inhabitants will become victims of crime. The most critical situation is in Latin America and Africa. In many slums in Africa's crime ridden cities, the state has long ago disappeared, failing to provide any of the basic public goods that states are supposed to deliver: electricity, water, infrastructure, schools and public order. In many cases, the forces of order are part of the problem: corrupt police are regularly involved in all types of violent crime.

Poor people tend to be the main victims of this type of state failure. All over the world, where people are economically deprived, crime rates are highest. Well-off people can pay for the security, which becomes a private good, delivered by private agents. For many people in Third World towns and cities, living in peace, or even survival, depends on their ability to pay.

Part of the crime problem relates to drugs, one of the most lucrative global businesses. With the collapse of the Soviet Union and its satellites and the opening up of new markets in traditional transit-

countries, rapid growth in heroin and cocaine production and the introduction of new pharmaceutical drugs, the market has expanded rapidly in the last decade. Today, 134 countries report drug abuse, ever more of them in the Third World. Drug-related crime has increased disproportionately in the last two decades.

There is no simple answer to these threats for the causes of victimisation and lack of safety vary widely.

In response to the deep crisis in several Third World states, the European Commission and the OECD came up with the concept of structural stability. This defines some action areas for national and international efforts to stop the break up of nation states, especially in Africa. A key point is that in several respects this concept goes beyond the neo-liberal logic of the sacrosanct Washington consensus. This consensus imposed structural adjustment programmes with heavy cuts in public spending – quite often also affecting police and security forces. The concept embraces “the mutually reinforcing objectives of social peace, respect for the rule of law and human rights, social and economic development, supported by dynamic and representative political institutions capable of managing change and resolving disputes without resorting to violent conflict”.

The reconstruction of statehood thus becomes one of the central aspects of a policy to cut high levels of violence – whether “ordinary crime” or the “warlord” type. When it comes to crime, the first thing is to take the problem seriously. Although governments respond to transnational crime, they do too little too late.

Money laundering – a cornerstone of international crime – must be mentioned. Many so-called off-shore financial centres still operate from OECD territory. The international community must act firmly if it is to win the fight against cross-border crime. The current OECD approach is not enough. The holding of a UN international convention on closing down money-laundering centres around the world should be considered.

Up to now, the international community has been unwilling to act on one of the busiest sectors of cross-border crime: human trafficking. Its profits are put at about US\$5 billion a year. According to Interpol, human trafficking is organised crime’s third largest source of profit, just behind drugs and arms trafficking.

But the most important aspect, with the biggest effect on the quality of life for millions if not billions of people, is the fight against violent crime on the streets. This problem has many global links but countermeasures can be taken at state or local level. Crime prevention is one of the most important and must be strengthened. The UN report on crime and justice proposes appropriate measures from local to international level.

BUILDING A GLOBAL LEGAL ORDER

The world is somewhere between a process of internationalisation of law and a truly global legal order that remains far beyond reach. The existence of a legal order at world level varies greatly from one area to another. It is well advanced in trade, for instance, but remains fragile and incomplete as far as basic labour standards or human rights are concerned. Albeit in a fragmented way, a supra-national legal order is emerging in response to the need for regulation of human activity in all those



areas affected by globalisation. The creation of the International Criminal Court showed significant recent progress. But the international crisis over Iraq has been a painful illustration of the fragility of the rule of law at world level.

Towards a Global Charter of Fundamental Rights?

At UN level, the Declaration of Human Rights provided the basis of a global legal order. Adoption of the civil and political rights pact and the economic and social rights pact in 1966 marked the division of rights into different categories and fates. Creation of the WTO in 1994 then led to a new distinction between economic rights (which are gradually being extended) and social rights (which remain neglected).

In contrast, the recent European approach that led to the Charter of Fundamental Rights – and provides a legal basis for European citizenship – shows an alternative way of laying firm foundations for a supranational legal order. This approach could in the long run inspire global citizenship built on a **Global Charter of Fundamental Rights** by bringing together a common set of fundamental rights shared by all human beings – human, civil, political, economic and social.

As globalisation proceeds, lack of a world legal order becomes more and more unacceptable. Many human activities can no longer be properly regulated at national level. They include international finance, certain areas of environment protection and international crime. Effective global regulation is a necessity. However, many stakeholders resist the obvious – some powerful states, multinationals and international organisations among them. The case for a world legal order still has to be made.

Regulatory needs

Most areas in which global regulation is needed or must be further developed are discussed in different sections of this report under various policy agendas:

- ▶ Taxation
- ▶ International finance
- ▶ Migration
- ▶ Environment
- ▶ Human rights
- ▶ Social rights and labour standards
- ▶ International crime, including money laundering
- ▶ Trade, investment and intellectual property

Other areas in which global regulation will gradually become necessary, but which are not discussed in the report include:

- ▶ Competition
- ▶ Bio-technologies
- ▶ Electronic commerce

The soft law approach

Alongside a hard, law-based approach, recent years have been marked by growing support for “soft law” or co- and self-regulatory approaches set out in codes of conduct or voluntary agreements. This was the route for greater regulation of the international financial system after the Asian crisis. The emergence of corporate social responsibility and the notion of ethical globalisation are further attempts to regulate globalisation through non-binding norms. The UN chose this road with its Global Compact initiative to set voluntary standards for multinationals in environment and social issues. The OECD and the European Commission promote similar initiatives.

These approaches remain controversial. They clearly offer hope of setting down legally non-binding norms in fields where progress towards actual law cannot be made for lack of global political support. But they neither oblige all stakeholders to apply them nor allow for easy monitoring of implementation. In the worst case, they are just an excuse to maintain the status quo and hold up legislation.

The pros and cons of soft law need to be evaluated pragmatically on a case-by-case basis. We consider corporate social responsibility to be potentially more than mere window-dressing. More and more large companies are entering the process, which could eventually lead to a major shift in business practice with great potential for progress. However, at world level the process should be further strengthened and deepened. The European experience provides a roadmap, as detailed in chapter two. Furthermore, the UN should have a serious mid-term review of progress. NGO work in monitoring corporate social responsibility is an essential part of this process.

REFORMING THE INTERNATIONAL FINANCIAL SYSTEM

The debate on reform of international financial architecture began in the late 1990s after the Mexican crisis. When other crises spread soon after from south east Asia to Russia and Brazil, the need to reform the international monetary system was too obvious to be ignored. The Washington consensus came under fierce criticism from nearly every quarter. In Asia and elsewhere, conditions imposed by the IMF were seen as aggressively intrusive. The Fund’s policy advice was sharply criticised by many leading observers as blunt or even wholly mistaken.

Traditional critics of financial markets seized the opportunity to re-emerge from a long period of silence. This was not least due to the fact that those financial crises had a highly destructive effect on the economies in which they happened. For example, while Indonesia had managed to gradually lower the number of people living in extreme poverty from a very high 40 per cent in 1976 to 11 per cent in 1996, after the 1997 financial crisis this share rose abruptly to 39 per cent in 1998.

Several years later, after more jolts, the debate is left to a few official circles. The IMF is less impervious to criticism. The World Bank is concerned and tries to reinvent itself. A new quasi-institution, the Financial Stability Forum, has been created. But the architecture remains largely untouched. However, a number of significant reforms are still needed and should be pursued to give the world financial system both greater stability and better, fairer responsiveness to any crises that occur. These reforms are not only justified on the grounds that they will make the financial system more efficient but because crises mainly affect the most vulnerable groups in society.



IMF Mission creep: loan size and conditionality

The IMF should return to its core mission as stated in the Bretton-Woods agreement. It should provide emergency loans limited in size. The IMF ought not to attempt to be an international lender of last resort that prevents crises. Instead it should provide early advice to prevent crises – and make its advice public – and if that fails it should provide loans tailored to the post-crisis needs of the country. Conditions attached to each loan should be geared exclusively to immediate measures for limiting the depth and duration of the crisis. This would be a return to the IMF practice of signalling to potential private lenders that the country had taken all necessary measures, the loan being a gesture that the IMF puts its money where its mouth is.

Surveillance and international standards

The IMF has gradually expanded the scope of its Article IV consultations to include structural conditions, including regular assessments of the finance and banking sectors. There is nothing wrong with taking a broad view of a country's economic health but the IMF has limited expertise. It should rely on outside expertise. For example, the Financial Stability Forum has issued guidelines to apply prudent standards. There is much expertise and information available from international associations of regulators and supervisors associated with the Forum. The IMF could use this information to form a complete view of a country's situation without establishing the facts itself.

IMF Governance

The key to determining national contributions to the Fund, the quotas, is also used to weigh voting rights (for detail per country see Annexe). This clearly makes the case that the rich countries run the Fund. Since the most important decisions require a super-majority of 85 per cent, the US holds a veto. The IMF was created when the world counted a few dozen countries, nearly all classified today as either developed or emerging markets. Most of the 184 current member countries were not independent in 1944 and are developing. The initial idea was that of a Fund pulling resources together from members for their own use in case of need. Today's situation is that the contributors and the potential users are different countries. Most of the resources used by the IMF come from a small number of developed countries while currency crises occur mainly in developing countries. Logic would therefore call for rebalancing of voting rights.

Regional arrangements and diversification of advice

During the Asian crisis, many countries in the region felt that IMF structural conditions were an assault on the "Asian model" that had produced the flying tigers, the fast growing countries of the region. This led Japan to suggest the creation of an Asian Monetary Fund. The model was the regional development banks (Inter-American Development Bank, Asian Development Bank, and so on) that coexist with the World Bank. The reaction from Washington was immediate and adamant: there could not be any such institution. The argument was that allowing for competing monetary funds would greatly weaken the ability to impose discipline on countries that had lax policies. This view is deeply rooted in the IMF's assumption from the outset that all crises are due to mismanagement. Indeed, the IMF argues that even self-fulfilling crises can only occur if there is vulnerability. Currency mismatch between assets and liabilities, for instance, ought to be corrected by adequate banking regulation and supervision. This is correct but somewhat disingenuous. Very few countries in the world can claim to be so perfect as to be immune from self-fulfilling crises. The macroeconomic con-

ditions needed for second-generation crises are different from those required for first-generation crises. In addition, as argued previously, a crisis is not the time for seeking structural measures.

This debate brings an important issue to the fore. The IMF acts as advisor to countries in difficulty. In many cases, there is no obvious best advice: policy recommendations must take into account finely balanced pros and cons. As a result, more than one policy package can be adequate. The IMF's monopoly on conditional lending leads to a monopoly on policy advice. Most countries are not equipped to argue with the IMF teams dispatched to deal with a difficult situation, and do not engage in disagreement.

The proposal for regional funds was first and foremost a proposal for competition in policy advice. It was also a way of dealing with the domination of the IMF by the rich countries. Both ideas have merit, but neither is feasible in the current arrangement.

Capital liberalisation and sequencing of reforms

As previously noted, the IMF now recognises that capital liberalisation must be carefully prepared, with elaborate measures to strengthen the domestic banking system. This is a step in the right direction, but further steps are required

The IMF considers that capital liberalisation is the ultimate aim while the professional literature still debates the merits of full liberalisation. Some countries may have moved too fast in that direction, as recent crises have shown, not having met the pre-conditions. There is no reason not to reinstate some restrictions, yet the IMF is staunchly opposed to such steps.²³ It is important that the IMF adopt a more open-minded approach, possibly drawing up a list of pre-conditions and accepting that countries that do not meet them may step back at least during crises.

Poverty alleviation

The Bretton Woods agreements clearly assigned poverty alleviation to the World Bank and intended to keep the IMF out of this non-macroeconomic task. The accumulation of debt by the poorest countries has forced the IMF to face the issue, but the solution adopted is troublesome. The HIPC (Highly Indebted Poor Countries) initiative aims at writing off debt partly or wholly.

Several steps are needed for progress. First, it would be useful to return to the initial separation of tasks. The IMF should deal only with crises and provide limited short-term emergency loans while the World Bank and the regional development banks undertake long-term financing of structural programmes.²⁴ The current confusion of tasks gives the impression that the issue is diluted rather than properly dealt with. Second, debt alleviation should be separated from development lending. Debt alleviation is purely backward-looking while development lending is forward-looking. Debt alleviation is currently in the hands of the IMF, the World Bank, the Paris Club and, for private loans, the London Club. Official donors separate multilateral lending by the IFIs and bilateral lending by the Paris Club. This is creditor logic, not indebted country logic. Since the same countries are involved in bilateral lending and in controlling the IFIs, it would seem natural that they form a committee of donors and consider the overall picture.

The World Bank Group lends mostly at concessionary rates to the HIPCs through the IDA. Even if these reduced rates imply some element of grant, IDA loans are a major burden that will eventual-



ly in many cases be written off. The IDA should offer grants, not loans, a proposal actually supported by the Metzler Commission in the US. This would mean less money but no debt.

Private sector involvement

Following the Mexican crisis and the fact that most IMF emergency loans to Mexico were used to repay government debt to private financial institutions, the G10 commissioned the Rey Report. The report's central recommendation was fair burden-sharing: both borrowers and lenders should face the costs of a debt crisis. Its recommendations were endorsed by the G7 in 1995 but never implemented because of resolute opposition from the banking lobby, the Washington-based Institute for International Finance. It was brought back into public debate by the IMF's First Deputy Managing Director Anne Krueger in late 2001 and is currently under discussion.

The debate around the Krueger proposal remains intense. The IMF is proposing two main steps. The first would allow for standstills: an indebted country facing a crisis would be allowed to suspend debt service. Second, sovereign debts would include a covenant clause whereby the debtors formed a committee to negotiate with the country. The presumption is that the burden of resolving the debt crisis would be fairly shared between the indebted country and its private creditors.

These proposals derive directly from the Rey Report. Opposition from the private institutions is strong but not unanimous while G7 support is nominally confirmed. A number of delicate issues need to be resolved. For example, who would decide whether a standstill could be granted? There is little appetite for setting up a new body with the necessary international authority. The IMF has offered its services but there could be a conflict of interest as the IMF is often a creditor itself. Another issue is whether the resolution procedure should be driven by legally binding contract clauses or by an international statutory framework. These are difficult questions – and the devil lies in the detail – but what is most lacking is political will.

The Financial Stability Forum

One of the innovations prompted by recent crises is the establishment in 1999 of the Financial Stability Forum. The Forum brings together representatives of the G7 countries plus four other “financially important” countries (Australia, Hong Kong, Netherlands and Singapore), central bank experts, international financial institutions (IMF, World Bank, BIS, OECD) and an international group of regulators, supervisors and accountants. There is no world regulator and supervisor for financial activities, only national ones. The increasingly tight international integration of financial markets makes the situation both illogical and dangerous, but there is clear opposition to abandon a sufficient degree of sovereignty in this matter as in others. The Forum offers a mid-way solution, with advantages and limitations.

The Forum aims to assess vulnerabilities of the international financial system and put forward proposals that address them. It also fosters cooperation among the various groups represented. It has issued studies and recommendations, essentially identifying best practice and cracks in the system. This is, of course, quite useful and important. The problem is that the Forum has no authority. National authorities are free to implement or ignore its recommendations. In the absence of political will, the Forum relies on peer pressure, which is rarely enough. It has recently proposed that the IMF fully incorporate the Forum's recommendations in its conditionality. This seems a misguided approach. It would give teeth to the Forum but further embroil the IMF in the mission creep prob-

lem. A better alternative would be to use Article IV consultations to check every country's performance against Forum standards, but that would still leave the decision to go it alone to the discretion of the country.

The case for a World Financial Authority

Ultimately, in view of the continuing expansion of massive global financial flows in the coming years, consideration should be given to the creation of a World Financial Authority, as part of a strengthened global governance architecture.

Three decades of international financial liberalisation have removed almost all distinctions between national and international capital markets. Regulation needed in national markets is now needed internationally for existing international agencies are not up to the task. The Authority should have the necessary powers of establishing best practice financial regulation and risk management throughout international financial markets, backed by solid surveillance powers. It has been suggested that the Bank for International Settlements be transformed into a World Financial Authority²⁵.

MANAGING MIGRATION

Cross-border migration affects about 150 million people worldwide, 90 per cent of them outside the EU. It is caused by poverty, lack of democracy and human rights and armed conflicts. Migration is first and foremost a vast human tragedy on a global scale. We need to address the issue more comprehensively than in the past. It is not just that the North, and the EU in particular, should care about migration from the South for humanitarian or ethical reasons. There are serious arguments for addressing international migration from a development point of view more actively than before:

Migration is intimately linked to development, both in a negative and in a positive way. Much migration is caused by persistent poverty and lack of economic hope. However, there is also strong evidence that migrants, once established in a host country and economically active, are a major source of income for their country of origin through the money they send home. It has been estimated that this is worth 80 billion euro a year²⁶, more than the whole world's official development aid. This can be a significant share of a developing country's national revenue²⁷.

Migration typically takes place in two phases: from a country area to a nearby town or city, then possibly on to a country of the North. Given that hundreds of millions of people in the South have by now reached towns and cities in their home countries or neighbouring ones, what proportion will be tempted to find ways of going on towards better-off regions in the years ahead? How large will this proportion of migrants be if economic stagnation and lack of serious development hopes continue to prevail in their parts of the world? In other words, in an interconnected world, how long can the rich countries continue to prosper with mass poverty on their doorstep?

Connecting migration to development

In the short run, the best way to contain international migration is to improve international crisis prevention, resolution and post-crisis reconstruction, a major source of current forced migration. Equally, illegal immigration must be tackled, by reducing clandestine work and targeting increas-



ingly well-organised networks for human trafficking. There will be no escaping the need to tackle the root causes of international migration in the long run. For sustainable international economic and social stability, which is of course in the interests of the North, all of the developing world must have real hope for economic and social development. The gap between rich and poor countries should begin to narrow, not go on widening as it has done for years, and this calls for the new development policy outlined above.

A first step should be to make a better link between migration and development policy. The presence of migrants in richer countries can be turned into a win-win situation both for the country of origin and the host through productive use of money sent home. However, charges by banks and others siphon off 10-25 per cent of the total. This problem should be addressed internationally. The EU could play a leading role in finding ways to cut transfer charges, either through public regulation or publicly organised transfers, or both²⁸.

Cash sent home can be successfully linked to co-development and micro-credit projects, even in the countryside. There are success stories in many parts of the world. They should be researched to identify best practice. Again, the EU could play a promotional role in turning cash transfers into a major new development tool. In this connection, a brain drain of highly-skilled migrants from the South to the North should be turned into a development-friendly phenomenon. Voluntary schemes – temporary or permanent – should be made available to encourage highly-skilled migrants to return to their home countries (favouring brain “circulation” over brain drain). Such new forms of non-permanent migration, already a fact of life, should be helped by modifying the regulations.

The rights of migrant workers are well defined in the UN Convention on the Rights of All Migrant Workers and Members of their Families and in the ILO conventions on migrant workers. Such instruments, if ratified, have not so far been respected. Fresh effort is needed to tackle exploitation of migrant workers by stepping up full implementation.

DEVELOPING CULTURAL UNDERSTANDING AND RECOGNITION

The 11 September attacks by Muslim fundamentalists on symbols of American world dominance in New York and Washington have revived the debate about a worldwide clash of civilisations. The argument is that we face an unavoidable conflict, particularly between Islam and the West. This scenario is gaining ground. It is becoming the paradigm of a new world view. Many are beginning to act as if it were a valid model.

Cultural understanding and recognition versus fundamentalism

Fundamentalism is just one way of practising a cultural tradition. Its extreme politicisation of cultural difference is neither confined to western civilisation nor characteristic of civilisations such as Islam. All cultures today are intrinsically diverse and dynamic. Fundamentalism is found in all of them to some degree. In none is fundamentalism the only expression of the culture’s identity as a whole.

Despite wide differences between cultures, fundamentalism shows the same structural features and functions everywhere. It caters to similar political and psychological needs: the needs of certainty, identity and recognition of those who feel excluded or threatened. In all of these cultures, funda-

mentalism declares war on the rival currents of modernism and traditionalism. It unswervingly seeks to redeem the real identity of the traditional culture from its sullied state. It aims to resurrect the true culture by taking over the reins of political power and achieving absolute supremacy. Only then, it believes, will society be rid once and for all of the tortuous contradictions of modernisation.

Fundamentalism is a 20th century ideology whose recruits share ethno-religious characteristics. It gains support from those who have experienced humiliation, misery and desperation or who lack of recognition. Fundamentalism attacks the basic structures of the modern culture of tolerance: human rights, pluralism, tolerance and the secular state. Almost without exception, fundamentalist leaders use their true believers to gain or consolidate power or to justify attacks on the declared enemy.

However, social values shared by all cultures create space for different ways of living and believing to co-exist.

The clash within civilisations

Despite real opportunities for mutual understanding, there is a risk that politicisation of culture will become self-sustaining. Those who encourage this trend from within and those who work on it from outside play into one another's hands.

Like any society, the emerging global order needs common values and norms for living together. Such basic commonalities exist in all cultures, though they are expressed in different language, symbols and images. More often than not they need to be discovered and drawn out. It takes determined effort to recognise and develop elements that facilitate understanding and common action.

The world's cultures are by no means sharply distinguished from one another in core values about ways of living together. It is true that, to some extent, individual cultures are characterised by special regard for basic values such as individualism, equality, or desire for more or less regulation of social life. There is also considerable overlap of basic values between all present day cultures.

On the whole, the history of individual countries and their level of socio-economic development have a greater impact on values than religious-cultural roots. Cultural differences do not stand in the way of similarity of values. Cultural common points, on the other hand, are no guarantee of similarity. Overarching similarities and overlaps can be seen in all of today's cultures. Looking closely at various parts of the world, it is clear that conflict within civilisations is between those who endorse the supremacy of human rights, pluralism and democracy and those who fight against them on behalf of an absolute religious or ethnical identity.

Common global values

This is in line with the outcome of recent attempts to reach understanding on values for living together made by representatives of practically all religions and laid down in the Declaration on the World Ethos:

- ▶ The right of every individual to humane treatment;
- ▶ the principle of freedom from violence and respect for life;
- ▶ solidarity between people all over the world and advocacy of a just world economic order;



- ▶ tolerance for other religions, opinions and cultures;
- ▶ equal rights for all men and women; and
- ▶ separation of religion and the public sphere.

There is a common basis for understanding and coexistence in all of the world's civilisations. Denial of recognition is at the root of fundamentalist politics. For any counter-strategy to have a hope of success it must also have a strong, credible component of the politics of recognition – not of course of terrorism and its underlying ideology, but of the wider cultural identity that it claims to represent and the legitimate social, political and economic interests of the people who share it.

Towards politics of mutual recognition - a global cultural agreement

People and societies seldom learn from argument, experience and insight alone. It is often during a crisis that the new is given a chance. The scenario of the clash of civilisations, manufactured by political strategies not only in public debate but also in the bloody reality that we experienced over the last decade, can perhaps be a key experience. It might first stimulate reflection and then critical resistance. Herein lies the possibility of opportunity in risk. Social democrats in Europe and elsewhere, along with other progressive, international forces, should seize this opportunity and contribute to this learning process by pursuing a multi-dimensional politics of recognition.

For the politics of mutual recognition to be credible and successful it must include four levels of political strategy: economic, social, political and cultural. We propose a Global Cultural Agreement to identify projects for intercultural activities and to design institutions for sustained coordination and transcultural dialogue.

To begin with, cities, schools, universities and political parties from all world regions should launch information and education campaigns alongside local media and citizens' initiatives. They should have the backing of national and international foundations. Exhibitions and concerts, films, newspaper articles and joint worldwide television programmes should be used to spread information and understanding of the different cultures of the world. Smaller countries and non-governmental organisations could present a regular report on the state of intercultural dialogue to the world community. This report could be used to guide future action. Certainly not a panacea, but a good start.

A politics of recognition limited to intercultural understanding would not have the credibility it needs for success. It must be underpinned by a comprehensive political agenda, as developed in this report. Only a fairer economic world order can prove that individuals everywhere are recognised equally, whatever their cultural tradition.

Cultural understanding, recognition and dialogue should be actively encouraged at European and international level. To begin with, the EU could sponsor initiatives to build up a more structured dialogue with moderate Muslim movements. In this context, the EU-Mediterranean initiative should be revitalised.

PROVIDING GLOBAL PUBLIC GOODS

Since the end of the last decade, the notion of public goods – a familiar one in national contexts – has grown into a promising global concept. Recently, the action plan agreed at the Johannesburg

UN summit recognised the concept, albeit rather weakly, calling on the international community to examine issues of ‘global public interest’ through open, inclusive workshops. Beyond the theoretical and economic definition of public goods, its use in a global context has caused confusion over the precise meaning of global public goods and the goods to which this meaning should be applied in practice. This is truly the heart of the issue – unless a commonly agreed definition (or understanding) about what should or should not be considered as GPGs emerges, the debate will be stuck and no real progress will be possible.

What are global public goods?

The World Bank has provided one useful definition²⁹. Based on such a definition, many issues can be considered as global public goods. One study has identified a total of 29 issues drawn from various recent papers and reports³⁰. These include:

► *International and global commons* (17)

Mostly environment-related issues (clean air, preventing desertification and soil erosion, ensuring global water supply or maintaining world fish stocks), as well as such issues as ensuring the peaceful uses of outer space or preserving cultural heritage.

► *International or global policy outcomes* (17)

A mixture of the very general (such as improving global equity) and quite specific and quantifiable issues (such as reducing world poverty), they also include ensuring financial stability, global food security or good governance of international institutions, as well as expanding international trade and preventing nuclear accidents.

► *International or global knowledge* (6)

Includes issues such as the creation of vaccines for diseases endemic to tropical areas or agricultural research, access to key medicines, association with R&D networks of excellence, researchers’ mobility grants, cooperation on innovation and transfer of technology.

Others could be added such as management of international migration flows or protection of biodiversity³¹. Equally, the fight against international terrorism could be included. The latest list of global public goods using the UN Millennium Declaration focuses on ten global public goods, which could form the basis for an international consensus³².

It would not make much sense to present in this report yet another list of what should be considered global public goods. However, as has been mentioned, for international action to be taken on global public goods, a consensus will first have to emerge about the actual global issues to be covered. In this respect, as recently stated by Commissioner Poul Nielson “...whether something is a global public good is not a matter of definition. It’s a political choice.”³³

A new space for global public policy

The idea of global public goods provides a new approach to well-known problems. It can generate new political impetus – and not least new resources – to address them. In many cases, it actually justifies existing global policies (such as fighting world hunger), possibly contributing to new mobilisation of the international community.



Another interesting feature of this approach is that it conceptually underpins public policy at global level. It helps to explain the need for and the logic behind international action by public actors on many issues. Without the definition of public goods, their supply would be inadequate. There is hope therefore that the concept of global public goods can enrich multilateral action, which is certainly not a luxury at present. By doing so, it could have a major, positive impact on renewal and strengthening of existing global governance structures and processes.

The link between global public goods and global governance should be stressed for it is particularly relevant. It sheds new light on the inadequacy of today's global governance system in dealing with the many challenges that the world faces. As one famous study put it: "The pervasiveness of today's crises suggests that they might all suffer from a common cause, such as a common flaw in policy-making, rather than from issue-specific problems."³⁴

For the global public goods' concept to unleash its full potential for global action, priorities and instruments will eventually have to be agreed at international level. But how will they be agreed? With what mechanisms? It is obvious that the only appropriate institution for clarifying the current debates and for finally establishing a list of priorities is the UN. Will this mean yet another international conference? And how many years will be needed to achieve this? How will a future global public goods' agenda fit into the many existing global policy initiatives? Last but not least, will such an agenda be backed up with adequate funding sources in addition to badly needed official development aid, which will require many billions of new euro every year³⁵?

We do not at present have answers to these questions. But until confusion about meaning and global issues is cleared up, the approach – whatever its potential – will be impossible to exploit politically. It is evident that the global public goods' approach is a significant new opportunity to advance a global agenda for human progress. It needs to be supported. It offers a new chance for a fresh, pragmatic look at existing global governance structures. For these reasons we should be fully committed to contributing to continuing discussions and promoting this approach. This also applies to the EU, which has played an active and positive role in this field so far. Where possible, this role should be further reinforced to ensure that the EU is a leading advocate for the provision of global public goods.

GENERATING A GLOBAL RECOVERY

The global economy has been weak for almost three years, initially as a reaction to the bursting of the IT-bubble of the late 1990s, then as a response to 11 September, thereafter prolonged and deepened as a result of geopolitical tensions. Recently, the danger of the SARS epidemic spreading has hit tourism and business travel. World GDP growth is expected to remain subdued at around three per cent, well below the four per cent average of 1999-2000. Industrial production has stagnated in the major advanced countries, accompanied by a slowdown in global trade growth. Forward indicators have generally weakened.

The global nature of economic activity leaves Europe open to the impact of both geopolitical tensions and economic factors such as the business cycle and structural factors. In Europe, economic growth is likely to disappoint for a third consecutive year, a meagre 1.3 per cent growth in GDP in the EU in 2003. A more substantial average growth rate of 2.3 to 2.4 per cent is projected for next year, when job creation resumes, investment picks up and the international environment is more sup-

portive. However, a worse outcome cannot be ruled out because of the high level of uncertainty. Furthermore, conditions are fragile, both globally and in the EU, making economies more sensitive to shocks. The performance of the economies of the EU member states is far below the goal of three per cent growth in GDP agreed at Lisbon in 2000 for the long-term strategy.

The fragility of the recovery makes concerted action much needed. The EU, the biggest market in the world, soon to take in another 10 countries, has the responsibility and capacity to take the lead in coordinated global action to build confidence for an investment-led expansion. It must use all macroeconomic and structural measures to this end. A first step will be concerted action in the EU, building on the fact that the EU is an integrated economy. A small, coordinated stimulus in each member state will have a multiplier effect on growth in the whole of the EU.



5.

BRIDGING
THE DIVIDE BETWEEN
GLOBAL CHALLENGES
AND GLOBAL GOVERNANCE

A GOVERNANCE AGENDA



OVERVIEW

The inability of any one country to influence globalisation patterns is a huge challenge to democracy. It is the feeling of powerlessness, of democracy slipping away, that underlies the distrust or resentment that globalisation provokes in our people. To renew the democratic connection, to harness globalisation for the benefit of all, we need global institutions that are democratic, transparent, coherent and effective.

A roadmap for change

Progress towards better governance is needed in two ways. The urgency of tackling many issues requires short- to medium-term improvements. However, such improvements will not fundamentally resolve the governance divide. In the long run, we must bring about a paradigm shift in global governance. This will be a historic undertaking, best initiated through a World Convention on Governance. This World Convention should bring government representatives, parliamentarians and international organisations together to prepare a blueprint for reform, in active dialogue with civil society organisations. This blueprint should be submitted to the UN General Assembly for approval.

Medium-term improvement of the system of global governance

To begin with, international organisations in the economic and social fields – such as the IMF, the World Bank, the WTO and the ILO – should have to work within the common framework of the UN Millennium Goals, the ILO Declaration on Fundamental Principles and Rights at Work, the declarations adopted at the UN conferences of Monterrey and Johannesburg and the WTO's Doha Trade and Development Agenda. In some areas, more innovative approaches will be needed to engage a range of stakeholders. Proposals include Global Issues Networks and Round Tables on Global Issues.

Long-term reform of the system of global governance

As a minimal reform, institutions responsible for protecting the environment, social development and human rights must be strengthened. This will remove the imbalance in global governance that puts trade and finance first. The creation of a World Environment Organisation is therefore needed. More ambitious reform should lead to the creation of a Human Development Council (or Council for Economic and Social Security) and should reshape the existing Security Council (which could then be renamed Human Security Council). To head the world's economic and social governance system, a Human Development Council should replace both the G8 and the UN's ECOSOC. This would include building the Bretton-Woods institutions into the UN system.

Developing global democracy

Alongside medium-term strengthening of democratic governance at world level, especially in the make-up of international institutions, we recommend the creation of a UN Parliamentary Assembly as a realistic and promising long-term objective. We cannot see how the democratic link to global governance can otherwise be ensured, for global decision- and policy-making will inevitably increase because of deepening international, economic, social, ecological and cultural interdependence.



Addressing the taxation and finance issue

We explore two dimensions of taxation. The first is global taxation and harmful tax competition between states. Tax erosion and the shift of the tax burden to the least mobile factor – labour – must be addressed globally. In particular, we need an international agreement to phase out tax havens and end harmful tax competition. Second, we recognise the need for a world tax to provide additional funds to meet the UN Millennium Goals and provide global public goods. We discuss different world tax options. Our preference is for a small tax on trade in goods and services. We believe that a world tax could also help to resolve the longstanding difficulty of financing UN activities.

Encouraging regional integration and inter-regional cooperation

Regionalism is a lasting and promising trend. It will gradually provide new ways of structuring global decision- and policy-making. It introduces an intermediate policy level between the national and the global, which, as shown by the EU, provides new opportunities for peace, prosperity and economic and social cohesion. Regional integration also creates new political potential through inter-regional cooperation, an extra way of strengthening multilateral governance. The EU and the international community should actively support regional integration processes as part of a wider agenda to build a new global order.

A ROADMAP FOR CHANGE

Globalisation in its many forms is becoming less and less sustainable. This is because of the lack of global, political, institutional and administrative capacity both to manage its further expansion – which is desirable – and to address its shortcomings. This is most obvious when contemplating the truly global challenges that the international community must tackle. Examples include global warming, security and the fight against poverty. Globalisation, operating within weak and outdated global institutions, has produced both wealth and misery, both hope and despair.

Institutional shortcomings in the UN system reduce the international community's capacity to achieve sustainable and sufficiently rapid human progress. In many areas, this incapacity has reached its limits and will, in the coming years, endanger the very prospect of a peaceful and prosperous world. This global governance deficit needs to be addressed effectively.

Progress is needed in two ways. First, a whole set of global challenges needs to be addressed with such urgency that a necessarily long process of global institutional reform could well come too late. This is why we have been looking into ways of achieving rapid improvements that need only limited political will (albeit an ambitious target in its own right). Second, we are considering more far-reaching changes to the present global governance system as a longer-term aim of reform. We regard this as a fundamental need in the kind of globalised world in which we now live. We are conscious of the fact that such reform will necessarily be the result of wide discussion and coalition building, both of which will take time.

In order to favour such a process, we propose that the UN General Assembly convene a World Convention on Governance. Drawing inspiration from the current European Convention format, such a convention would bring government representatives, parliamentarians and international organisations together in talks over a given period of time, including an active dialogue with civil society.

The World Convention would address the need for a longer-term reform agenda for more effective, balanced, coherent and democratic global governance and submit its conclusions and recommendations to the UN General Assembly.

MEDIUM TERM IMPROVEMENT OF THE GLOBAL GOVERNANCE SYSTEM

There is an imbalance and lack of coherence in global governance, which must be addressed now. The current array of institutions in the international system falls significantly short of the task of effective governance of globalisation. They are hierarchical, compartmentalised and rigid. Trade and finance are overseen by powerful organisations, notably the IMF, the World Bank and the WTO, while the interests of the environment, human rights, health or labour are represented internationally by less powerful – and often fragmented – organisations. Few international bodies can match – and few countries can ignore – the clout of the Bretton Woods institutions or the WTO, based in one case on the power of the pursestrings, reinforced by influence on the financial markets; in the other on the existence of a binding disputes settlement procedure.

The consequences of our lopsided global governance are felt most acutely in the impact of the IMF, World Bank and WTO on public policy issues far beyond their original missions. In many poorer countries, the IMF – rather than the elected government – has the decisive influence on budgetary policy, industrial structure, social programmes and labour markets. The impact of the WTO, for its part, can be seen, for example, in environmental and consumer protection standards, industrial policies and health care. This must change. So long as citizens feel that global governance is dominated by the interests of trade and finance, they will resist it. They have seen clearly that when the IMF lays down conditions for financial support, whether to Mexico, Malaysia or Mozambique, it is the priorities and prejudices of the financial markets that dominate, rather than the interests of the environment, human rights, public health, education, or long-term social and economic development. Just as clearly, they see that conflicts can arise between trade rules and environmental, social or other policies: they will not accept the WTO as sole arbiter of those conflicts.

International rules and institutions are needed to deal with the interaction between trade, finance and other areas of public policy. We can already begin to create more coherent global governance in the medium term by requiring international organisations to defer to one another's expertise.

- ▶ When the WTO considers whether environmental protection measures are trade-restrictive, it must take advice from the appropriate environment authority on whether alternatives would be as effective.
- ▶ When the IMF draws up loan conditions, it must take advice from appropriate authorities, for example on potential impact on health, education and development.
- ▶ When the ILO decides, as its Charter allows, that its members should act in response to abuse of labour rights, countries that comply must not risk retaliation through the WTO.

Institutions must be obliged to work together on common aims, instead of pursuing diverging or conflicting agendas. World leaders have recently adopted far-reaching global targets, in the form of the UN Millennium Goals, the ILO Declaration on Fundamental Principles and Rights at Work, the declarations adopted at the UN conferences of Monterrey and Johannesburg and the WTO's Doha Trade and Development Agenda. These should become the framework within which international institutions define their missions, policies and work programmes.



New approaches could help to make rapid progress towards these global goals. Networks on global issues³⁶ could bring together actors from public administrations and civil society to improve practices and norms on issues such as water shortage, the digital divide or the fight against poverty. Round tables, as proposed by the ILO, could deal with difficult relationships, such as that between trade and social standards or trade and environment. Thought should be given to adapting the EU's open method of coordination for use as an international tool.

LONG TERM REFORM OF THE GLOBAL GOVERNANCE SYSTEM

The reform agenda must confirm the primacy of the UN system under the UN Charter. It must fix a hierarchy of international norms based on human rights laid down in the Universal Declaration and the International Covenants on Economic, Social and Cultural Rights and on Civil and Political Rights. This would clearly signal a radical shift towards a global economy at the service of human values and lay down the parameters for a rights-based approach to development through international cooperation.

The reform agenda must strengthen institutions for protecting the environment, social development and human rights. This will end imbalance in global governance that puts trade and finance first. Every international organisation is unique. But the reform agenda must address resources, structure and implementation and enforcement.

Global environment challenges must be dealt with effectively. There is a strong case for the creation of a World Environment Organisation, to bring together the current UNEP and the Multilateral Environment Agreements³⁷ and create a powerful global advocate to safeguard our natural heritage.

Towards a Human Development Council

At present, there is no effective institution for world economic and social governance. The existing UN ECOSOC is not up to such a fundamental task. It is widely agreed that it has been ineffective and has not served as a locus of world economic and social decision-making³⁸. We urge the creation of a Human Development Council, generally referred to as an Economic and Social Security Council, an idea advanced by Jacques Delors.

What is the rationale behind the new Council? Markets are already global and will become more so. Trade, money movements and multinational companies cover the world. But politics remains national, with little interaction or coordination between governments except on peace and security. We believe that, as is the case for the UN Security Council, economic globalisation is reaching a point beyond which regular, high-level political coordination on shared economic and social interests is needed.

Such a Council would ensure coherence between the various specialist international agencies and organisations. In effect this Council, with a stronger democratic mandate than any individual agency, would be the arbiter of conflicts and would be able to provide for coherent action that we do not now have. It would fall to this Council, for example, to ensure that all international organisations' policies and programmes are consistent with the Millennium Goals and the Johannesburg and Monterrey declarations.

As the global integration and interdependence of our economies and societies continue to deepen, the case for such a new Council becomes ever more pressing. At the top of the global economic and social governance system, such a Council should replace both the G8 – which is a club of richer nations and lacks democratic legitimacy to claim global political leadership – and the UN's ECOSOC. The Council should be independent of the Security Council and have the same standing in relation to international economic and social matters as the Security Council has in peace and security matters. It should be a deliberative forum, contributing to world social and economic justice, stability and prosperity based on the UN's Charter³⁹. Its tasks should include:

- ▶ Continuously assessing the state of the world economy and ensuring macro-economic coordination;
- ▶ Providing a long-term strategic framework for sustainable development;
- ▶ Securing consistency between the policy goals and actions of the international economic, social and environmental institutions;
- ▶ Producing common guidelines on the priorities of the global agenda, monitoring their follow-up, and acting as a coordinating body for trade-offs between commerce, employment, and environment; and
- ▶ In the case of partial financing of global policies through international taxation, monitoring and surveillance of the use and allocation of funds.

The make-up of such a new Council is a delicate matter. As a matter of principle, both developed and developing countries should be included. However, total membership should be relatively small to safeguard the Council's working efficiency. All major economic powers must be permanent members. The current members of the Security Council would probably have permanent seats. Non-permanent seats could then be granted on a rotating basis to developing countries. Decision-making could either be by consensus (which raises the veto problem) or by a two-thirds majority. With the strengthening of the various regional organisations referred to above, membership of the Council could gradually be opened to representatives of such regional organisations, among them the European Union. However, global political consensus required for the creation of such a UN Council might remain beyond reach for many years. In the meantime, more thinking and discussion internationally should flesh out the idea and build up support.

As part of such reform, the WTO and the Bretton Woods institutions should also be included in the UN system. International economic organisations would then take better account of non-economic considerations in their own actions.

Reforming the UN Security Council

In the same long-term perspective, the membership and decision-making procedure of the UN Security Council, its concepts, methods and instruments should be thoroughly reviewed. This would make it more representative in terms of economic power, military capacity and population. Permanent membership of the UN Security Council could gradually be granted to regional organisations, by mandating a member country on a rotational basis. In the end, the European Union should have one seat. The veto should be reviewed to enhance efficiency and prevent the Council from being blocked by a permanent member and it should be limited to use of armed force or sanctions. In a wider redesign, this Council could be renamed Human Security Council, alongside the Human Development Council described above.



DEVELOPING GLOBAL DEMOCRACY

If we are to re-establish a democratic connection with our global institutions, we must apply the same standards of democracy and transparency to them as we expect of our national political institutions. We should begin with the most powerful of the global economic institutions – the IMF, the World Bank and the World Trade Organisation. All of them, in different ways, concentrate power in the hands of a few countries, in most cases beyond the reach of effective democratic control by their citizens. For all of them, reform must ensure that the balance of power among member countries meets basic standards of fairness and provides poorer countries with a real say in global policy- and decision-making. The decision-making structures of the IMF and World Bank must be reformed to base voting on GDP at purchasing power parity and remove the national veto. Decision-making must be more open. Planned policies and programmes must be subject to public scrutiny and outside expertise. They must be made more responsive to public opinion through a greater role for parliamentarians and civil society.

Significant progress in democratising and increasing the legitimacy of global governance and decision-making can already be made by ensuring that international institutions consult civil society organisations systematically. This will not only make for greater transparency, accountability and quality in international policy-making and execution. It will be the first step to creation of a global public space, a requirement for any greater progress towards true political democracy at world level.

Towards a UN Parliamentary Assembly

Better-structured democratic control and accountability is needed if the world's democratic deficit is to be addressed seriously. At some point, contemplation of a UN Parliamentary Assembly will be needed. Such a development should be supported by the gradual emergence of truly global citizenship⁴⁰, underpinned by rights drawn from the 1948 declaration on Human Rights and the 1966 Covenants on civil and political rights and economic and social rights.

We are well aware that this idea is disputed and is often brushed aside as utopian. Before rejecting it, one should at least look closely at European experience, which, admittedly on a smaller scale, shows that international democracy is feasible and politically necessary.

Such an Assembly should be more than just another UN institution. It would have to become a building block of a new, democratically legitimate, world order. Far from being utopian, recent developments and trends are opening the way towards it. The Inter-Parliamentary Union was set up more than a century ago. Now, a WTO Parliamentary Assembly is being brought to life. The UN is already organising a Parliamentary Forum in the context of major international conferences such as in Monterrey in March 2002. As in the case of a UN Human Development Council, more thinking and public debate should be devoted to the idea of a UN Parliamentary Assembly.

ADDRESSING THE TAXATION AND FINANCE ISSUE

Global taxation

There is no doubt that globalisation creates strong fiscal competition between countries. European experience shows that open markets for goods and services, and also for investment, pro-

duce harmful tax competition at the expense of the least mobile factor of production – labour. This leads national governments to overtax wages in comparison to capital, with a negative impact on employment levels. Despite this well-documented problem, European experience unfortunately also shows that it is extremely difficult to build consensus between countries to coordinate their tax systems and end harmful tax competition (and erosion of their tax bases).

The success of so-called tax havens further erodes the tax base. Economic developments, such as e-commerce, pose new challenges to national tax systems and without a coordinated international response could lead to cuts in tax revenues.

The international community should, therefore, commit itself to serious analysis of the problems and to finding solutions. Success will depend on willingness to cooperate.

Harmful tax practices should be ended and joint solutions found to manage new economic developments that challenge tax systems. Tax havens should be phased out under international law. Such a process, long and complex but unavoidable, could lead to an international agreement or code of conduct on tax systems, providing global taxation standards within a UN setting. The EU, given its own experience in this field of supranational tax coordination, should play a leading role in promoting such a process.

Do we need a global tax?

The issue of a global tax is one of the most controversial and heated discussions in the globalisation debate. Its most prominent expression is the so-called Tobin or currency transaction tax, but other proposals are available and are considered below.

Discussions on global taxation can be traced back to the late 19th century. In its current form, the global taxation debate emerged during the 1970s, with the 1972 UN Conference on the Human Environment and the publication of James Tobin's famous article on a currency transaction tax. Support for global taxation has since come from the 1980 Brandt report and recently, the Zedillo report (2001). Despite endless discussions and numerous studies, the debate remains deadlocked and has lost none of its controversy. This makes it hard to approach the issue in a pragmatic, balanced way. But to make progress, it must be done.

The fundamental economic question is not whether there should be one or several global taxes but whether there is one or several pressing international problems that cannot be resolved without such a tax. Uses could include regulation – curbing currency speculation, cutting carbon dioxide emissions or meeting world financial needs that would otherwise would not be met.

There is another more political question – whether the UN would not be better served by being funded – at least partly – from member country contributions through some form of world tax revenue.

Damaging spillover effects

Three types of taxation are generally considered: a currency transaction tax (Tobin tax) to deter short-term speculation in the foreign exchange markets, a carbon tax to cut greenhouse gas emissions and a tax on arms exports. These taxes should be assessed on two criteria – their ability to reduce damaging spillover and their feasibility. A third dimension is the expected tax revenue.



The currency transaction tax

The so-called Tobin tax has a strong symbolic value and has attracted enthusiastic support from different quarters especially since the mid-1990s. It seems to be the perfect global tax – its supporters believe that it can curb harmful speculation in financial markets whilst generating considerable tax revenue even with a small tax rate.

Without touching the tax base, a rate of 0.1 per cent of global currency transactions would raise revenue in the range of 200-300 billion euro a year.

Even a small tax rate of 0.02 per cent would yield at least 40 billion euro. However, many experts see the tax as flawed. There is great uncertainty about its impact on currency speculation. Unless it were imposed throughout the world without exception, there would be significant tax avoidance. On top of that, the debate is complicated by a distinction between good (stabilising) and bad (destabilising) speculation. Obviously, a tax would have to be imposed on both. Recent amendments of the original proposal have tried to get round the tax avoidance problem by saying that the tax should be a flat-rate levy on wholesale trade at the point of bank settlement. The only proviso is that authorities issuing vehicle-currencies – such as the US dollar, the euro or the yen – should cooperate. Even in this form, the currency transaction tax remains a controversial proposal for experts. A recent UN paper concludes that “if the tax was confined to wholesale transactions and collected with the cooperation of a handful of vehicle-currency countries, at the point of bank settlement, enforcement could readily and inexpensively be achieved”⁴¹.

The carbon tax

The carbon tax is in line with the Kyoto Protocol’s aims and international commitment to cut greenhouse gas emissions. Most recently, it has been backed by the high-level panel on Financing for Development (Zedillo report, 2001). Being based on the polluter-pays principle, it would certainly act as a disincentive to CO₂ emissions if set at an appropriate rate. It would reinforce the implementation of the Kyoto Protocol. In comparison to the currency tax, avoidance is not a problem. It could be introduced without having to be imposed everywhere. It could also produce significant tax revenue. UN calculations show that a standard carbon tax of two dollars a barrel on motor fuel would be a carbon tax of \$21 a ton, making a total of \$125 billion. But if the tax worked as a disincentive, the tax base would naturally be eroded and revenue reduced. As the Zedillo report said, a carbon tax could be structured to support developing countries by allowing them to use the money it raises in their own economies while industrialised countries would pay some of their carbon tax income to international organisations for financing global public goods.

A tax on armaments

It is hard to imagine that such a tax, even at a high rate, would deter arms trade. It could instead increase the trade, which is clearly not desirable. An alternative could be a tax on arms production. However, it is hard to justify such a tax on the basis of its impact, given that it would probably not affect the arms trade.

Clearly, discussions are not over yet. From a technical point of view, they might never be fully resolved for it is unlikely that a general consensus could ever emerge about one specific tax. Therefore, the issue is very much whether there will be enough political commitment to regulate

global issues such as speculation or air pollution through taxation. After all, an international currency transaction tax could be introduced and, if ineffective in curbing speculation, it could be abolished again. There are examples of such failed attempts in other national policy areas. In this sense, the case for a carbon tax is even stronger for there is little doubt that – if set high enough – it would cut carbon emissions, a point of international agreement at Kyoto.

Innovative global finance sources

A distinction needs to be made between two needs – a limited need to finance global governance institutions within the UN system, and a far greater need to finance policies to achieve the UN Millennium Goals and provide Global Public Goods.

The UN is used to persistent difficulties in financing its activities through members' contributions. Beyond the regular difficulty of getting countries to pay, there is a wider issue that would have to be considered even if payments were always on time.

Six members pay about half of the UN's annual budget (the US (25 per cent), Japan, Germany, Russia, France, UK). This amounts to potential political control based on economic power for a handful of nations (contributions are calculated on the basis of GDP). In particular, the high share of the US contribution gives it a veto over UN policy.

Congress can at any time make US funding of the UN conditional upon any policy issue. Given the size of its contribution, it is probably the only country to enjoy this power. It used it in 1996, when Congress voted to make US payments conditional on the UN dropping support for any kind of global tax or fee – which the UN then complied with for several years. It was used in 1985 when Congress cut the US contribution by a fifth, demanding the introduction of weighted voting in the UN⁴².

Current UN financing is intimately linked to its capacity to work as a democratically balanced institution, by preventing a few – or even one – of the member countries from hijacking the political agenda through the budget. This applies to the European Union, too, given that the sum of contributions by all member states equals the US share of the UN budget. This is not felt only because the EU is not represented as such in the UN.

In terms of finance, there are two routes to reform:

- ▶ **Rebalancing national contributions.** This is not a new idea. In 1985, the late Swedish Prime Minister Olof Palme proposed a ceiling of 10 per cent on the assessed contribution of any member state. In 1993, US President Clinton told the UN General Assembly that the US “assessment rate should be reduced to reflect the rise of other nations that now can bear more of the financial burden”⁴³.
- ▶ **Partial direct financing.** While the UN obviously needs to be accountable to its members, some degree of financial independence and financial stability is needed. A stable flow of resources free from national political influence should finance at least part of the UN budget. This is also directly linked to the rebalancing of national contributions. Such reform should not overburden poorer countries. The way to achieve this is through stable revenue from some form of global taxation.

In comparison to the relatively modest financial needs of the UN on a world scale, some global policies – now financed nationally – could be funded from a global tax. This revenue would finance extra needs to reach the Millennium Development Goals and provide global public goods.



There is regrettably no reliable estimate of world needs to meet the UN Millennium Goals by 2015. Current development aid is said to have to double or even triple (see development section above)⁴⁴. Actual needs might be up to 150 billion euro a year (three times the current aid level). Estimates for provision of global public goods could add another 20 billion euro a year⁴⁵. Although the vagueness of available estimates (or the sheer lack of them in some areas) makes evaluation of the situation difficult, there seems to be a big gap between available funds and actual needs. In the absence of innovative finance sources, these needs could only possibly be met through a large increase in official development aid. This would roughly have to triple. Although the EU recently promised an increase and other donors, it will meet no more than half of the need.

So, creation of new sources of finance for global development is a necessity, given that a substantial increase in public ODA from national budgets is unlikely – at least at the levels needed. While there is certainly room for better use of private funds alongside public ODA, this cannot reasonably be expected to make up for projected needs. In rough terms, a new finance source would have to provide up to US\$ 50 billion a year – on top of public ODA and private investment and funding – to ensure adequate funding of the UNMDG and global public goods, especially in environment and public health. The same revenue source could be used to part-finance the UN system as such, as mentioned above (below US\$ 1 billion, a small amount in comparison to wider development needs).

There are several potential financial sources, all of which could be coordinated at national government level:

The currency transaction tax, which – if tax avoidance could be neutralised – might produce about US\$ 40 billion a year, even at a low tax rate of 0.02 per cent on the value of foreign exchange transactions. However, this revenue could fall significantly if the tax were efficient in deterring currency speculation;

The carbon tax, which could easily raise global revenue of more than US\$ 50 billion to begin with. But it could also suffer from severe tax erosion if – as we should hope – it were effective in cutting CO₂ emissions. This tax might be considered for its regulatory value in cutting greenhouse gas rather than for its redistributive value;

A tax on trade in goods and services. Such a tax, proposed in the 1980 Brandt report, has advantages over the previous tax options, albeit from a purely redistributive angle (as it does not have a regulatory function, its aim not being to reduce trade). To avoid harming trade, it should meet two conditions: it should be set low enough to have a minimal or even zero trade effect; poor countries should be exempt from having to impose the tax on imports below a certain GDP or import value threshold. In comparison to the other taxes, this one has the advantage of easy and low-cost collection through existing customs duties and administrative channels. There is a low tax avoidance risk (due to reasonably reliable trade statistics worldwide). Based on the total value of world imports in 2001 (merchandise and commercial services), a 0.5 per cent ad valorem tax would have generated US\$ 40 billion⁴⁶. Given the continued growth of world trade (up by more than 70 per cent in value in the last decade), it could be preferable to introduce the tax at an even lower rate, such as 0.3 per cent. Trade growth would ensure future increased revenue. From a political point of view, such a tax should not be seen as holding up further economic globalisation, quite the contrary. Its revenue would be used to create precisely the stable, secure and favourable long-term conditions within which global economic activity will be able to flourish further in future. Its logic would also be one of fairness within

the global system as a whole, given that the main importers – those who pay most – are naturally also those most active in the economic globalisation process from which they benefit.

Considering the seriousness of the issues at stake and the need to deepen technical and political discussion on finance needs and options for innovative revenue sources, the international community should face these challenges in a new, open-minded and result-oriented manner. To do so, it needs a focus and a process that could come from the UN Convention on Governance recommended above. Such a Convention should address the finance issue as outlined in this section and make practical recommendations to the UN General Assembly.

ENCOURAGING REGIONAL INTEGRATION AND INTER-REGIONAL COOPERATION

The EU is no longer the only integrated regional actor. Despite historical, geographical and institutional variations, several regional associations between neighbouring states have emerged. A new regionalism is becoming a structural, long-term feature of the post-Cold War globalised world. MERCOSUR, the Andean Community, Caricom, SADC, ECOWAS, ASEAN, and other regional groupings not only emulate the EU experience in original ways but are new regional actors that create a potential for a new multi-level, multilateral and multi-polar global governance.

Why a new multi-level governance?

Reform of current multi-level governance – characterised by overlapping competencies and powers, large multinational companies, transnational or unaccountable centres of authority – could see the revival of the territorial principle of governance in a new form. This would lie between the nation state and the global level. It would deepen and widen regional associations, offering the opportunity for more rational governance. Advantages from the point of view of new, progressive governance include:

- ▶ it provides an intermediary step between national inward-looking policies and openness to the global market and it helps to limit the destabilising domestic impact of rapid globalisation on internal social cohesion;
- ▶ it provides an alternative to economic and political nationalism, ethnocentric tendencies and sub-national fragmentation;
- ▶ it establishes peace among previously regional enemies through socio-economic integration, building upon the European experience;
- ▶ it encourages regional alliances for democracy, stabilising democratic institutions and public spheres and pushing neighbours towards peaceful cooperation;
- ▶ it provides a better balance between more and less developed member states through economic integration within the same regional association;
- ▶ last but not least, it contributes to the gradual consolidation of a global democracy. It provides a good way for smaller countries to remain involved in global politics, rather than being sidelined by a global political leadership exclusively in the hands of a reduced number of the world's largest nation states.



Neither recent economic and financial crises nor new political globalism have been able to stop this new form of regionally integrated governance, which already has trade, social, cultural and political dimensions.

Europe, in which the modern state was invented centuries ago, should promote this as a promising way of peacefully managing national diversity through democracy and socio-economic convergence, and of providing future global governance with new, more legitimate and efficient, regional pillars.

Why a new multilateral governance?

The development of regional associations from below proves the limits of globalisation from above and the crisis of legitimacy. However, this development could support renewal of the multilateral network, first because regional associations are by themselves “local” multilateral experiments and second because regional cooperation has always required a global multilateral framework. The next challenge will be to turn regional associations into leverage for reform of the IMF, the WTO (beyond the GATT art. XXIV), the World Bank and even the G8. The principles to be observed are wider representation and more efficiency in making decisions and putting them into effect.

Regionalism also strengthens multilateral governance through inter-regional cooperation. EU inter-regional initiatives (cooperation with regional organisations from other continents) are a promising new way of structuring global governance by deepening economic and trade cooperation, political dialogue and cultural understanding. They strongly differ from US-centred inter-regionalism (FTAA, APEC) by including political dialogue, cooperation on development policies and a stronger role for regional partner associations.

The EU has revived and globalised its long tradition of inter-regional relationships with African and developing countries through the recent Cotonou agreement with the ACP countries. It has also implemented complex new inter-regional cooperation with Latin-American countries (Rio Conference of 1999 and Madrid Conference of 2002). Equally, ASEM proved to be a positive framework for multi-dimensional dialogue between the EU and East Asia, including the Korean peninsula issue. The EU should combine trade and institutional arrangements with deeper trans-regional cooperation at the level of civil society, involving trades unions, the business community and universities. The PES and the SI have a special role to play.

Why multi-polar governance?

New regionalism is not only a trade issue but also a socio-political one. Either regional associations succeed in deepening as “security communities” such as the EU, Mercosur and others, or they have no future (as the SAARC stagnation clearly shows). New regional political actors will be allies of the EU not only in building up a new multilateralism but also a multi-polar world, alongside a new transatlantic partnership and a number of major national entities such as China, Russia and India.

6.

**ADVANCING AN
EU POLICY AGENDA
TO SHAPE A NEW
GLOBAL ORDER**



More than ever, Europe must play an active role in shaping globalisation – both inside its own region and as a key player in the international community. To do so, there is a need for a new European agenda combining internal and external policies in a strategic EU policy concept. This will bring together existing and new agendas in a wide range of policy areas. They are discussed in the different chapters of this report.

Linked to recommendations in the previous chapters, this final chapter brings together what the EU should do in coming years to build a new global order and contribute actively to bridging global divides. Beyond what can be achieved between now and mid-2004, most of these policy recommendations will have to be taken up by the new enlarged Union that will emerge from the European Convention, the IGC and the 2004 European elections.

STRENGTHENING EUROPE

The European Union will emerge as a major political actor at world level only by successfully combining internal and external strength. Internally, globalisation must become a driving force for social and economic progress to the benefit of all Europeans. It must be embedded in environmental responsibility and cultural diversity and recognition. Externally, the European Union must be equipped in political and institutional terms to drive forward a progressive global agenda. It must be understood that these internal and external dimensions are part of a single aim and that they are mutually supportive.

Reinforcing the European social model

In order to turn globalisation from a threat to our economic and social model into a new economic and social opportunity, we need a new comprehensive internal policy agenda, including:

- ▶ ***Reactivating and widening the Lisbon strategy*** for more and better jobs, social cohesion, higher growth and a healthy environment by:
 - significantly improving education and training levels to equip people to cope with change and empower them to fulfil their potential in an open world;
 - generating new knowledge and innovation through increased investment in both public and private research;
 - connecting the Lisbon strategy to the Stability and Growth Pact, by providing details of national growth strategies in the national stability programmes. This would be the a basis of a truly coordinated economic policy strategy capable of creating up to 11 million new jobs by 2010;
 - ensuring that national governments implement Lisbon strategy commitments effectively, if necessary through institutional changes;
 - taking concerted action for sustainable patterns of production and consumption to break the link between the economic growth we need and pressure on natural resources and the environment – especially through more investment in clean technologies;



- ▶ ***Socially responsible change***, to ensure that unavoidable industrial restructuring is socially responsible. This will include improving the timing and quality of information and consultation of the workforce and the effectiveness of social plans.
- ▶ ***A common European action programme to address the immigration challenge***. This will be based on universal values, a common asylum and immigration policy founded on non-discrimination, a determined fight against clandestine work, trafficking, illegal immigration and international crime, a true integration policy to promote a united society, greater aid to areas that economic migrants come from and an active and coherent development policy for poor countries.

Europe as a political actor at global level

The best internal policies will not be enough to meet the many challenges from globalisation for our societies and way of life. The EU must considerably strengthen its foreign dimension and its international capacity. This must include:

- ▶ ***A global strategic concept for the EU*** with a progressive and multilateral world vision;
- ▶ The gradual ***unification of EU representation in international organisations***, including eventually in the UN Security Council;
- ▶ ***A truly common foreign and security policy*** with a Minister for Foreign Affairs;
- ▶ ***A truly common European defence policy*** built on a more effective common defence capacity including the speeding up of the Rapid Reaction Force, the redefinition of the Petersberg tasks to include disarmament, military assistance, stabilisation, and the fight against terrorism;
- ▶ The ***strengthening of the EU's regional conflict prevention instruments*** by creating a Non-military Rapid Reaction Force, providing expertise from prevention activities to technical operations, a Centre for active crisis prevention and a well-trained police force;
- ▶ The ***creation of a European Regional Partnership Organisation*** bringing together the EU and its border countries in a forum to coordinate policies of common interest in shared peace and prosperity and to contribute to the global agenda from a wider regional point of view;

EUROPE AS A PARTNER OF THE DEVELOPING WORLD

One of the main challenges is the gradual eradication of poverty to build a just and inclusive world. Meeting this challenge will in turn reduce world security threats and provide more global prosperity in the long run. The European Union must play a leading role in promoting a policy agenda for the developing world capable of attaining this objective in the framework of the UN Millennium Goals agreed in 2000.

- ▶ As the world's major donor of development aid, ***the EU should promote a renewed development policy*** that is better balanced and ensures closer coordination between donors and with other development related policies such as trade. Coherence of development policies at EU level will have to be achieved with the help of the open method of coordination between member states. The EU should also provide more debt relief and cancellation, insist on respect for human rights

and the building of democracy, stimulate fresh thinking and a wider debate about development policy and, last but not least, establish a roadmap to achieve the 0.7% of GDP for EU development aid. The EU, in coordination with the UN and World Bank, should rapidly seek reliable estimates of actual financing needs to achieve the UN Millennium Goals, without which new financial commitment by donor countries will be extremely difficult to justify and to obtain.

- ▶ ***The EU should support new initiatives to connect development policy to employment policy for the creation of income-generating jobs.*** The world's workforce will increase by half a billion young people in the next 10 years. To respond to this challenge, the case is made for a Global Employment Strategy for the 21st century, putting the aim of more and better jobs at the heart of development efforts. Within this strategy, the EU must also ensure that education and skills, as well as the promotion and circulation of technological and scientific knowledge, play a key part.
- ▶ ***The EU must lead a new global movement towards social progress*** building a progressive global alliance of governments North and South, the international trade union movement, socially progressive multinationals, social movements and NGOs and international organisations, notably the ILO, to turn core labour standards and non-discrimination into a reality for all workers and to eliminate child labour.
- ▶ ***The EU should do its utmost to ensure the success of the Doha Development Round as an Anti-Poverty Round*** by radical reform of its common agricultural policy, by preventing the WTO from ruling on non-trade issues without broad support from developing countries, by designing an open and democratically accountable WTO, and by putting sustainability at the heart of the WTO agreements.
- ▶ ***The EU must continue to back UN efforts to implement the Johannesburg commitments for sustainable development*** by supporting poor countries' gradual introduction of eco-friendly modes of production through public and private investment and technology transfer agreements.
- ▶ ***The EU must further strengthen its policies to deepen democracy in developing countries*** through the bilateral agreements and policies of its member states and the EU as such and through UN activities, notably UNDP. Alongside this approach, the EU should argue for more democratic decision-making in international organisations.

EUROPE AND THE GLOBAL POLICY AGENDA

A whole range of global issues must be addressed by the international community, some of them with great urgency and determination – ranging from global warming to terrorism. Beyond these, the world needs a comprehensive new global vision that has still to be constructed. Again, the EU should lead and inspire in developing and promoting such a new global vision.

- ▶ ***The EU should defend a sustainable global policy agenda to combine economic growth and the fight against poverty with environmental balance.*** This was set in motion in Johannesburg in 2002, but its realisation remains far out of reach. Opposition remains strong in some industrialised countries and in some developing countries. The EU should propose a New Deal at global level to anchor sustainable development in the heart of the global policy agenda.



- ▶ ***The EU must propose a wider security concept to the international community.*** Security threats are real and must be faced – terrorism, the proliferation of weapons of mass destruction, international crime, regional military conflicts. The EU should ensure that at least as much determination goes into tackling the root causes of these threats as to addressing them when they materialise. In addition, the EU should call for strengthened international political action in conflict prevention, disarmament, the drafting of a framework for humanitarian intervention by military means, the fight against terrorism, the restoration of the peace process in the Middle East and the global fight against crime – including the worldwide elimination of money laundering centres. A new transatlantic partnership between the EU and the US should be an essential pillar of such wider global security.
- ▶ ***The EU should promote the progressive elaboration of a truly global legal order.*** In the light of its own recent experience, the EU could propose a Global Charter of Fundamental Rights, building on the Universal Declaration of Human Rights, and the UN covenants on civil and political, as well as economic and social rights. This charter would lay the foundations for a legal order in a whole range of areas in which global regulation has become unavoidable.
- ▶ ***The EU should promote more ambitious reform of the IMF and the international regulatory framework for the finance sector.*** This should include refocusing the IMF on its core tasks, rebalancing IMF voting rights, temporary limits to capital liberalisation when necessary and greater involvement of the private sector in financial crisis resolution. The EU should also seriously examine the creation of a World Financial Authority.
- ▶ ***The EU must continue to integrate migration into its development policy in a positive way*** by designing new policies to exploit the development potential of cash sent home and replacing brain drain by fairer and more productive forms of “brain circulation”. The EU should also draw up proposals on regulating and managing migration flows as a global phenomenon in the years ahead.
- ▶ ***The EU should promote a new agenda on global taxation*** leading to an international agreement or code of conduct on tax systems, reducing harmful tax practices and gradually phasing out tax havens.
- ▶ ***The EU should promote a global policy of cultural understanding and recognition.*** The EU should push for this dimension to be given importance and support at international level. It can already do much to drive this agenda forward at its own borders and within Europe – by reviving the EU-Mediterranean agenda’s wider cultural dimension as an essential instrument to promote vital understanding and dialogue with the Muslim community.
- ▶ ***The EU must step up its efforts to encourage regional integration.*** Europe’s own history shows the potential of regional integration for promoting regional stability and prosperity and introducing a useful – possibly indispensable – intermediate policy and governance level for several of the world’s regions.
- ▶ ***The EU must continue to enrich and support current international efforts for so-called ‘global public goods’.*** Global public goods have the potential to open new perspectives for international cooperation and governance in the 21st century.

- ▶ Last, but not least, *the EU must face its new, global economic responsibility* deriving from its monetary union and from the sheer economic size of the enlarged Europe. Europe's economic growth performance is now, more than ever, a global issue. It shares this responsibility mainly with the US and Japan. The EU should take the initiative, in association with these partner countries, to generate a concerted global economic recovery.

EUROPE AND THE REFORM OF GLOBAL GOVERNANCE

More than any other global player, the EU can share its experience of supranational policy and institutions and structured inter-governmental cooperation when it comes to conceiving and promoting reform of global governance. The EU will not be successful in advancing a new global agenda without such reform. This is why Europe should be pro-active in calling for this reform and in advancing its own proposals.

- ▶ *In the medium term*, the EU should identify and promote intermediate ways of improving the capacity of the existing global governance system to address global challenges, focusing on policy coherence in the current agenda.
- ▶ *In the long term*, the EU should advocate ambitious reform of the UN system, with the overriding goal of strengthening the global multilateral approach in terms of both greater efficiency and democratic legitimacy. This will require the EU to draft its own plans for reform. We recommend the creation of a World Environment Organisation, the inclusion of the Bretton Woods institutions in the UN system and the creation of a Human Development Council (or Economic and Social Security Council) alongside a reformed (Human) Security Council. Ultimately, true democratic legitimacy will be achieved only by creating a UN Parliamentary Assembly. The EU should propose a World Convention on Governance as part of a roadmap to global reform. The Convention's task should be to draw up a comprehensive proposal for reform in a democratic and transparent process. In this connection, the EU should also advance innovative proposals to meet financial needs through a global tax as part of a reformed global governance system.



ANNEXES



ANNEXE I

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Political seminar I on “Social democracy in a globalised world”, Copenhagen, 15 October 2002
Workshop on “Reform of the international financial architecture”, Brussels, 4 February 2003
Meeting of the experts’ group on globalisation, Brussels, 19 February 2003
Meeting of the PES Group reflection group on globalisation, Brussels, 19 February 2003
Conference on “Migration and development – the missing link”, Brussels, 20 February 2003
Workshop on “The future of development policy and the UN Millennium Goals”, Brussels, 21 February 2003
PES Group meeting on globalisation, Brussels, 6 March 2003
Political seminar II on “Social democracy in a globalised world”, London, 14 March 2003
Meeting of the experts’ group on globalisation, Brussels, 24 April 2003



ANNEXE II

GLOBALISATION AND SOCIAL DEMOCRACY

Throughout the 20th century, social democracy sought to achieve a balance:

- ▶ *between labour and capital*
- ▶ *between the state and the market*
- ▶ *between competition among firms and solidarity among citizens,*

and helped to embed these in political democracy. Historically, the political alliance between social democrat parties and trades unions played an essential role in creating an acceptable balance between labour and capital. With the help of the trades unions, social democracy was able to use wages as a means of gradually raising the living standards of employees. For the achievement of the second balance, social democrats progressively rejected nationalisation of means of production to preserve innovation and entrepreneurship. At the same time, however, they supported the idea that the state should play a decisive role in the production and supply of public goods. The corollary of these first two balances was the third, more general and most important equilibrium. This led social democracy to gradually identify itself with the insertion of the market into a national social framework.

These balances have never been achieved once and for all. They must be regularly updated and adapted to changes in society in a dynamic way, notably due to cultural or technological evolutions. The articulation of these balances has also been intimately linked to more fundamental historical and cultural contexts at national levels, which has led to a diversity of approaches among countries within Europe. For social democracy, the continued search for those economic and social balances is consisting of a permanent learning process in renewing the approach as the wider economic, social and cultural conditions are changing.

Within this process, social democracy's underlying values have never been put into question, but their translation into practical political agendas always needed to take account of the wider historic, economic and social circumstances. Over time, social democracy has been increasingly in interaction with new social movements, which have had, and still have, a significant influence on the political articulation of those balances by feeding into the permanent learning process. This has notably been the case with social movements for peace, development, women's rights or the ecology. This politically productive interaction in the various national contexts has helped social democracy to keep closely in touch with changing societal and political issues and to translate them into concrete policies when in power with the active support of those very movements within public opinion.

The emergence of these movements, particularly since the 1960s, is related to a more fundamental evolution of society towards greater individualism. This trend is still at work today and explains the lively and active character of this so-called "civil society" at the present time. We are seeing a spreading new kind of "engaged individualism", as opposed to an egocentric type of consumerist individualism, equally a feature of parts of our society. This evolution can generate difficulties for political parties, at risk of losing their membership and militant support. This requires a rethink of traditional party processes, as new ways must be found to maintain the link with politically engaged citizens in new, more individualised, ways. With the emergence of economic globalisation, social democrats are facing a new and deep phase of change, by which the currently prevailing balances are fundamentally challenged.

In which way does economic globalisation affect the prevailing, while threatened, balances? Existing globalisation is characterised by its dissociative and divising power. It leads to more radical social and political patterns, which undermine the previously established balances. The point of departure for this dissociation is the dominance of a new form of financial capitalism since the 1980s. It is a tougher kind of capitalism, in which financial activity is not anymore frame-worked by the state but, instead, by the global marketplace. It is also far tougher in social terms, as it values skilled work as opposed to non-skilled work, puts the emphasis on the relational capacity of each individual rather than on intrinsic professional capacity and glorifies permanent adaptability beyond initial education. More generally, globalisation brings national social systems increasingly into competition with each other.

The financial and globalised pattern of this new kind of capitalism makes it far more difficult to achieve a balance between labour and capital, as the two factors are unequally constrained by the importance of the national framework. When capital feels the limits of social constraints too strongly, it can move elsewhere, which doesn't at all apply in the same way to labour. All of this generates a growing imbalance in wage negotiations between increasingly globalised employers and still nationally rooted trades unions. The power ratio is substantially modified.

This is further reinforced by the fact that this new capitalism is increasingly integrated internationally, while employees tend to become more and more dispersed and individualised. Notably, there remains hardly any common sense of destiny among employees, as there is a growing wage gap between high skilled and low skilled. To further add to this new complexity, employees are increasingly linked to this new form of capitalism as shareholders. This constitutes a major paradox of global financial capitalism. Employees can at the same time feel disconnected (as capital has become geographically highly mobile) and connected to the fate of capital (as shareholders). This pattern is likely to deepen further in the future, as private pension schemes will expand.

This economic transformation of capitalism is linked to wider cultural evolutions with their own dynamic and autonomy, which lie beyond the scope of political action and, therefore, cannot be reversed. Thus, the need to renew the prevailing balances for this new world has become a key political challenge for social democracy – and for our societies at large. This confronts us with yet another, but clearly more difficult than ever, learning process. Unless we succeed in elaborating the right political answer, the economic and social balance in our European societies risks to collapse in the longer run. Moreover, our constructive interaction with increasingly active and strong social movements is equally challenged in this new phase. When dealing with the new global challenges, many non-governmental organisations, which form an active part of these social movements, pursue single-issue agendas. This produces new tensions with social democrat parties as the necessary balancing act of comprehensive politics leaves parties with far less room for manoeuvre to address specific issues in isolation, as problematic they may be in their own right.

Globalisation is giving birth to a global community of wage-earners in search for integration. The real challenge lies in integrating poor country wage earners into the world economy while preserving the living standards of those in the rich countries. The 19th century witnessed the emergence of a European working class and the 20th century integrated this working class into a social framework at national levels. The 21st century will not only witness an emerging world community of wage earners, but it will have to tackle its economic and social integration in a comparatively far shorter period, because the logic of interconnections speed up and worsen the contagion of imbalances and intensify social demands and impatience.



Based on a firm reassessment of its basic values applied to today's globalised world, social democracy must have a fresh look at the main elements of its economic and social approach. Well-known, well-tried policy instruments at national level for regulation and redistribution must be reviewed and reinvented at global level to prevent the new global capitalism from leading to the collapse of national social cohesion and from gradually pushing the world into major social upheavals and conflicts both in the North and in the South.

This will require a fundamental paradigm shift in our political thinking. While rejecting the idea according to which globalisation means the end of the nation state – which has so far been the context within which the economic and social balances have been elaborated and maintained – we will have to systematically integrate the European and global levels of political action into our approach. We will have to understand that some of the key solutions to our internal problems are to be found outside our borders rather than within. We will have to build up alliances to achieve an economic and social balance internationally, where so far we tended to be entrenched in narrow national and short term logics.

But in doing so, we must make sure that our citizens will gradually acquire the same understanding for this new complex but necessary approach of multilayered and interdependent policy-making, for which we will have to build up support. In this context, the connection to the trades unions and to social movements at large – both within Europe and internationally – will be a key factor in defining the right approach, in communicating, and in building up this necessary political support for change among our citizens.

The emergence of a global social democrat concept must succeed at three levels: political thinking and ideas, political action, and last but not least, political discourse. In this respect, the reassessment of the values underlying a global social democrat concept is a necessary step. These ten values are:

- ▶ Peace as the most basic value
- ▶ Human Dignity
- ▶ Freedom
- ▶ Political and Social Justice
- ▶ Solidarity
- ▶ Responsibility
- ▶ Human Security
- ▶ Spiritual and Cultural Pluralism
- ▶ Human Rights
- ▶ Democracy

Each of these values can serve as a basis from which political content can be derived for social democrat policy in this global age.

Peace as the most basic value

Peace is the precondition for all our hopes. It is a basic value of common interest to all political systems and a necessity for human society. War destroys human life and the basis for social development. A nuclear holocaust could spell the end of human life as we know it. Peace cannot be based on fear or on ephemeral goodwill of or between the great powers. The fundamental economic and social causes of international conflict must be abolished by the achievement of global justice and by the creation of new institutions for the peaceful resolution of conflicts around the world. Societies

should be prepared to learn from one another. It must become the norm for the different cultures, nations and socio-economic systems to trade, negotiate, work and engage in dialogues with each other. There should be space for frank and open exchange of views, in particular where issues of cultural difference, human rights and peace are at stake. Humanity can only survive together or perish together. These unprecedented alternatives require new approaches to international affairs, especially with regard to securing peace. War must never be a means of political action. This is especially true in an age of nuclear, biological and chemical weapons of mass destruction. Peace not only means that the weapons are silent. Peace means the coexistence of all peoples, without violence, exploitation or oppression.

Human dignity

In whatever way one defines human dignity, it is both the starting point and the goal of all our activities. We fully agree with the statement introducing the United Nations' Universal Declaration of Human Rights: All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience, and should act toward one another in a spirit of fraternity. We agree in considering humankind as composed of rational and natural beings, both as individual and as social beings. As a part of nature, humans can only live in and with nature, and can only develop their individuality in community with fellow humans. Human dignity requires that people are themselves able to determine how they live in community with others, but it also implies responsibility, which is its measuring criterion. Women and men should act together with equal rights and in solidarity. All bear responsibility for decent living conditions. Human dignity is independent of its capacity and usefulness. Universal human rights, civil, political, social, economic and cultural, as laid down in the United Nations Human Rights Pact of 1966, are equally important. They need to become implemented and enforced in all parts of the world. They are the genuine expression and the only effective protection of the equal human dignity of all human beings in all places of the world.

Freedom

Social democracy strives for a society in which each human being can freely develop his or her personality and can make a responsible contribution to political, economic and cultural life. Freedom is the product of both individual and cooperative efforts – the two aspects are parts of a single process. Each person has the right to be free of political coercion and to act in pursuit of individual goals and to fulfil personal potential. But this is only possible if humanity as a whole succeeds in its long-standing struggle to master its history and to ensure that no person, class, gender, religion or race becomes the servant of another. The freedom of others forms both the limits to and conditions of individual freedom. Freedom requires release from degrading dependence, from want and fear, but it also means the opportunity to develop individual abilities and to be responsibly involved in society and its political life. Negative freedom, the absence of illegitimate interference in the individual person's sphere of decision and action, is substantial but not enough. Positive freedom, the access to the social and economic means of action, must be added in order to come to a full understanding of freedom. Only in combination negative and positive freedom make freedom a truly universal value that has real meaning for all people.

Political and social justice

Justice is based on equal dignity for all. Justice requires equal freedom, equality before the law, equal opportunities for political and social participation, and for social security, the equality of positive freedom. We are still living in a society dominated by men. The organisation of work and community life discriminates against women. But women are increasingly fighting for and gaining their rights. Justice means equal opportunity and the absence of all kinds of discrimination in the relation



between both genders, women and men. Justice for us comprehends both dimensions, political and social justice. Political justice, the equality of civil and political rights, requires social justice in order to become real. Because only when all men and women are equally respected and acknowledged in the entirety of their social lives and can avail of all the social resources necessary for equal political participation, then political justice is real. Justice means more equity in the distribution of income, property and power, as well as in access to education, training and culture. Justice means the end of all discrimination against individuals, and the equality of rights and opportunities. It demands compensation for physical, mental and social inequalities, and freedom from dependence on either the owners of the means of production or the holders of political power. Thus social justice requires the equality of life chances for all human beings.

Solidarity

Solidarity is all-encompassing and global. It is the practical expression of common humanity and of the sense of compassion with the victims of injustice. Solidarity is rightly stressed and celebrated by all major humanist traditions. In the present era of unprecedented interdependence between individuals and nations, solidarity gains an enhanced significance since it is imperative for human survival. Solidarity, that is the readiness to stand up for one another beyond legal obligations, cannot be enforced. It is, however, a mutual moral obligation between all human beings that is equally binding. Solidarity has shaped and encouraged the world-wide social movement in the struggle for freedom and equality. There can be no human society without solidarity. Solidarity is also the weapon of the weak in the struggle to achieve their rights and it is the consequence of the realisation that humans need their fellow humans. Solidarity is also necessary in order to expand the individual's opportunities for development. Only joint action, not egoistic individualism, brings about and safeguards the conditions of personal self-determination. Those who fall into need must be able to rely on social solidarity. The new form of individualism, that in many societies emerges together with economic, social and cultural progress, is not the enemy of solidarity. More often than not it goes along with a new readiness for solidarity and a new culture of political responsibility. This new political culture, on which social democracy can build, is marked by a combination of more individualised ways of living, independence of judgement and a sense of efficiency on the one hand and a sense for fairness, social integration and the conditions of a sustainable society on the other hand. Freedom, justice and solidarity are mutually dependent and mutually supportive. In fulfilling their purpose, they are equal in status, elucidating, complementing and limiting each other.

Responsibility

We can only live together as civilised, free and equal individuals if we stand up for one another and demand freedom for each other. Our rights will only be safe for each of us when we all feel responsible for the community that alone can guarantee these rights and for all its members. The more rights we want to enjoy the more duties we must be ready to take on. As rights necessarily imply duties to be sustained, this requires individuals in the first instance to conduct a meaningful life in responsibility for their community, display solidarity towards their fellow citizens and human beings in other parts of the world, and the rights of future generations. Only when individual and civic efforts to tackle individual and social problems fail constantly, in the own responsibility of citizens, must public institutions step in by supporting the individual or social initiatives. This does not mean to privatise public responsibility, but to create new patterns of responsible action in the society itself and new forms of interaction between them and governmental institutions. Modern society needs more self-responsibility, active participation and civic empowerment; a revival of the spirit of republicanism. Responsibility also transcends generations. We are responsible to keep our world sustainable. Sustainability means justice between generations. Future generations have the right

that their life chances and their access to the resources and opportunities of a free life are respected by the present day generation in all its decisions and actions as being of equal value. We, the present day generation, bear the full responsibility for the life chances of the generations to follow.

Human security

Only women and men who feel sufficiently secure in society can make use of their opportunity for freedom. It is not least for the sake of freedom that we want equal opportunity in life and comprehensive social security. Human security is the ideal for free human beings enjoying civil and political freedom and freedom from fear and want. Human security can only be achieved if conditions are created whereby everyone may enjoy his or her civil and political rights, as well as his or her economic, social and cultural rights. Everyone has the right to liberty and personal security. No one shall be subjected to arbitrary arrest or detention. No one shall be deprived of his or her liberty except on such grounds and in accordance with such procedure as are established by law.

Human security implies the right for everyone to an adequate standard of living for themselves and their family, including adequate food, clothing, housing and access to basic health services and medication as citizen's rights, as well as the right to a healthy environment.

Spiritual and cultural pluralism

Social Democrats have arrived at the definition of these values in many different ways. They originate in the labour movement, popular liberation movements, cultural traditions of mutual assistance, local community solidarity and different religious teachings in many parts of the world. They have also been influenced by the various humanist traditions of the world. But although there are differences in their cultures and ideologies, all Social Democrats are united in their vision of a peaceful and democratic world society combining freedom, justice and solidarity. The national struggles for Social Democracy in the years to come will show differences in policy and divergences on legislative provisions. These will reflect different histories and the pluralism of diverse societies. Social Democracy also means cultural democracy. There must be equal rights and opportunities for the different cultures within each society as well as equal access for everyone to the national and global cultural heritage.

Human rights and democracy

We are committed to human rights and democracy. The State and the economy are there for the people and their rights, and not the other way round. It is common ground that democracy and human rights are not simply political means to social ends but the very substance of those ends – a democratic economy and society. Full validity of human rights requires equal status given to safeguarding civil rights and liberties, the political rights of participation and basic social rights. They cannot replace each other and must not be played off against each other. Collective rights also serve individual development. Only where civil rights and liberties have been guaranteed and where they are applied can people live as free and equal citizens and practice democracy. Only where basic social rights have been fully implemented can everyone fully enjoy the civil rights and liberties and political rights of participation. Only where civil rights and liberties and the political rights of participation are respected and free controversy and political commitment are permitted can people assert their right to adequate food, housing, work and education. Only in their entirety can these human rights facilitate a decent life. All people have a right to their home country, their ethnic identity, their language and culture. Ethnic minority rights in accordance with the United Nations Declaration of Human Rights are indispensable. The idea of democracy is based on the principles of freedom and equality. Therefore, equal rights for men and women – not only in theory, but also in practice, at work, in the family and in all areas of social life – are part of the socialist concept of society. Social



Democrats strive to achieve equal rights for all races, ethnic groups, nations and denominations. These rights are seriously in question in many regions of the world today. Forms of democracy may vary. However, it is only possible to speak of democracy if people have a free choice between various political alternatives in the framework of free elections; if there is a possibility for a change of government by peaceful means based on the free will of the people; if individual and minority rights are guaranteed; and, if there is an independent judicial system based on the rule of law impartially applied to all citizens. Political democracy is an indispensable element of a socialist society. Democratic socialism is a continuing process of social and economic democratisation and of increasing social justice. Individual rights are fundamental to the values of social democracy. Democracy and human rights are also the substance of popular power, and the indispensable mechanism whereby people can control the economic structures, which have so long dominated them. There can be no doubt that different cultures will develop their own institutional forms of democracy. But whatever form democracy assumes – nationally or internationally – it must provide full rights for individuals and for organised minority opinions. For socialists, democracy is of its very nature pluralist, and this pluralism provides the best guarantee of its vitality and creativity.

Basic values and global politics

Politics, the dominance of democratic political governance over markets and private powers is a fundamental pre-requisite for the implementation of our core values. Governance is not restricted to State institutions. Political activity is in progress wherever information is circulated or held back, consciousness altered or living conditions changed, opinion formed, intentions expressed, power exercised, or interests represented. Governance is the entire process through which a society regulates itself. Public authorities must promote an efficient social market economy while guaranteeing equal opportunities to their citizens, satisfying their universal rights and defending consumers against the natural monopolistic market trends. The State often tends to turn into an overburdened repair shop. It is expected to use social aftercare methods and lagging environmental protection to repair what has been destroyed by ecologically and socially irresponsible economic activity. But more and more people are realising that precaution and planning are indispensable. Social Democrats must demonstrate that politics is worth everyone's effort. We confront the perils of our time. Without allowing ourselves to be intimidated by powerful interest groups, we seek dialogue with those who venture to join with us in redirecting the course, in planning and in shaping the future. Political activity that aspires to be more than just the implementation of real or supposed necessities must be borne and put into effect by aware and committed citizens. This becomes possible through a free, open-ended dialogue among citizens which challenges and includes the forces of society, which communicates information, brings about an awareness of problems, stimulates the power of judgement, and finally leads to consensus or clear majorities.

ANNEXE III

THE LISBON STRATEGY - NEW ISSUES TO BE ADDRESSED

The progress already achieved in various fields of the Lisbon strategy is leading to new issues that require public debate, political decisions and stronger participation from civil society.

- The E-Europe action plan is spreading the access to the Internet in schools, companies and public services. In order to generalise this access across all social groups and to bridge the digital divide, it is now important to invest in new technological solutions such as broadband and digital TV. Furthermore, information technologies must be combined with deeper organisational change for an effective modernisation of public administrations and companies;
- A European area for research and innovation is being built by networks of excellence and partnerships for innovation gathering research institutions and companies for new priorities such as environment, food safety or genomics and health. It is also crucial to turn this new knowledge into new forms of competitiveness and better quality of life for European citizens as well as for third countries. The goal of sustainable development is in itself a new frontier for innovations in all areas;
- The education and training systems are being challenged to provide learning opportunities to new publics using multimedia instruments and creating open learning centres. The moment is arrived to define how should these costs of lifelong learning be shared between public authorities, companies and individuals in order to provide real opportunities for all;
- The labour market policies are being up-dated not only to provide a concrete solution for each unemployed person but also to increase the participation of women and elderly people in the labour market. This is a key factor to increase the sustainability of the social protection systems. They should also be reformed in order to facilitate the mobility throughout the life cycle between jobs, training and family life. The development of a diversified services sector to support families is also a pre-condition for equal opportunities;
- The single market agenda has been making considerable steps with the agreements on Galileo, the single sky and the Community patent, with connecting the markets in telecommunications and energy and with the integration of financial markets. The competitive pressures that will emerge should now be managed by considering the need to preserve the services of public interest as well as the social dimension of the industrial restructurings.



ANNEXE IV

THE UN MILLENIUM DEVELOPMENT GOALS

By 2015 all 189 United Nations Member States have pledged to:

- 1) Eradicate extreme poverty and hunger**
 - ▶ Reduce by half the proportion of people living on less than a dollar a day
 - ▶ Reduce by half the proportion of people who suffer from hunger
- 2) Achieve universal primary education**
 - ▶ Ensure that all boys and girls complete a full course of primary schooling
- 3) Promote gender equality and empower women**
 - ▶ Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
- 4) Reduce child mortality**
 - ▶ Reduce by two thirds the mortality rate among children under five
- 5) Improve maternal health**
 - ▶ Reduce by three-quarters the maternal mortality ratio
- 6) Combat HIV/AIDS, malaria and other diseases**
 - ▶ Halt and begin to reverse the spread of HIV/AIDS
 - ▶ Halt and begin to reverse the incidence of malaria and other major diseases
- 7) Ensure environmental sustainability**
 - ▶ Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources
 - ▶ Reduce by half the proportion of people without sustainable access to safe drinking water
 - ▶ Achieve significant improvement in lives of at least 100 million slum dwellers by 2020
- 8) Develop a global partnership for development**
 - ▶ Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction – nationally and internationally
 - ▶ Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction
 - ▶ Address the special needs of landlocked and small island developing States
 - ▶ Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term
 - ▶ In cooperation with the developing countries, develop decent and productive work for youth
 - ▶ In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
 - ▶ In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies

ANNEXE V

IMF QUOTAS

(percentage, 20 largest countries)

Country	Quotas	GNP (PPP) share	Trade share
	1999	1997	1997
USA	17.5	20.8	13.7
Japan	6.3	8.0	6.9
Germany	6.1	4.7	8.9
France	5.1	3.5	5.3
UK	5.1	3.3	5.2
Italy	3.3	3.1	4.4
Saudi Arabia	3.3	0.3	0.8
Canada	3.0	1.8	3.4
Russia	2.8	1.7	1.4
Netherlands	2.4	0.2	3.2
China	2.2	11.9	2.5
Belgium	2.2	0.6	2.8
India	2.0	4.3	0.7
Switzerland	1.6	0.5	1.7
Australia	1.5	1.0	1.2
Spain	1.4	1.7	2.2
Brazil	1.4	2.8	0.9
Venezuela	1.3	0.5	0.3
Mexico	1.2	2.1	1.6
Sweden	1.1	0.5	1.4



ANNEXE VI

STUDY ON THE POSITIVE IMPACT OF ECONOMIC COOPERATION IN EUROPE

ECONOMIC COUNCIL OF THE LABOUR MOVEMENT, DENMARK

COOPERATION PAYS

Cooperation and the co-ordination of economic policy benefit all parties. This paper outlines some of the economic potential within the EU.

First there is a summary of the positive economic effects that the Single Market brought with it when it was introduced. Next, the result of a more progressive policy relative to the Lisbon Process is shown. Calculations show the effects in the EU of more education, a higher labour force participation rate, more flexible labour markets, greater competition and innovation in the EU. If the EU countries together put such a policy into practice the effect on employment would be far greater than if a single country took on the task alone.

Finally there is a demonstration of the way in which higher employment can be achieved in two ways. The first is to pursue a “working rich” strategy, where the levels of education and productivity are heightened. The second is to pursue a “working poor” strategy, where a higher rate of employment is arrived at through increased wage rate i.e. lower wages. The first strategy will bring about more prosperity and greater social coherence, while the second will lead to less prosperity and greater inequality.

The effects of the Single Market

The basic reason for the wish to establish the Single Market was to obtain greater benefit from the European collaboration.

During the 1960s customs duties and quantitative restrictions were rapidly abolished. This was possible in particular because a high rate of growth and employment was experienced in Europe during this period. When progress turned into the economic crisis of the 1970s a tendency to utilise state subsidies and obstacles to trade unrelated to customs tariffs – including technical obstacles to trade – spread through the European countries – in order to protect the individual business communities. These circumstances led to a situation in which the European collaboration failed to function satisfactorily.

The reform package on the Single Market in 1985 was designed to give the European collaboration a shot in the arm. The aim of strengthening Europe’s competitive ability relative to the USA and Japan was a contributory factor in the desire to establish the Single Market.

It is necessary to differentiate between two effects when evaluating the effects of the European collaboration on the reform package which was to realise the Single Market.

First, the effect that can be directly ascribed to the many directives regarding the Single Market.

Second, there are also the more dynamic effects which follow on the fact that trade and industry are experiencing an improvement in the economic climate and also that governments and the authorities responsible for monetary policy can take a more offensive line in economic policy as a direct consequence of the reform package.

While various evaluations of the direct effects have been carried out the indirect effects are more difficult to quantify. Cecchini, who lent his name to one of the central reports on the effects of the Single Market, drew attention to the fact that the dynamic effects could have a considerably greater effect than the more static effect that can be directly ascribed to the reform package.

In the Cecchini Report from 1988 it was predicted that the effect of the Single Market would heighten prosperity in the EU by four to five per cent, in addition to making an improvement in the rate of employment of between 1.5 to 2 million people.

An analysis carried out by Allen et al. from 1998 makes an attempt to measure the benefits in the individual countries on the basis of the benefit that consumers have obtained through the Single Market. This analysis shows a benefit of between 2 and 20 per cent of GDP, cf. table 1.

Particularly smaller countries with extensive foreign trade have reaped great benefits as a consequence of the Single Market.

Extra consumption by per cent of GDP	Country
2-3	France, Germany, the UK, Italy
2-5	Denmark
3-4	The Netherlands, Spain
4-5	Belgium, Luxembourg
4-10	Ireland
5-16	Greece
10-20	Portugal

Table 1. Benefits of the Single Market

Source: Allen et al. "The competition effects of The Single Market in Europe", Economic Policy 1998

In a study from the Commission in 1996 the effects of The Single Market were evaluated for the period 1985 to 1991, and brought forward to 1994. The Commission has not carried out evaluations of the consequences of the effects of the Single Market since 1996.

In the study the Commission arrives at a gain in prosperity of 1.5 per cent and an increase in the rate of employment of up to 620,000 jobs from 1985 to 1994. According to the study the Single Market has also led to more investment, more trade, greater productivity, higher real earnings, and lower prices, cf. table 2.



	Per cent
GDP	1.5
Employment	0.5
Investments	4.5
Intra EU trade	4.7
Productivity	1.0
Real earnings	1.9
Consumer prices	-0.7

Table 2. Effects of the Single Market, 1985-91 – projected in 1994

Source: NTUA, CES & Middlesex University, *Aggregate Result of the Single Market Programme*, December 1996

The European collaboration on the Single Market has therefore created growth and employment in addition to increasing real earnings and prosperity. The higher rate of investment and higher productivity have contributed to this “working rich” development.

Job creation via the Lisbon Process

The natural continuation of the Single Market is the Lisbon Process. The objective of the Lisbon Process is for the EU to become the most competitive and dynamic knowledge-based economy in the world, an economy that can create sustainable economic growth with more and better jobs and greater solidarity. Investments in education and a strengthening of business and labour market policies will make it possible for Europe to achieve this objective.

One of the major problems for European job creation is that barriers and inflexible markets limit the opportunities for longer-term economic progress – and thereby the opportunities for a lasting increase in employment.

Problems with inflexible markets can be illustrated through the development of structural unemployment. Structural unemployment is often interpreted solely as an indicator of the development of the way in which the labour market functions. But this is not correct. Conditions on the labour market and the market for goods determine developments in structural unemployment. Poorly functioning competition, barriers preventing access to capital, too few innovative measures, etc., will also be reflected in a high rate of structural unemployment.

Chart 1 shows the development in structural unemployment in Europe over the past 20 years compared with the development in the USA. The comparison between structural unemployment in Europe and the USA is not an expression of the idea that the American model should be chosen, which is something we will return to later in this paper. Chart 1 solely illustrates that the level of structural unemployment in Europe is high and has been relatively constant throughout the 1990s.

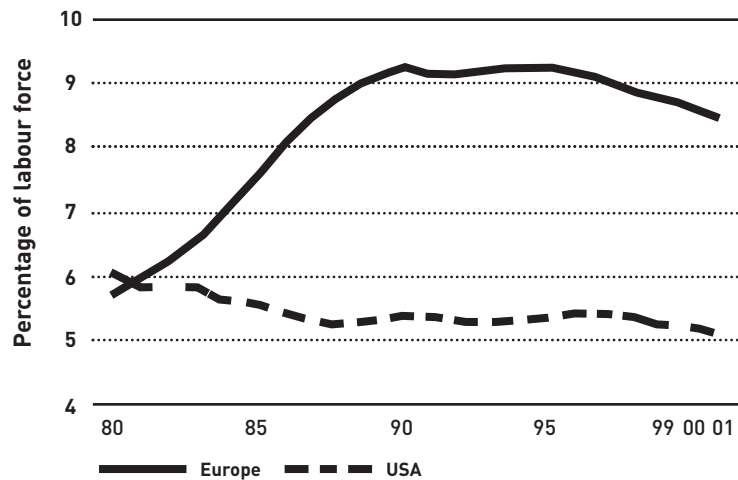


Chart 1. Structural unemployment

Note.: The chart shows the OECD's NAIRU definition for the European countries and the USA.
 Source: *Economic Outlook, no. 70.*

It is necessary that the European labour markets and product markets come to function better. This will reduce structural unemployment and thereby create opportunities for an increase in employment. If structural unemployment in Europe is not reduced an increase in the rate of employment will be of shorter duration, as economic recovery will be hampered by bottlenecks and growing wage and price rises.

A decisive factor that is at least equally important with regard to the opportunity for European job creation is the development in the labour force participation rate. An increase in the labour force participation rate, particularly for women and older people, is necessary in order to increase the labour force. The size of the labour force – together with the level of structural unemployment – will in the longer term determine the development in the rate of employment.

Chart 2 compares the labour force participation rate, which measures the labour force relative to the population of employable age, and the employment rate, which measures the rate of employment relative to the population of employable age.



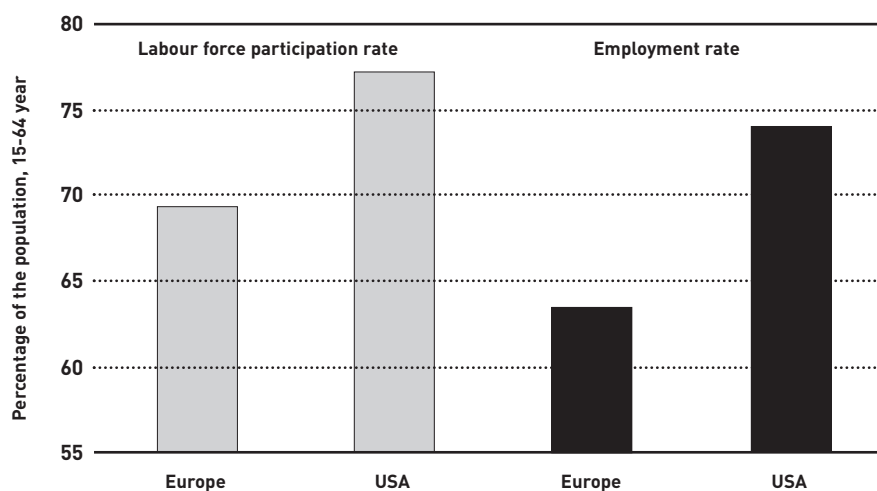


Chart 2. Labour force participation rate and employment rate

Note: The figures are for 2000.

Source: OECD, *Employment Outlook*, June 2001.

The labour force participation rate in European countries is relatively low. This, combined with the fact that unemployment is relatively high, means that the employment rate is low.

The following is a calculation of the effects of a specific employment package, which takes its point of departure in the Lisbon Process. The calculations have been carried out both for Europe as a whole and (as an example) for Spain alone. A comparison of the effects of employment and prosperity in the two cases illustrates the positive, dynamic effects that would be created if all European countries united to implement the Lisbon Process – rather than this being carried out solely by individual countries.

A unified European effort towards 2010

A goal-oriented effort in Europe could be highly significant for growth and employment. As an illustration of this the following section contains a calculation of the effects of an employment package. The package includes many of the components that were launched under the Lisbon Process.

The employment package, which the following calculations are based on, contains investments in education, an increased labour force participation rate for women and older people, a strengthening of an active labour market policy and a strengthening of business policy which focuses on increased competition and innovation, liberalisation and easier access to capital.

Education

According to the OECD the EU countries spend an average of approximately 4.8% of GDP on education. Sweden leads with an overall spending in this area of 6.2% of GDP. Table 3 shows the distribution of spending on primary, secondary and tertiary education respectively.

	Primary and secondary education	Tertiary education	Total
Sweden	4.5	1.7	6.2
The EU	3.7	1.1	4.8
Difference	0.8	0.6	1.4

Table 3. Total spending on education in percentage of GDP, 1998

Note: The table shows both public and private spending on institutes of education.

Source: OECD "Education at a glance – OECD indicators", 2001. Table B2.1c and the weighting of the OECD's GDP.

On average the EU lies 1.4% of GDP lower than Sweden. Sweden is the EU country that devotes most funds to education – and that also demonstrates best practice on this point.

In the short term a higher rate of education in the EU will lower the supply of labour, as some of the extra students would otherwise have been available on the labour market. An extra investment in education corresponding to half of the difference up to the Swedish level would increase the number of students by between 800 – 900,000, of which a certain number will come from the labour force.

However, in the longer term education will increase the labour force participation rate, as people with a better education can obtain higher salaries, better jobs and avoid the wear and tear of manual labour to a greater degree. Table 4 shows the labour force participation rate for people with different educational backgrounds. It is clear that women in particular with only a lower level of education have a very low labour force participation rate.

	Less than upper secondary education	Upper secondary education	Tertiary education
Both sexes	61.0	79.7	88.2
Men	77.8	86.9	91.4
Women	46.3	72.0	84.3

Table 4. Labour force participation rate distributed by education, 1999

Note: The table shows the labour force participation rate for 25 - 64 year-olds in the EU.

Source: OECD "Employment outlook", June 2001.

A higher level of education therefore increases the labour force participation rate and, up to 2010, this will counteract the fall in the labour force as a consequence of the fact that participation in education will increase.



In our calculations we assume that spending on education in the EU countries will grow, so that the difference between the EU on average and Sweden will only be half as great in 2010. This means an increase in spending on education of 0.7 of GDP in the EU on average.

We assume that half the extra students would otherwise have been on the labour market. In the short term this corresponds to a fall in the labour force of 0.25 per cent. However, in the longer term this will be counteracted by the higher labour force participation rate for people with higher levels of education.

The employment package in the education area

Higher labour force participation rate for women

According to the Lisbon strategy the rate of employment for women in the EU must on average reach 60 percent in 2010. In order for this to succeed the labour force participation rate for women must be increased.

This can be brought about by heightening the level of education for women and by making it easier to create cohesion between family life and working life. An increase in the labour force participation rate for women requires such measures as creating better facilities for child and elderly care.

In many European countries the employment rate for women with small children is much lower than for women on average. By creating better facilities for child care it would be possible to increase the employment rate with regard to these women.

In order to achieve the objective of an employment rate of 60 for women in 2010 the labour force participation rate for women in the EU must be increased. Our calculations incorporate an overall increase in the labour force participation rate for women of approximately 3.2 percentage points by comparison with today.

If this is to succeed, better public service in the fields of child minding and care of the elderly are required. Employment within these areas is therefore being increased. In our calculations this means an overall increase of approximately 1.5 million up to 2010 in the number of people employed in the fields of the child minding and care of the elderly.

Employment package for women

Increased labour market participation rate for older people

A new objective of increasing the labour market participation rate for older people (55 - 64 year-olds) to 50 percent in 2010 was established at the Stockholm summit in March 2001. Our calculations are based on the assumption that this objective will be fulfilled.

The objective can be pursued with the help of reforms in the pension systems, which will cause savings for the public sector, and with the help of initiatives that will increase expenses. The final effect on public finances is therefore undetermined.

A more well functioning labour market

More measures on behalf of education and higher priority for an active labour market policy would limit mismatch problems on the European labour market.

A more well-educated labour force would minimise the number of cases where there is a lack of people with technical or longer-term courses of higher education – at the same time as there are unemployed people who lack courses of education which provide labour market qualifications.

A more active labour market policy would maintain and extend the qualifications of the unemployed so that they would be able to take on new jobs as these arise.

From an overall point of view a more well functioning labour market would make it possible to increase the employment rate to a greater degree without this progress being hampered by bottlenecks.

In the model predictions labour markets which function better would mean that unemployment in Europe could be lowered more without this resulting in major wage increases as a consequence of bottlenecks, etc.

In practice the more flexible labour market has been incorporated in the calculations by gradually moderating the effect of an increase in employment on wage increases. Seen in isolation the pace of wage increases will be 0.2 percentage points lower in 2010 than it otherwise would have been.

A more well functioning labour market

More well functioning product markets

Heightened competition and innovation, liberalisation in such fields as gas, electricity, postal services and transport, and easier access to capital for trade and industry are important areas where measures could be carried out in the Lisbon Process.

Better competition would put a damper on price development for the benefit of European consumers. Moreover, the removal of a number of barriers in connection with the access of trade and industry to capital would ensure an increase in and more appropriate investments. This would support the development of a dynamic business community which focuses on innovation.

It is assumed in the calculations that improved competition would reduce the development in profits, which could correspond to the level of prices in 2101 being just under 1 percentage point lower than it otherwise would have been.

An increased effort with regard to innovation and easier access to capital are assumed to bring about a gradual lift in the private investment ratio. Seen in isolation, in 2010 this would mean an increase of a 1/2 per cent of GDP.

A more well functioning product market



The effects of the package

Table 5 shows the overall effects of a co-ordinated implementation of the employment package on European growth and employment.

	2005		2010
	Millions		
Employment	4.0		11.3
	Percentage of population, 15-64 years		
Rate of employment	1.6		4.3
	Per cent		
GDP	2.4		7.3
Productivity	0.3		0.9
	Per cent of GDP		
Public balance	-0.6		-0.3

Table 5. The effect of the employment package in the EU

Note: * This is productivity in the private sector.

Note: The effects have been measured relative to a basic course.

Source: ECLM's calculations based on the HEIMDAL model.

The table shows that a purposeful effort designed to increase the rate of employment with the help of some of the means presented in the Lisbon Process would have a great effect. As early as 2005 employment will have increased by 4 million and by 2010 the employment package will have created more than 11 million extra jobs. This corresponds to an increase in the rate of employment of more than four percentage points.

GDP in 2010 will be more than seven per cent higher than it otherwise would have been and productivity will be almost one percentage point higher. Although the policy includes state investments in education and more people employed in the fields of child minding and care of the elderly the burden on public finances in 2010 will only be 0.3 per cent of GDP. This is due, among other things, to the fact that an increase in the labour force participation rate and the rate of employment will make a positive contribution to public budgets.

2.2 An effort in individual countries

The greatest benefits can be achieved through a co-ordinated implementation of the employment package throughout Europe. If only a minority of member states implement the package the effect – in the individual countries – will be correspondingly lower.

The reason for this is that Europe is an economic entity. Investments in employment in one European country will therefore also have a positive influence on employment in other European countries. And the greatest common benefit will be achieved if all countries work together.

As an example, the effects of the employment package on Spanish growth and employment are shown in a scenario where there is a co-ordinated effort – corresponding to table 5 – and in a scenario where Spain alone implements the employment package. The difference between a co-ordinated and an uncoordinated effort is shown in table 6.

	Uncoordinated	Co-ordinated	Difference
	1000 people		
Employment	900	1050	+150
	Percentage of population, 15-64 years		
Rate of employment	3.5	4.1	+0.6
	Per cent		
GDP	4.8	6.0	+1.2
Productivity*	0.4	0.4	0
	Per cent of GDP		
Public balance	-0.8	-0.2	+0.6

Table 6. The effect of the employment package on Spain, 2010

Note: * This is productivity in the private sector.

Note: The effects have been measured relative to a basic course.

Source: ECLM's calculations based on the HEIMDAL model.

As can be seen from table 6 a co-ordinated effort increases the effects on growth and the rate of employment. Spanish prosperity will be increased by 1.2 per cent and 150,000 extra jobs will be created if the effort is coordinated throughout Europe. As a result of this, what is on the face of things the negative influence on the public balance, will be less in connection with a co-ordinated effort. The effect on productivity is of the same order in both cases.

Working rich or poor

Seen from an overall point of view there are two paths along which it is possible to achieve a higher rate of employment. There is the low wage strategy, with the maintenance and creation of low-productivity jobs; and there is the investment strategy, where education and an upgrading of qualifications ensures the maintenance and creation of high-productivity jobs.

The background for the two paths is illustrated in chart 3. Companies are seeking a slightly higher qualification interval than the labour force possesses. This is illustrated by the two squares in chart 3.

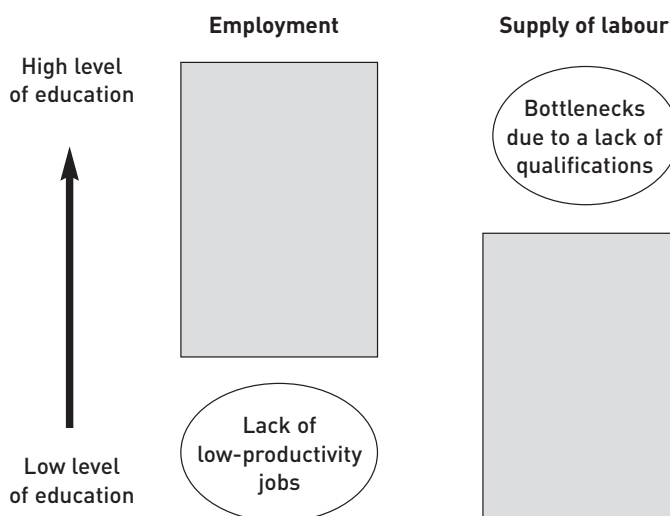


Chart 3. Illustration of imbalance on the labour market



When there is a high level of unemployment the mismatch between the qualification interval for the supply of and demand for manpower is not so visible. In this case the demand for manpower with the necessary qualifications is not higher than the supply. However, the problem is not quite invisible, as there will always be a tendency for unemployment to be higher among those with a lower level of education than among those with a higher level of education – that is an unequal distribution of unemployment.

The mismatch becomes more visible when there is an economic upswing. In this case bottlenecks will arise – a lack of people with the right qualifications – at the same time as there will be unemployed people without the right qualifications.

The two potential solutions to the mismatch on the labour market are illustrated in chart 4 by arrows 1 and 2.

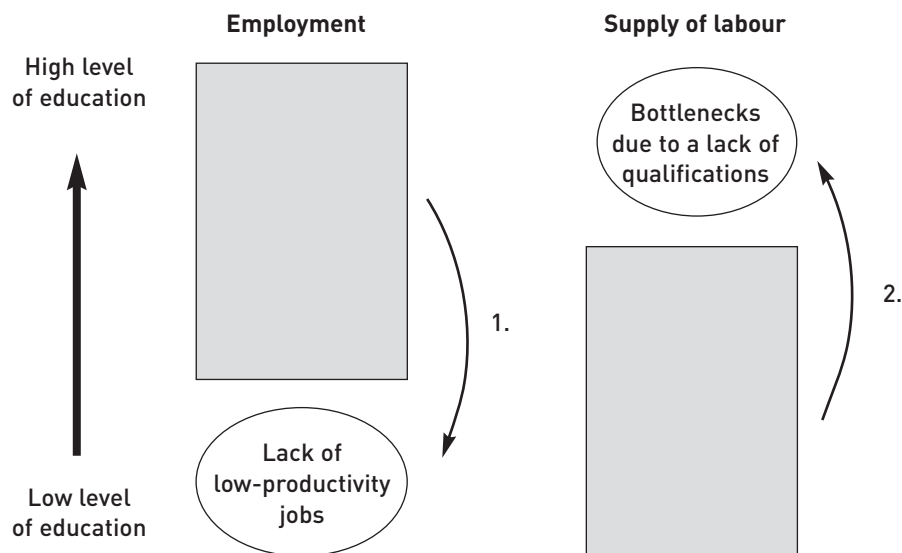


Chart 4. Two paths to a reduced mismatch on the labour market

The low wage strategy – working poor – is illustrated by arrow 1. This strategy could help to create the opportunity for low-productivity jobs to arise – illustrated by the fact that demand adapts to the qualifications that can be supplied.

The education strategy – working rich – is illustrated by arrow 2. An increase in education and qualifications will increase the level of qualifications in the labour force, whereby the supply will adapt to the qualifications in demand.

The effects of creating two million European jobs with the help of the low wage strategy and the education strategy respectively up to 2010 are presented below. The scale itself – the two million extra jobs – is not quite so important. The difference in the effects between the two strategies is more so.

The low wage strategy

This path creates jobs by reducing minimum wages in order to create the possibility of low-productivity jobs arising and being maintained. The strategy will come to expression in a lower development of productivity.

The education strategy

This path creates jobs by investing in education and increasing the upgrading of skills. This will reduce bottlenecks on the labour market – increase the effective supply of labour – and make it possible for more high-productivity jobs to arise and be maintained. The strategy will come to expression in a higher development of productivity.

The effects

Table 7 shows the effects of the two strategies. Although the effects on employment are the same in the two experiments there are positive effects on prosperity from the working rich strategy, whereas these are negative for the working poor strategy. This is due to the fact that the first strategy concentrates on creating high-productivity jobs while the second concentrates on creating low-productivity jobs.

	Working rich	Working poor	Difference
	Millions		
Employment	2.0	2.0	0
	Percentage of population, 15-64 years		
Rate of employment	0.8	0.8	0
	Per cent		
GDP	1.3	-0.3	1.6
Productivity*	0.5	-1.7	2.2
	Per cent of GDP		
Public balance	-0.4	0.1	-0.5

Table 7. The effects of “working rich” and “working poor”, 2010

Note: * This is productivity in the private sector.

Note: The effects have been measured relative to a basic course. The table shows the overall effect on the EU.

Source: ECLM's calculations based on the HEIMDAL model.

The education strategy has its costs in the form of investments in education and upgrading qualifications. This is therefore a burden on public budgets. On the other hand the low wage strategy will not be a burden on public budgets. The low wage strategy is paid for by the people who must accept lower pay in order to gain employment. The choice of strategy therefore depends very much on who it is felt should “pay” for the creation of jobs. Should this be a matter of joint investment, or must the people who are unemployed pay?



NOTES

¹ See Eurobarometer 55.1

² APEC is the Asia Pacific Economic Cooperation regional organisation, ASEAN is the Association of Southeast Asian Nations

³ A good example of this approach is the Kyoto Protocol to cut greenhouse gas emissions, acting pre-emptively against global warming before it begins to produce significant climate change with disastrous consequences for our planet. Another example should be significantly strengthened development policy to act pre-emptively against rising international migration trends provoked by social despair in poor countries. A third example is the need for reinforced intercultural dialogue, to act pre-emptively against the dangerous prospect of cultural or civilisational clashes fuelled by the current US doctrine of confrontation as much as by the economic and social divides of current globalisation patterns.

⁴ Petersberg Declaration (Petersberg tasks)

The Petersberg Declaration of 19 June 1992 is a pivotal element in the determination to develop the Western European Union (WEU) as the defence arm of the EU and as a means of strengthening the European pillar of the Atlantic Alliance (NATO). The three parts of the declaration define the guidelines for the future development of the WEU. WEU Member States declare their readiness to make available military units from the whole spectrum of their conventional armed forces for military tasks conducted under the authority of WEU. The different types of military tasks which WEU might undertake were defined: apart from contributing to the common defence in accordance with Article 5 of the Washington Treaty and Article V of the modified Brussels Treaty, military units of WEU Member States could be employed for:

- ▶ humanitarian and rescue tasks;
- ▶ peace-keeping tasks;
- ▶ tasks of combat forces in crisis management, including peacemaking.

The Treaty of Amsterdam has specifically incorporated these “Petersberg tasks” in the new Article 17 of the EU Treaty. The Petersberg Declaration also states that WEU is prepared to support, on a case-by-case basis and in accordance with its own procedures, the effective implementation of conflict-prevention and crisis-management measures, including peacekeeping activities of the CSCE (now OSCE) or the United Nations Security Council.

⁵ A new strategic goal and an overall strategy were defined by the Lisbon European Council on 23-24 March 2000. Quoting its conclusions:

‘The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an overall strategy aimed at:

- ▶ *preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;*
- ▶ *modernising the European social model, investing in people and combating social exclusion;*
- ▶ *sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.’*

⁶ Which is among the main policy achievements at EU level during the period when there was a majority of social democrat leaders in the Council, whose roots go back to the 1998 PES Congress in Milano, which adopted the “Employment Pact” policy document drawn up under the responsibility of Antonio Guterres.

⁷ For a more detailed description of the strategy and the new issues on the agenda, see annexe.

⁸ Economic Council of the Labour Movement, Denmark, March 2002. The study is included in the annexe to this report.

⁹ Calculations about redundancies “*based on the announcement of lay-offs during the first nine months of 2001 in media reports put the level of redundancies at 230 000 in the Eurozone and about 350 000 in the European Union*”. European Commission, *Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring*.

¹⁰ Jan Niessen and Yongmi Schiebel, *Is immigration an option?*, October 2002, Migration Policy Group, Brussels.

¹¹ An Evaluation Centre on the competences of migrant workers has recently been set up in Denmark.

¹² see notably the Millennium Development Goals set by the UN in 2000, the Doha WTO agenda, the Monterrey Consensus , and the Johannesburg agenda.

¹³ It should also be mentioned in this respect that, in March 2003, the ILO Governing Body adopted a Global Employment Agenda to provide a coherent, coordinated international strategy for employment promotion. It proposes policies under ten core headings to promote employment, economic development and social justice. Recommendations are directed at governments, institutions, the social partners, and other significant actors. It provides a significant framework for job creation and the development of international cooperation to improve employment and working conditions worldwide.

¹⁴ A campaign has recently been launched in this regard called “Education for All – European Campaign”, www.europeforeducation.org. This campaign has the political support of the PES Group.

¹⁵ World Bank.

¹⁶ The ILO Declaration on Fundamental Principles and Rights at Work, adopted in June 1998, limits the fundamental rights to four: 1. Freedom of association and the effective recognition of the right to collective bargaining; 2. The elimination of all forms of forced or compulsory labour; 3. The effective abolition of child labour; 4. The elimination of discrimination in respect of employment and occupation.

¹⁷ Human Development report, UNDP, 2002.

¹⁸ Based on assessment by UNDP (2002 Human Development report), non-fully democratic governments characterised by “*leaders seeking to consolidate their hold on power by altering constitutions, bullying weak legislatures and judiciaries, and manipulating elections*”, Statement by MM. Brown, UNDP, Center for Global Development, Washington, 21.10.2002.



¹⁹ On aspects such as constitutional and election laws, prevention of polling irregularities, a code of conduct, polling centre management and vote counting.

²⁰ UN Report A/CONF.198/11.

²¹ High-Level Panel on financing for development (UN, A/55/1000).

²² The proposal made by UK Chancellor Gordon Brown for an International Financing Facility to raise extra resources for fighting global poverty is an encouraging development.

²³ Malaysia did reinstate controls in the midst of its crises, and decided not to borrow from the Fund. It was sharply criticised by the IMF. Recent work concludes that this gamble paid off and the IMF seems to accept this conclusion.

²⁴ The IMF's External Evaluation Office has undertaken a review of its poverty alleviation activity.

²⁵ We refer to the work of Professor John Eatwell, President of Queen's College, Cambridge University, on this issue.

²⁶ Susan Martin, Institute for International Migration, Georgetown University, Washington.

²⁷ In a country like Haiti remittances account for 17 per cent of GDP; cited in the Commission communication on Migration and development, COM(2002)703, December 2002.

²⁸ This need has already been recognised in the conclusions of the UN Monterrey conference on Financing of development, March 2002.

²⁹ '*...global public goods are commodities, resources, services – and also systems of rules or policy regimes with substantial cross-border externalities – that are important for development and poverty reduction, and than can be produced in sufficient supply only through cooperation and collective action by developed and developing countries....This approach involves the idea of both cross-national benefits, and of cross-national collective action to achieve them...In practical terms, the determination that the development community should work cooperatively to produce a desired global public good also involves consideration of how action should be implemented and how collective financing can be employed to ensure the public good is not undersupplied*'. (Development Committee 2000:2; cited in F. Sagasti, K. Bezanson, Financing and providing global public goods, Study for the Ministry for Foreign Affairs, Sweden, 2001.

³⁰ F. Sagasti, K. Bezanson (2001) op.cit.

³¹ P. Jacquet, Agence française de développement, Hearing of the 'Haut Conseil de la coopération internationale', April 2002.

³² They include: *Basic human dignity for all people, including universal access to basic education and health care; Respect for national sovereignty; Global public health, particularly communicable disease control; Global security; Global peace; Communication and transportation systems harmonised across borders; Institutional infrastructure harmonised across borders to foster such goals as market efficiency, universal human rights, transparent and accountable governance, and harmonisation of technical standards; Concerted management of knowledge, including worldwide respect for intellectual proper-*

ty rights; Concerted management of the global natural commons to promote their sustainable use; Availability of international arenas for multilateral negotiations between states as between state and non-state actors.

Providing Global Public Goods: Managing Globalisation, edited by I. Kaul e.al., Oxford University Press, New York, 2003.

³³ Speech by P. Nielson, European Commissioner for Development, EWA Forum, 17 October 2002.

³⁴ Global Public Goods: International cooperation in the 21st century, UNDP study, 1999.

³⁵ Refer to this report's section on global taxation for a detailed discussion of financial needs.

³⁶ A concept proposed by J.F. Rischard, Vice-President of the World Bank, in his book "High Noon", Basic Books, 2002.

³⁷ Among the MEAs concerned are: the Convention on biodiversity, the UN Framework Convention on climate change, The Basel Convention on hazardous waste, the Montreal protocol on substances that deplete the ozone layer, the Convention on international trade in endangered species, and the International tropical timber organisation.

³⁸ see F. Stewart, S. Daws, QEH Working Paper Series, S68, March 2001, for an analysis of ECOSOC and further references.

³⁹ Charter of the UN, Article 55a: "The United Nations shall promote higher standards of living, full employment, and conditions of social progress and development"; as well as Article 55b: "...solutions of international economic, social, health and related problems...".

⁴⁰ Also refer to the section on a 'global legal order'.

⁴¹ United Nations A/AC.257/27/Add3, Existing proposals for innovative sources of finance, presented by UN Secretary General Kofi Annan, September 2001.

⁴² cited in E. Childers and B. Urquhart, Renewing the UN system, Dag Hammarskjöld Foundation, 1994.

⁴³ Or as expressed by Olof Palme to the UN General Assembly in 1985 "*a more even distribution of assessed contributions would better reflect the fact that this Organisation is the instrument of all nations*"; Statement on 21 October 1985 during the commemoration of the Fortieth Anniversary of the UN in the General Assembly, quoted in E. Childers and B. Urquhart, op.cit.

⁴⁴ Most recently, the President of the World Bank Group, James Wolfensohn, confirmed that "*There is a gap...in terms of the average resources that are needed to achieve these Millennial Development Goals and the funding already in sight. We're operating at a level of US\$ 50 billion or so a year, and the need is projected somewhere between US\$ 100 and 150 billion*"; Speech to the Harmonisation Conference, Rome, Italy, 24 February 2003.

⁴⁵ The estimate in the Zedillo report (2001) is of a *minimum US\$ 10 billion* per year, which is about twice the current level of spending on global public goods, understood - in this report - to notably be



(in US\$ per year): peacekeeping (around 1 billion), dealing with the HIV/AIDS epidemic (7-10 billion), developing vaccines (in a wide span from 1-6 billion), limiting greenhouse gas emissions (no estimate available), preserving biodiversity (no estimate available). A study for the Swedish Foreign Affairs Ministry believes the best estimate to be of the order of *US\$ 20 billion* a year (F. Sagasti and K. Bezanson, Financing and providing global public goods, November 2001).

⁴⁶ Underlying trade data is from WTO Trade Statistics

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