

THE INAUGURAL DON DUNSTAN FOUNDATION LECTURE:

GLOBALISATION AND SOCIAL JUSTICE

Julian Disney

Director, Social Justice Project;

Immediate Past President, International Council on Social Welfare

In association with the Don Dunstan Foundation, University of Adelaide

Centre for Public Policy, University of Melbourne, 16 October 2002

It is a very great honour and privilege to be invited to deliver the inaugural Don Dunstan Lecture. This is partly for personal reasons. Don Dunstan was the first politician I ever met and the first I heard speak. Indeed, I heard him speak each year at my school, of which he had also been a student, and his passionate commitment to facts and fairness impressed me greatly from the outset.

But my sense of privilege tonight is mainly because, in my view, Don Dunstan was the most innovative, courageous and successful government leader in Australia of the last fifty years. More than any other leader he combined major social, cultural and environmental improvements with sustained economic success. He neither burned out in a brief blaze of glory nor achieved longevity through inaction. He was an inner city sophisticate yet his respect for working people was genuine and reciprocated. He was a man of grand visions and sweeping plans yet also a pragmatic and adroit manager of government. He was a deeply committed South Australian yet the most broadly cosmopolitan leader of his era.

My theme tonight seeks to reflect the breadth and balance of Don Dunstan's concerns and sensibilities, especially the importance and interdependence of both the economic and the social, and both the global and the local. I shall begin with some comments about the globalisation debate which has attracted such attention in recent years. Then I shall look at the extent to which key aspects of social justice have improved or deteriorated internationally during the last two decades or so. Finally, I shall discuss some ways in which better international cooperation could enhance these outcomes in future years.

THE GLOBALISATION DEBATE

"Globalisation" has become the focus of much analysis and controversy during the last decade or so. When correctly used, the term refers to increased interaction between

people, entities or processes in different countries around the world, whether the nature of that interaction is predominantly economic or, for example, social, cultural or environmental. That is the sense in which I shall use the term tonight.

Unfortunately, however, globalisation is also commonly used nowadays to mean the international spread of a particular ideology, the central tenet of which involves substantial reductions in government regulation and provision. This usage, albeit widespread amongst both supporters and critics of that ideology, is both technically incorrect and confusing. The same can be said of the common Australian description of the ideology itself as "economic rationalism".

Globalisation has been with us for centuries, indeed millennia. But its pace and impact have quickened considerably during the last quarter of a century, principally due to technological developments such as television, computers and the internet. These developments increased both the practical feasibility and competitive necessity of greater international commerce, communication and coordination. They also contributed to the ascendancy of capitalism over communism and of the United States as the sole superpower, both of which factors have hastened the international expansion of business and other activities beyond the ambit of national governance. This in turn has hastened the ascendancy of a "small government" ideology, whether as a matter of philosophical conviction or practical acquiescence.

Globalisation is, in some respects, like a river. Like a river, it can bring substantial economic, social and environmental nourishment to those who are in a position to benefit from it. But it can erode, devastate and overwhelm if it rushes too fast or spreads too far. Like a river, it is a natural force. But it cannot override all other natural forces and should not be encouraged to do so. Like a river, it can be so ruthlessly exploited by narrow and short-term economic interests that even its economic value is destroyed over the longer term. Restraint and guidance are often necessary to maximise its benefits and minimise its dangers.

Many business people and economic commentators have arrogantly and ignorantly dismissed community concerns about the impact of globalisation. But their "globalisation uber alles" sloganeering is neither intellectually nor morally superior to the frustrated excesses of some of the marginalised dissidents for whom they express such contempt. In reality, many of the self-styled advocates of globalisation are vehemently anti-globalisation on many issues. For them, a crucial attraction of recent trends in globalisation is that corporate activities, by becoming increasingly international and beyond the effective ambit of national governance, have become freer from the constraints of democracy, the rule of law and fairness. These advocates usually do not

want globalisation of taxation, anti-monopoly regimes, labour rights, human rights or codes of corporate conduct.

Many of these alleged champions of international competition and free markets are fickle friends. Their support is loud when it suits their own personal or corporate interests but their opposition can be ruthless if they achieve a dominant market position or fear that others will do so. This applies not only to people and corporations but also to countries, as can be seen in the trade policies of the United States and European Union. The tendency of dominant corporations such as Microsoft to abuse their market power by forcing customers to use only their stock of products is mirrored in the US government's propensity for forcing weaker countries to accept its approved stock of economic and ideological products.

The economic and social benefits of globalisation might be much greater if many of its champions were to practise what they preach. If they really support democracy, they should support global democracy and reject the dominance of international economic policy and regulation by groupings such as the International Monetary Fund that are controlled by countries representing not much more than one-tenth of the world's population. If they really support the rule of law, they should oppose the rampant avoidance of legal obligations through international tax havens. If they really support competition and free trade, they should condemn biased tax privileges and industry protection of the kind upon which the United States and Europe insist in areas such as e-commerce, international finance and agriculture.

It is equally important to observe, however, that many self-styled opponents of globalisation actually support many forms of it. This applies, for example, to globalisation of labour rights, human rights and environmental protection. They commonly want more international support for oppressed minorities, full authority for the international criminal court and stronger international regulation of financial markets. They have recognised that, perhaps paradoxically, international cooperation can promote greater local autonomy as, for example, in the case of East Timor. Moreover, globalisation has often hastened technological advances which many of its self-perceived opponents greatly value in their own lives and which strengthen their ability to understand and criticise its darker sides.

It can be useful to see globalisation as part of a historical and geographical spectrum of interactions ranging from families and tribes through villages and cities to countries and international groupings. There are instructive parallels, for example, between the causes and consequences of globalisation and of the formation of Australia as a nation. Many of the key driving forces have been similar, such as trade and defence, as have many of the

causes for concern, such as loss of local autonomy and diversity. Debate and experience concerning divisions of power between Commonwealth and State levels in our Federation cast useful light on options for allocations of power between international and national levels.

Like globalisation, there has also been an inherent tendency in our experience of federation towards greater centralisation of power yet also for that power to be used on occasion to preserve or enhance autonomy at local or individual levels. Moreover, as with globalisation, many self-described supporters and opponents of Commonwealth power have tended to change sides according to whether the issue is, for example, industrial relations or the environment. Indeed, many of them change sides according to the level at which their political party holds government.

While our experience of federation can substantially benefit Australian debate about consequences of globalisation and appropriate responses to them, we suffer substantially from the extent to which our mass media (even the ABC) concentrate on American and British sources of information and analysis. The circumstances and experiences of those major northern economies are very different from those of most other countries, including Australia. Their currently dominant ideologies also differ substantially from most other countries, including most developed countries. They are, in the language of statisticians, "outliers" and yet our mass media tends to convey them to us as the mainstream.

Debate about globalisation suffers also from increasing media emphasis on instant analysis, commonly by economists who have very limited ranges of knowledge, experience, and interest. This applies especially to events occurring more than a few years in the past or future and to influences and considerations that cannot be assigned an apparently precise monetary value. These limitations have fuelled excessive emphasis on short-term economic efficiency and growth rather than long-term effectiveness and development, and on speculation rather than genuinely productive investment.

One consequence has been government and business leaders tending to be seduced by the short-term attractions of greater size and centralisation rather than give adequate weight to risk management through diversity and dispersion. The importance of such forms of risk management for long-term effectiveness and sustainability has long been understood in contexts ranging from biology and immunology to warfare and munitions storage.

TRENDS AND PROSPECTS

As mentioned earlier, the pace and impact of globalisation has increased greatly during the last two decades or so. While other factors have also been at work, of course, both proponents and opponents of globalisation claim support for their cause from an analysis

of key economic and social trends during that period. What have been some of the most important aspects of progress and deterioration ?

Governance

In the sphere of national governance, the number of people whose government can claim to be democratically elected has increased to some extent and greater international communication, combined sometimes with international economic or military pressure, has often contributed to this trend. In a number of countries, however, international interference has retarded rather than advanced progress towards democracy by propping up dictators or contributing to crises that militate against social cohesion and political stability.

The incidence of civil war has increased considerably as national boundaries have been thrown in the melting pot through dissolution of the empires by which they were imposed and protected. The number of national ratifications of international human rights treaties concerning civil and political rights has increased greatly but the systems of monitoring and enforcement remain very inadequate.

The general trend in international governance during the period has been a mild increase in regulation but it must be weighed against the reduced effectiveness of many forms of national regulation. Moreover, in areas such as financial markets, trade and the environment there has been little progress towards democratisation of international governance. Indeed, the end of the Cold War led to a great increase in the global power of one country, the United States, albeit shared to some extent with a few other major western economies (operating especially through the Group of 7 and Organisation for Economic Cooperation and Development, but also enjoying effective control of the World Bank and International Monetary Fund).

While the end of colonialism and the Soviet empire has given smaller countries a numerically stronger role in the United Nations, the major economies have prevented the United Nations from playing a major role on economic and social issues since they do not have the veto protection on those issues that is available to them on the peace and security matters that are handled in the Security Council.

Economic development

In the sphere of economics, the wealthiest countries have tended to enjoy significant economic growth over the period. In most cases, the growth has been assisted considerably by improved access to external markets. China, India and some other Asian developing countries have achieved much higher growth, albeit from much lower bases, after opening up their economies to some extent and attracting very considerable amounts of foreign investment. Most other countries, however, have not managed to

achieve substantial growth on a sustained basis or to attract large amounts of foreign investment. This applies especially to sub-Saharan Africa and Central Asia, in which most countries have experienced negative growth during the last decade or so.

In the early 1970s, President Nixon triggered widespread exchange rate deregulation which, over time, has induced massive increases in the volume and volatility of international financial transactions over the following decades. Some of the short-term trading has been necessary to hedge against the greater volatility but much of it has been parasitic speculative activity that diverts investment funds from genuinely productive sectors of the economy and can cause great damage through flowing too rapidly into and out of vulnerable countries.

The economic and political power of international money markets has played a major role in shortening the time horizons of both government and business leaders, thereby harming long-term economic development. It has also substantially weakened the extent to which non-economic considerations and the wishes of citizens are taken into account by governments, other than perhaps in the immediate prelude to elections.

Another major change over the last quarter of a century has been a very large increase in the overall amount of international trade in goods and especially services and of foreign direct investment. This has boosted economic development in many industrial countries and, especially when strong strategic trade protection has been retained, in some larger developing countries such as China and India. Other countries, however, have become substantially more vulnerable and the position of some, especially in Africa, has deteriorated.

This range of impacts partly reflects the pre-existing size and diversity of different national economies and the pronounced tendency for wealthier countries to favour free trade only when it suits their own interests. The United States and European Union trade barriers on agriculture, for example, deprive African countries of far more income than they receive from those same countries in overseas aid. The imbalance has also been aggravated by the rapidly growing share of international trade that is enjoyed by northern-based multinational corporations (indeed, is often between their own subsidiaries), many of which have grown rapidly through mergers and acquisitions involving previously domestic enterprises.

Social development

Turning to a more socially orientated perspective, it appears that the proportion of the world's population who are in absolute poverty (defined as an income of less than US\$1 per day) may have fallen somewhat over the last few decades. But the apparent fall is almost entirely due to two countries, China and India, and may largely reflect people

moving from self-provision or barter to a cash economy rather than them achieving an objective improvement in living conditions.

Moreover, the general trend has been much less favourable during the last decade, in which the impact of globalisation has intensified, and more than 2 billion people are still below the income level of US\$2 per day. There has also been an increase in income and asset inequality within many countries, including most developed countries, fuelled by the effect of international wage and tax competition that tends to favour those businesses and people which are internationally mobile.

On the other hand, there can be no doubt that infant mortality has fallen very substantially and life expectancy has risen, although the spread of AIDS is now undoing much of this progress in Africa and, increasingly, also in Asia and the Pacific. There has been a large increase in participation in primary education although, especially for girls, it is still down at very unsatisfactory levels in some African and Asian countries. Useful improvements have been made in other areas of basic importance such as access to water and sanitation but an enormous amount remains to be achieved. For example, more than 2bn people, almost exclusively in Africa and Asia, still lack access to adequate sanitation.

These issues of access to basic income, health and education form the core of a number of eight specific targets that were adopted by the world's leaders at the United Nations' Millennium Summit in 2000 for achievement by 2015. A Campaign for these Millennium Development Goals has been established, with close personal involvement by the UN Secretary General, but great improvements in recent trends will need to be achieved if the goals are to be established.

At the current rate of progress, countries comprising more than a quarter of the world's population will not even achieve half of the Millennium Development Goals. The total annual cost of achieving the key Goals is much less than US\$100 billion, which is the annual cost of a cup of coffee each fortnight for each citizen of the wealthy countries. Yet the amount of overseas aid has fallen considerably during the last twenty years and the amount of money being extracted from developing countries through interest on crippling debts is often greater than the amount of aid being provided to them.

Having given a very brief overview of some recent trends, let me turn now to some options for maximising the benefits of globalisation and minimising its dangers. They include, in particular, ways of strengthening international governance, international standards and international assistance.

STRENGTHENING INTERNATIONAL GOVERNANCE

The United Nations

The most important contemporary issue in globalisation is international governance. Experience demonstrates conclusively that competition, trade and economic development cannot be sustained over the longer term without fair and effective governance. The same is true in relation to opportunity, equity and freedom for individuals and communities. Globalisation is badly out of balance at present because international governance has not kept pace with technological developments and related economic trends. While substantially benefiting many people (often being already in very comfortable circumstances) it is greatly harming others.

The current arrangements for international cooperation in developing and implementing economic policies have three principal weaknesses. First, most of the key institutions either consist solely of the wealthiest countries or are effectively dominated by them. This applies, for example, to the Group of 8, Organisation for Economic Cooperation and Development (OECD), International Monetary Fund and World Bank. In consequence, insufficient informed consideration is commonly given to the circumstances and interests of developing countries (a striking example being the IMF reaction to the so-called Asian financial crisis in 1997).

Second, structures and processes for resolving conflicts between different aspects of economic policy - and between economic, social and environmental policies - are commonly non-existent or ineffective. There are few equivalents at the international level of the kinds of "whole of government" processes (established and overseen by a Cabinet or President's Office) which resolve such conflicts at the national level in order to balance competing policy considerations and the interests of different sectors of the community. This problem was at the heart of the disputes that forced abandonment of the World Trade Organisation meeting in Seattle.

The third weakness is that, in the absence of effective processes for resolving cross-sectoral differences, the dominant role tends to be played by organisations and processes that have relatively narrow and short-term economic perspectives. Yet their decisions often have major and decisive impacts on matters that are largely outside their expertise, experience and mandate. This applies, for example, to many decisions taken by the key international financial regulators.

At the global level, only the United Nations system has the breadth of responsibilities and membership that can provide a sufficiently comprehensive and balanced framework to overcome these problems. Within that system, it is the Economic and Social Council (ECOSOC) that has the most appropriate mandate and composition to play the principal coordinating role, under the ultimate oversight of the General Assembly. ECOSOC has representatives of just over 50 countries which are elected for three terms by the whole membership of the UN, operating in the so-called regional groupings of Africa, Asia, Latin America, Eastern Europe and the Western Europe and Other Group.

Developed countries have tended to resist ECOSOC's involvement in high-level policy coordination, especially on economic matters, and the developing countries have tended to give insufficient attention to improving its efficiency and expertise rather than merely increasing its membership. During the last few years, however, there have been some encouraging signs of improvement, especially after the latest series of financial crises began in 1997. This includes ECOSOC beginning to convene regular high-level meetings with the World Bank and IMF other key financial authorities are also now becoming involved.

The Millennium Summit endorsed the view, agreed previously by many major UN conferences during the 1990s, that ECOSOC should be strengthened in order to enable it to fulfil the role vested in it by the UN Charter. The leaders of the developed countries, in particular, should now honour this commitment by ensuring that organisations such as the World Bank, International Monetary Fund, World Trade Organisation, OECD and Group of 8 both recognise and cooperate with ECOSOC's central over-arching role.

For its part, ECOSOC should continue and accelerate its process of internal reform. It needs to develop structures and processes that substantially increase its ability to act expeditiously and expertly on high-level policy issues, especially in the economic sphere. It should devolve more of its work to be handled principally by sub-groups of its membership, structured in ways which strike an appropriate balance between broad representativeness and the realities of international power. It should involve Ministers and leading non-government experts more centrally in its ongoing activities. It also should greatly strengthen its engagement with key inter-governmental groupings at the regional level.

"Constructive regionalism"

One of the most potentially beneficial corollaries of increasing globalization in recent decades has been the development of a number of regional inter-governmental groupings that are led at heads-of-government level. The most obvious example is the European Union (EU) but other groupings which have emerged or strengthened in the last decade or so include the Association of South-East Asian Nations, Southern African Development Community, Mercosur and the South Asian Association of Regional Cooperation. Many other regional groupings are also growing in importance. Uncertainties and setbacks in the processes are inevitable but, in general, these new and predominantly sub-continental groupings appear to be increasingly effective.

The relatively rapid development of the European Union reflects a clear recognition by its members that, even for some of the most powerful countries in the world, greater regional cooperation is essential if countries are adequately to develop their capabilities and protect their interests. It recognises that, while many forms of economic and social interaction and of governance can and should occur at the global, national and local levels, there is also a clear need to strengthen them at the regional level. Indeed, without greater regional cooperation, the national and local levels may be overwhelmed and the global level may be ineffective. This applies especially to developing countries.

Without the emergence and development of the European Union, the current superpower dominance of the United States would have become even more dangerous to itself and to the world. But a duopoly is commonly little better than a monopoly. It is especially important that Asian countries become more cohesive and assertive, whether on a continental basis or in regions such as South Asia, South-East Asia and North-East Asia which more accurately represent substantial similarities in circumstances and cultures.

Greater regional cooperation can help to maximise the potential benefits of internationalisation in economic and other fields while also helping to minimise the dangers. It can help to strike an appropriate balance between globalization, with its risks of excessive uniformity and dominance from afar, and localisation, with its risks of impotence and stagnation. Some of its principal potential benefits relate directly to economic activities, where it can help to provide enterprises with greater resources and opportunities, reduce vulnerability to local setbacks or instability, and facilitate effective implementation of economic policy and business regulation. But there are also broader potential benefits, including cross-country assistance in the form of resources, information

and experience, protection of public revenue by combating excessive tax competition and avoidance, and protection of physical and social environments from commercial exploitation that individual governments could not effectively restrain.

In some circumstances, these benefits can be, and may only be, obtainable through global or multi-regional cooperation. But in many situations regional cooperation can be effective and will often be more quickly mobilised and more responsive to particular circumstances. It may sometimes be easier at that level to develop close, informal and frequent contact between key actors (both governmental and non-governmental) and to achieve sufficient mutual understanding for problems to be addressed effectively. It may be easier to develop principles, rules and standards which are sufficiently specific to have practical impact yet also are appropriate and acceptable in the circumstances of each country. The predominantly sub-continental groupings that have emerged or strengthened in the last decade or so reflect a recognition that these potential advantages are less likely to occur if a region is very large and diverse. Conversely, of course, small groupings may be of little value if they do not achieve a "critical mass" of resources and potential impact.

It is very important that greater regional cooperation takes place in a global framework and contributes to effective operation of that framework. Otherwise, there is a clear danger of excessive tension and competition between regions, including exploitation by the stronger of the more vulnerable. Far from eroding global cooperation, however, stronger regional cooperation can help to provide the building blocks for achieving appropriately representative and effective processes for negotiation and decision-making at the global level. (For example, the European Union is represented in its own right on the recently-established financial forum known as the Group of 20 and its members increasingly operate collectively within the Economic and Social Council and other international processes.) Developing a range of strong regional groupings is also an essential response to the inequity and eventual instability of global dominance by one or more "super-powers".

STRENGTHENING INTERNATIONAL STANDARDS

It has long been recognised at the national level that binding rules and other types of official economic standards are essential for achievement of sustained economic and social development. In general, the existing network of standards is more extensive and detailed in the developed countries. This applies even in those countries, such as the United States, which regard themselves as especially "free market" economies. They have recognised from harsh experience that markets and competition do not achieve sustained economic development unless official standards in areas such as financial

markets, competition and trade, corporate responsibility and taxation are adopted and enforced.

As economic interaction between countries has become more widespread and intense in recent decades, so the need for a similar network of economic standards at the international level has increased. Some response has occurred at the global level, including under the auspices of the United Nations system, but the standards are often very limited in scope or unduly orientated towards the circumstances and interests of the more economically powerful countries and enterprises. Moreover, they are commonly either non-binding or inadequately monitored and enforced. A growing number of relatively specific standards have been agreed and implemented by groupings of developed countries, especially the OECD and European Union. These standards are often beneficial for those developed countries but, especially in the absence of standards from other sources, their impact can spread to developing countries with results that are not always appropriate or fair.

Both economic and social development over the longer term would be greatly enhanced by substantially strengthening the existing framework of international economic standards. It is essential, however, that these standards are developed in a balanced and equitable manner. This means, in particular, ensuring adequate respect for the interests and circumstances of both developed and developing countries, emphasising the importance of economic development being sustained rather than transient, and taking adequate account of social and environmental considerations. In some instances, it may be desirable to encourage separate development of detailed standards on a regional basis within an overall global framework, taking advantage of the recent strengthening of regional groupings mentioned earlier.

Some of the highest priorities for improvement include international standards in relation to financial speculation, tax avoidance and evasion, corporate governance and responsibility, and competition and trade.

Financial regulation

It is now almost ten years since some community groups and business people (including arch-speculator George Soros) first called for vigorous action to reduce the excessive volume and volatility of international financial speculation. They warned of the adverse impacts of prevailing levels of speculation on sustained productive investment and economic development, especially in developing countries. Despite the subsequent financial crises in several parts of the world, regulation of international financial speculation, especially in currency markets, remains dangerously inadequate. Prudential

requirements are still too lax as are the broader processes for monitoring market movements. Much has been promised in these areas by the major economic powers but once they had protected themselves from major impacts they lost interest in the major reforms that are necessary to reduce ongoing harm to the weaker countries and the threat of further crises.

Both the volume and volatility of financial speculation are greatly increased by the major tax advantages that it enjoys by comparison with many other forms of transaction. They are also increased greatly by the historical likelihood that international speculators will be protected by public bailouts, largely at the expense of developing country taxpayers, in the event of major collapses. Failure to address these problems adequately is due largely to the fact that the key international economic institutions are dominated by narrow economic analyses and, especially, by the short-term business interests of developed countries. Accordingly, insufficient weight is given to the severe difficulties being caused for long-term economic management, enterprise development and poverty reduction, especially in developing countries. These difficulties can be acute even when there is no overt financial crisis.

The Group of 20 was established after the 1997 financial crises to oversee action aimed at strengthening international financial regulation. As yet, its achievements are modest but there are potential benefits in the fact that its membership includes not only the major northern economies but also several major developing countries (such as Brazil, China, India, Indonesia and South Africa) with very large populations and strategic regional significance. Australia is also a member and could play a valuable role in urging the Group to become substantially more rigorous and responsive to the circumstances of the poorer countries and people.

Tax avoidance and evasion

International tax avoidance and evasion causes enormous damage to genuine and sustained economic development by reducing productive investment, fair competition and economic efficiency. Even the richest countries provide an extensive array of concessions and loopholes which harm both efficiency and equity by distorting investment and location decisions, favouring multinational over local enterprises, and depleting public revenue and infrastructure investment. These problems have been aggravated by lack of international cooperation in tax administration and enforcement, thereby encouraging massive tax evasion. In general, it is developing countries that suffer most from this lack of international cooperation, especially through flight of scarce domestic capital and diversion of sorely-needed foreign investment. Some smaller countries, of course, have sought economic survival by becoming tax havens themselves.

There is growing recognition of the need for greater international cooperation in order to enable domestic tax systems to be designed and administered in an efficient, equitable and sustainable manner. The OECD and European Union have made some useful attempts at achieving better cooperation although the OECD's "harmful tax competition" initiative tended to be somewhat too lenient on its own members, most of which provide major tax distortions and loopholes, and offered no compensatory assistance for those poorer countries that would lose their tax haven benefits. While such initiatives need to be refined rather than abandoned, the OECD, European Union and other such groupings cannot expect to serve as an appropriate substitute for a properly global and transparent process of tax cooperation under the auspices of the United Nations.

There is a pressing need to strengthen international standards on matters such as tax bases, minimum tax rates and taxation of multinational enterprises and on reducing tax avoidance and evasion through devices such as transfer pricing, secret bank accounts and non-reporting of foreign income. As an initial step, an annual International Tax Forum, involving key global and regional groupings such as the OECD, should be established to discuss and promote cooperation in tax design, administration and enforcement. Such cooperation should include conducting research, exchanging information, identifying problems, proposing standards, monitoring implementation and facilitating action to promote compliance. Australia could play a useful role in this area as its technical expertise is well-regarded, its interests lie somewhat between those of the major developed countries and most developing countries, and it is a member of both the OECD and the Commonwealth (to which most of the so-called tax haven countries also belong).

Corporate governance and responsibility

Multinational enterprises are of crucial significance to the extent and nature of development, especially in developing countries. They can have substantially beneficial or adverse impacts on the communities and markets in which they operate. The rising tide of economic globalization has increasingly eroded the ability of communities and countries, especially developing countries, to ensure that their economic and social development is enhanced rather than retarded by multinationals' exploitation of local resources and competition in local markets. This deterioration in the practical potency of democracy and the rule of law must be addressed partly by strengthening public governance at national and international levels. It is also essential, however, to improve the quality and accountability of corporate governance, especially in relation to multinational enterprises.

Sustained development and poverty reduction, especially in developing countries, would be substantially enhanced by achieving greater transparency and integrity in the operations of multinational enterprises. The same applies to promoting longer-term corporate planning that takes due account of social and environmental issues which, though not narrowly economic, are likely to have a substantial impact on the eventual extent and sustainability of economic development. Many developing countries are especially at risk of short-term exploitation by multinational enterprises over which they have little or no effective influence. While a number of international codes have been drafted in response to some of these problems, they tend to be very vague, merely advisory or to lack effective monitoring and enforcement mechanisms. Some, indeed, do little more than provide a veneer of public relations benefits for major corporate interests.

The Economic and Social Council should establish an Independent Group of Experts to prepare a draft International Code on Corporate Governance and Responsibility drawing on existing codes and guidelines such as the OECD Code on Multinational Enterprises and the Declaration of Principles Concerning Multinational Enterprises and Social Policy prepared by the International Labour Organisation. Special attention should be given to corporate reporting requirements, independent financial and social audits, minority shareholders' rights, anti-corruption measures, compliance with labour and environmental standards, and local re-investment. Much progress could also be achieved if major institutional investors, especially pension and superannuation funds, became more insistent on good corporate governance and responsibility by corporations with which they are involved.

Competition and trade

A substantial proportion of international trade is, in reality, internal trade within individual multi-national enterprises. The largest of those enterprises command greater economic resources than most governments. Many industries are dominated by a handful of them, almost invariably based in the wealthiest countries. As mentioned earlier, while some of their activities can provide major economic benefits for some developing countries, in other circumstances their dominance greatly disadvantages domestic enterprises and consumers and also reduces the extent to which profits are retained and re-invested in local communities.

There is an urgent need to strengthen the international regime for regulating international mergers, takeovers and other conduct that may inappropriately reduce fair competition. This must be done under the auspices of the United Nations rather than, for example,

merely by arrangement between developed countries as is now occurring between the United States and European Union. Establishing a stronger and fairer international regime should be a much higher priority than strengthening domestic regimes in developing countries in ways which may unfairly weaken domestic challengers to multinational competitors. For reasons explained earlier, the Economic and Social Council is the appropriate auspice under which this regime should be developed.

The last decade or so of global free trade negotiations has shown a marked propensity to favour the interests of developed countries by focusing on those areas where they expect to benefit from freer trade and ignoring those in which they might lose. Developing countries were assured that they would derive great benefits from implementation of the last round of global agreements but in practice they have received very little. Indeed, their hardship has been aggravated in many instances and solemn promises to act on areas of importance to them have been broken.

It is essential that the new, so-called "development" round of negotiations delivers promptly, and as its highest priority, on reducing trade barriers which especially harm developing countries. Moreover, further progress must be made in enabling developing countries to utilise the complaint, adjudication and enforcement systems of the World Trade Organisation. The proposed annual International Tax Forum should also seek to dissuade developed countries from using tax concessions, exemptions and other tax privileges to achieve unfair trade advantages as currently occurs, for example, in relation to finance and stock markets and to internet commerce.

STRENGTHENING INTERNATIONAL ASSISTANCE

Official Development Assistance (ODA)

There can be no doubt that, especially for many of the poorest countries, the flow of international private investment will remain gravely deficient for a very long time. The same is true of their domestic resources, both public and private, no matter how well they are mobilised. It is essential that these countries receive substantially improved assistance from external public resources in order to relieve their widespread poverty and, over time, assist them to become increasingly self-sufficient through sustained development. The current amount of ODA is deplorably low and the sustained refusal of almost every developed country, including Australia, to meet the agreed goal of 0.7% of Gross national Product is both unfair and counter-productive.

It is important that a specific timetable for achievement of the 0.7% goal by the defaulting donor countries is agreed without yet further delay. This should be part of an International Anti-Poverty Pact which, together with the Millennium Development Goals, includes a timetable of equally specific and measurable commitments to mobilise the necessary international and national resources. In consequence, there should be no justification for ODA continuing to be provided largely on a tied basis. However, recipient governments should be required to consult closely with civil society organisations about allocation of ODA funds. Further improvements in coordination between donors would also enable more effective allocation of ODA grants.

Debt relief

Despite unduly protracted negotiations and optimistic promises by the wealthiest countries, very few of the poorest countries have received substantial relief from the debts that cripple their development opportunities and on which the interest payments may outweigh their ODA income. Many of these debts were incurred unwisely at the urging of major financial institutions in the developed countries and others were incurred by leaders whose power stemmed more from foreign interference than a genuine democratic mandate. Some are unpayable because leaders transferred public resources to private accounts in foreign banks where they remain protected by excessive secrecy laws.

The main priorities for further debt relief are to provide immediate relief for the least developed countries, accelerate and extend implementation of debt relief agreements that have been made already, and adopt appropriate international processes for establishing debt standstills and arbitration mechanisms that are analogous to those provided under national bankruptcy laws. Specific

commitments on these matters should be part of the proposed International Anti-Poverty Pact. The Pact should also include an immediate moratorium on debt repayments by the poorest countries and a process for providing full debt cancellation for those countries by 2005.

Financing ODA and debt relief

The developed countries can readily afford the proposed improvements in Official Development Assistance and debt relief. In any event, the revenue from introducing two forms of taxation that are highly desirable for other reasons could also be partially earmarked for this purpose.

The first form involves taxation of currency transactions, especially those of a speculative nature, in order to reduce current tax biases towards such transactions, encourage long-term productive investment and reduce excessive volatility in financial markets. Several countries and eminent experts have already endorsed this type of tax. The second form is a carbon tax or some other energy tax that is aimed principally at encouraging more efficient and sustainable generation of energy and reducing environmental pollution. Taxes of this kind have already been adopted in several European countries.

Another major source of additional revenue for increasing direct assistance to developing countries is the programme proposed earlier for reducing tax avoidance and evasion. This would generate enough revenue in itself to meet the Millennium Development Goals. Some aspects of that programme would be difficult to implement fully without the cooperation of a number of developing countries that currently depend heavily on their status as tax havens. They cannot reasonably be expected to cooperate, nor are other developing countries likely to support change, unless there is a firm guarantee that a substantial proportion of the resultant revenue (which will accrue largely to wealthier countries) is to be directed towards major sustained improvements in ODA, debt relief and other assistance for poorer countries. The proposed International Anti-Poverty Pact process would be an appropriate mechanism for negotiating, implementing and monitoring an inter-dependent arrangement of this kind for the generation and allocation of additional public resources.

CONCLUSION

Globalisation can provide many benefits and cause much harm. The greatest current problem is that economic and technological globalisation has developed much faster and spread much further than appropriate systems of international governance. Yet without far-sighted, balanced and effective governance at that level it is becoming increasingly difficult for individual countries, communities and

people to maximise both economic development and social justice. While much can still be achieved at national, state and local levels it is essential that Australians who are concerned about poverty and hardship at home and abroad focus more of their attention and action on underlying problems and solutions that lie largely at the international level.