Final Workshop report

Title of Plenary: Sustainable Globalisation

**Moderator:** Daniel Altman, Global economics columnist of the International Herald Tribune, President of North Yard Economics (DA)

**Rapporteur**
Finn Heinrich, Senior Programme Coordinator, National Integrity Systems Transparency International Secretariat

**Panellists**

- George A. Papandreou  President of Socialist International, President of PASOK (GP)
- Claribel David Executive Director, Asia Fair Trade Forum (CD)
- Dimitri Vlassis  Secretary of the U.N. Conference of the State Parties (DV)
- Katherine Marschall Senior Fellow, Georgetown University (KM)
- Ntombifuthi Mtomba  Chair of the Board, Deloitte, South Africa (NM)

**Summary (300 words)**

The plenary focussed on the links between globalisation and corruption and in particular how globalisation can acerbate corruption, how it can provide opportunities to fight corruption, and how anti-corruption efforts can help to make sustainable globalisation a reality. Panellists also analysed the root causes and likely effects of the current financial and economic crises for sustainable globalisation and the fight against corruption.

Importantly, corruption was seen as a key impediment for sustainable globalisation since it impedes economic growth and destroys trust in public and private institutions and therefore in democracy itself. In turn, to fight corruption (and move towards sustainable globalisation), both genuine political will as well as pressure from an informed citizenry to hold the power-holders accountable is required.

There was broad agreement regarding the need to introduce clear and strict regulations for the global financial system which are based on high standards of transparency and accountability. They should be complemented by self-regulation and corporate social responsibility policies and practices and by an increased role for the consumer who holds substantive power to change the incentive structure of companies. Panellists also put forward the need to supplement punitive measures with positive incentives for sustainable behavioural change, as exemplified by the UNCAC chapter on prevention.
### Summary of presentations (300 words per panellist)

**Futhi Mtomba:**

The presentation began with an exploration of the meaning of sustainable globalisation. Ms Mtomba mentioned that in the current form of globalisation, where the institutions of money rule the globalized world, it is inevitable that the interests of money take precedence over the interests of ordinary people. This current form is unsustainable, as witnessed by the mounting financial crisis. At the core of the financial crisis was not only the lack of accountability and transparency, but also the absence of universal values which bring in long-term considerations over the short-term obsession with financial gains. Thus, business as a key driver of globalisation has to find its moral compass again and has to change its behaviour. Ms Mtomba closed with a quote of the Greek philosopher Aristotle: “We become just by doing just”.

**Katherine Marshall:**

Ms. Marshall’s presentation opened with three short vignettes: 1. When Joe Biden was asked which government expenditure to cut due to the financial crises, the first thing he mentioned was foreign aid. 2. When Bono campaigned in America to seek support for fighting poverty and HIV/AIDS in Africa, many people expressed their concern that their money will be wasted due to corruption in Africa. 3. When Ms Marshall confronted an African minister about wasted money since government bureaucrats did not attend an expensive management course in the USA, paid by the North, he evaded the answer and instead talked about the poor performance of Northern consultancy firms in his country.

By reflecting on these vignettes, Ms. Marshall identified four problems: (1) Poor countries are disproportionately affected by the current economic turmoil, (2) Development assistance will be the first victim of spending cuts, (3) Corruption is part of the reality we are dealing with in development, (4) Corruption is entangled in the broader ethical challenges of globalisation.

Ms. Marshall then focused on the future of foreign aid, which she assessed as having become very complex. In fact, corruption is an insidious element in the development, e.g. education, transport, medicine, and makes for an easy excuse for not achieving the MDGs. She offered three practical solutions to the problem: 1. We need global alliances to fight poverty. The current state of a divided world is not sustainable; 2. We need to continue to provide development assistance and strengthen its integrity; 3. We need to recognize and address global inequity issues.

**Claribel David:**

Ms. David examined the current state of market globalisation. She assessed that the financial crisis continues to wreak havoc; it is likely to be the worst economic crisis since 1929. Its root causes are low interest rates and the extensive mortgages exported via globalisation to the world.

Sustainable globalisation accepts the need for free markets, but rejects unfettered neo-liberalism. There is a need for state regulations to ensure standards of accountability and help to avoid corruption. Such regulations are less interfering than changing the terms by which wealth is accumulated. The forthcoming Washington Crisis summit will likely endorse a global regulatory agenda (e.g. regulating flow of funds, introducing oversight of financial institutions, mechanisms of improving accountability and transparency in financial transactions).

Some argue that the introduction of such a regulatory framework is not enough to control transnational corporations in terms of tax avoidance, corruption, and weak labour and environmental records. They have almost invisible supply chains – how to control them?
Ms. David proposed micro-regulatory frameworks – self-regulation, co-regulation and cooperative management. Corporate Social Responsibility is at the heart of these efforts, e.g. through voluntary multi-stakeholder standard systems. These systems developed as a result of market and state failure to deliver on ethical outcomes. Examples are Global Compact, fair trade, sustainable agriculture, sustainable forestry, carbon accounting. In fair trade, for example, standards of financial reporting are being developed to give consumers an independent 3rd party guarantee that a company is in compliance. Underpinning these initiatives is the consumer. Ms. David mentioned a 1995 survey in which 67% of Brits claimed to be willing to pay more for environmentally friendly products, and a 2004 survey where 75% of consumers said that they would be ready to modify their purchasing based on ethical considerations. She closed by stating that, even if important gains have been made, more needs to be done to raise consumer awareness to create a mass based consumer movement which will demand responsible corporate behaviour.

Dimitri Vlassis:

Mr. Vlassis suggested that sustainable globalisation requires two things: economic growth and social stability. The biggest killer to both is corruption, since it undermines economic growth by breaking the rules and reduces trust in government and erodes the legitimacy of public and private institutions which leads to social instability and apathy, which, in turn, undermines democracy. Corruption retards development by stealing public money to be used for the public good. The rule of law is not one of MDG but it is the key to unlocking all of them.

To fight corruption, globalisation also offers some opportunities, such as international standards, e.g. the United Nations Convention Against Corruption (UNCAC). Mr. Vlassis described how it can be used an effective tool to fight corruption:

1. It can be used as an insurance policy for developed and developing countries. Both providers and recipients of foreign aid need to make sure that aid is effective.
2. UNCAC is the most comprehensive means to build integrity. It should be applied by development agencies and banks as it offers a transparent framework which was the product of participatory process and the result of genuine global consensus.
3. UNCAC can be used as common benchmark since we all agreed to it, i.e. we all agreed to play by the same rules. This is best way of avoiding double standards and shifting goal posts.

However, states need to start implementing UNCAC, which will build confidence on its effectiveness.

Mr. Vlassis also mentioned the need to prevent corruption from enabling other crimes; corruption can act as a lubricant. Examples are bribery which enables environmental crimes, counterfeit medicines, illegal checkpoints that hinder trade, and trafficking in human beings.

The implementation of the UNCAC can introduce a culture of integrity regardless of cultural backgrounds. Mr. Vlassis stressed that we need global solutions to global problems and highlighted that UNCAC is such a solution since it strengthens international cooperation and includes new ground breaking provisions regarding asset recovery. He closed by the call that we all need to work together, CSOs, IGOs, media and government and all blow the whistle to expose corruption around the world.

George Papandreou:

Mr. Papandreou’s presentation focused on the how corruption is linked to the undermining of the democratic system and democratic principles. Aristotle already spoke of the danger of corruption to democracy, mentioning that corruption means the death of democracy since it is an action which multiples injustice, and the unjust distribution of political and economic power.
Corruption creates injustices, e.g. gender, economic, political, environmental.

The recent financial crisis is result of corruption and of the real lack of democratic rules and of the undermining of democracy as a whole. Mr. Papandreou expressed his belief that the financial system collapsed since democratic institutions were taken hostage by concentration of power in the hands of the few. He also mentioned another challenge created by the internationalization of the economy: now, there are fewer controls on the international level, and we therefore need to democratize global governance. The global financial system needs transparency.

Mr. Papandreou mentioned World bank estimates of 2.5 trillion dollars which are wasted through corruption. If one adds the 1.5 trillion dollars wasted in financial crisis, this is a huge sum. Major corporations have a role to play as one can see by comparing the use of oil income in Norway and African countries: it is a curse in one, a blessing in the other. In Africa, there is no control in the political system. We therefore need a strong but not an authoritarian state that can impose rules of transparency.

He went on to state that transparency is a major feature of democracy since with transparency in place, citizens have knowledge and knowledge means power. He objected to the statement that corruption is a cultural feature. “Corruption is not in one’s DNA”. It is a matter of how much states and international institutions are able to enforce rules and enforce democratic functions. Fighting against corruption is a process that should be bottom up, i.e. fighting against the fact that politicians are being taken hostage by corporations. Here, the financing system of political parties and their access to the mass media are important for democracy. He closed in stating that political parties need to be free to serve the people.

Main Outputs (200 words, narrative form)

The many negative effects of corruption for economic growth, social equality and environmental sustainability were highlighted by all panellists. It was also suggested (by GP) that the concentration of power in the hands of the few is at the core of the lack of transparency and accountability which in turn are at the heart of the current financial crisis. Thus, the root cause for the current crisis is the undermining of true democracy. In turn, the fight against corruption requires the active engagement of empowered citizens. Here, education is key means of building a politically active and engaged citizenry.

Discussions also focused on the consequences of the economic crisis for globalisation. Here, it was expected that foreign aid will be cut as a consequence of the economic downturn. In addition, in many places, economic crisis will not only lead to belt-tightening, but also to political and social upheaval. Promoting MDGs and fighting poverty will take backseat and the challenge will be to keep these issues on the global public agenda. Thinking more long-term, however, it might be possible to introduce rule of law and anti-corruption into the MDGs post-2015 if it is possible to make these benchmarks more rigorous.

Another set of key issues raised in the plenary concerned international standards and instruments. Here, the United Nations Conventions Against Corruption (UNCAC) was seen as a landmark agreement in that it is based on a consultative process and offers a global benchmark which is applicable in all cultural contexts. It is also one of the few conventions which explicitly covers the crucial area of technical assistance. Another standard is the Global Compact which can serve as an excellent platform to ensure transparency and responsibility in corporate behaviour.

Recommendations, Follow-up Actions (200 words narrative form)
A number of specific recommendations were identified by the panellists. First, a shift is required from short-term considerations of businesses towards long-term considerations which involve all stakeholders, not only the company’s shareholders. Here, educated and informed consumers (organized in movements) can put tremendous pressure on corporations to make this shift. Second, clear and strict regulations of financial markets need to be introduced that establish effective oversight, transparency and accountability. Third, we need to continue to build alliances that focus on fighting poverty and social injustice and inequity, particularly at a time, when these issues are likely to take the back seat due to a focus on economic issues. Forth, we need to strengthen the integrity of development assistance by considering to give more aid to non-corrupt actors (e.g. faith-based organisations, NGOs) since current system has become very complex and corruption is an insidious element in many places. Last, but not least, a motion was introduced from the floor (Ti-Ghana) and which was seconded by Barry O’Keefe, which advocated for a more effective protection of anti-corruption activists. The motion was carried unanimously.
Highlights (200 words please include interesting quotes)

- If we accept that the interests of money take precedence over the interests of the people, this will be an act of collective suicidal insanity (NM)
- Business needs to find its moral compass (NM)
- The rule of law is not one of the MDGs, but it is the key to unlocking the potential for all of them to be achieved (DV)
- UNCAC can change mindsets that corruption is a crime and not a normal way of conducting business (DV)
- Corruption means the death of democracy (GP)
- Corruption is not a cultural characteristic; corruption is in no one’s DNA (GP)
- We need to invest in education, we need a new generation for whom it comes more naturally to say No to corruption (DV)

Signed

__________________________________________V. F. Heinrich