Plenary 4: Sustainable Globalisation
09:00 - 10:30, 2 November, 2008

**Master of Ceremonies:**

Good morning to all. Could you please take your seats so we can begin.

**VIDEO PROJECTION**

As you all know, today’s plenary is about sustainable globalisation. It is an honour for me to present today’s panel:

George Papandreou, the President of Socialist International and the President of PASOK, the opposition party here in Greece;

Claribel David, Executive Director of the Asia Fair Trade Forum;

Dimitris Vlassis, Secretary of the UN Conference of the State Parties to the UN Convention against Corruption;

Katherine Marshall, Senior Fellow at Georgetown University; and

Futhi Mtoba, Chairman of Deloitte, Southern Africa.

And my colleague, today’s moderator, Daniel Altman, who is a global economics columnist at the *International Herald Tribune*.

Daniel.

**Mr ALTMAN (Moderator):**

Thank you very much. It is a great pleasure to be here this morning. I appreciate the fact that so many of you have shown up here early on a Sunday morning after such wonderful festivities last night. I hope you did not drink too much ouzo. I certainly tried not to.

We are here today to discuss a very important topic: globalisation. It is one of the most important themes we are currently facing. Here, we will focus on globalisation in terms of the topic of the conference, that is corruption.

Today’s panellists are going to discuss some of the ways in which globalisation can exacerbate the challenges of dealing with corruption, and will hopefully provide us with new opportunities to take on corruption in new ways.
I think that one of the things we will also be talking about is how we can guarantee that our efforts to fight corruption are part of a sustainable programme for the transition from a less globalised to a more globalised world.

I am sure you are all familiar with the format by now. I will give each of the panellists about five minutes to speak, after which we will have a brief debate on stage, and then we will open the discussion to the audience.

First of all, I would like to hear from Futhi Mtoba. In addition to being Chairman of the Board at Deloitte Southern Africa, as you already heard, she also serves on the Board of the United Nations Global Compact. She was the first black woman in South Africa to become a partner in one of the Big Four accounting firms. I think there are still four of them... I have not checked the newspaper this morning. And she was the first African to be named Woman of the Year by the organisation for Women in International Trade.

Ms Mtoba.

**Ms Mtoba:**

Thank you very much, Daniel, and good morning to all. Thank you for giving me the opportunity to participate in this discussion, as we seek to understand the meaning of sustainable globalisation.

In preparing for this session, I could not help but think of what a colleague of mine, speaking on the concept of globalisation, recently said: “When the institutions of money rule the globalised world it is perhaps inevitable that the interest of money takes precedent over the interest of ordinary human beings”. He then said: “Accepting this absurd and distorted reality of the increase in the corruption of institutions and humanity should be considered nothing less than the act of a collective suicidal insanity”.

Taking heed of this expressed concern, I wish to argue that what has been happening to the living standards of ordinary and very poor people in the world in recent days lies at the heart of the globalisation and sustainability debate.

In order to clarify to what extent the recent process of globalisation may be considered sustainable, we need to draw from some of the hints of the critical
assessment of the almost daily litany of catastrophes and collapses: Fannie Mae, Freddie Mac, Lehman Brothers... the list just goes on.

In particular, I also wish to argue that the optimistic implications of the literature on the sustainability of globalisation is unwarranted and unjustified if it does not also deal with the associated, inherent risks. And it also needs to articulate them, as we talk about globalisation.

I would define what we have seen as a classic case of unsustainable globalisation. What these failures have done is to amplify the risks associated with globalisation.

Because what we have seen is that at the core of these collapses lay not only a lack of proper regulatory controls, of accountability and transparency, but what is cited as key in the build-up, that is the obsession of markets with short-term rather than long-term consideration. This played a critical role in all these recent failures.

There has been an absence of serious universal guiding principals, values that should encompass both commercial and ethical dimensions.

It is therefore timely to question the character of this globalisation model and its sustainability. We need to question the decisions that we make on the pretext of creating shareholder value.

Having said that, what exactly is sustainable globalisation?

To me the message is loud and clear: for there to be effective sustainable globalisation it must be underpinned by exceptional business practices that are universal in their normative value. We need to find our moral compass in business. What is critically required is the changing behaviour and actions of businesses. For it was Aristotle who said “We become just, by doing just”.

I will stop there. Later, I will deal with what globalisation has done and its implications on corruption, and later still I will look at the possible way forward.

Mr ALTMAN (Moderator):

We look forward to that. Thank you very much, Ms Mtoba, for those very useful terms of reference. I think that’s a very useful way to launch our discussion.
We will now hear from Katherine Marshall who, in addition to being a Senior Fellow at Georgetown University, also directs the World Faiths Development Dialogue (WFDD). Prior to that, she spent 35 years at the World Bank working on development issues and later on issues of faith and ethics.

I think we could all do with a little faith right now, especially since she is going to be discussing how the problem of corruption has become especially important in light of increasing inequality resulting from globalisation, especially now, in the current financial crisis.

Ms Marshall.

Ms MARSHALL:

Good morning.

I am going to start with three very short vignettes. In the September Vice-Presidential debate in the United States, Joe Biden was asked what expenditures he would cut as a result of the financial crisis. His immediate, gut reaction was foreign aid and very few people commented or objected to that.

Second, when the singer Bono visited the American heartland a couple of years ago, seeking support for HIV/Aids and for Africa, the first question he was asked in almost every setting he found himself in was “Won’t the money just be wasted? What about corruption?”.

Third, I confronted an African Minister some years ago – I was the World Bank Director at the time – about a scam my colleagues had uncovered. The World Bank had financed a top-of-the-line management course for a group – by top-of-the-line read very, very expensive – and the team had come to the United States but had not even bothered to go to the university to collect the books. Of course, I was outraged. But the Minister didn’t even answer. His eyes glazed and he began to talk about what seemed like an entirely different subject, which was the poor performance of an expensive European consulting firm, whose 2 million dollar contract he clearly saw as an imposed nonsense on his country.

I don’t believe for a moment that the Obama Administration will gut finance assistance. Most aid programmes are in fact carefully managed and both training and management support provided to many governments works very
well, but these vignettes are vivid reminders of four immediate realities and problems.

The first is that the poorer countries are dramatically and often disproportionately affected by economic turmoil. Second, ironically, the assistance they need and deserve is the first off the boat. Third, corruption is a key part of both the atmospherics and the reality. And finally, the issue of corruption is entangled in the broader, ethical challenges that globalisation brings to the surface.

The world is gripped by this financial crisis whose dimensions are still unfolding. It engulfs most meeting agendas – kudos to this meeting where it hasn’t consumed all discussion. It is already very clear that the ricochet effects for the poorer countries are enormous and the effects are not just about belt tightening. We are receiving daily reports of millions of jobs lost and political upheavals already happening and more are certain to come.

The countries and the communities at the end of the asphalt have the least capacity to adapt and respond. Yet, already we have calls for cuts in foreign assistance, and the extraordinary philanthropy, which fuels so much of civil society’s work, is rapidly tightening, businesses are pulling back. We already faced a tough fight to keep attention on the silent tsunamis of poverty, disease, children out of school and to make the Millennium Development Goals the disciplined, in-your-face reminder that they are intended to be. Now, the challenge is greater still, and even more important.

There are plenty of controversies that surround the development business. Many question whether it works, whether it is a colonial vestige, and whether it goes to the right places in the right ways. I see it as far better than the critics claim, but the system has become so complex that many call to get a grip, to harmonise, to put some kind of order in it.

Corruption is an insidious element at many levels, a real problem that leads to building shoddy schools, providing adulterated or expired medicines in clinics, to the excessive cost for roads and a polluter of trust and image. It makes both an easy excuse and a reasonable cause for doubt about the
estimated billions of dollars that are the price tags for the minimum Development Goal of halving poverty by 2015 and ending hunger.

These issues of corrupt practices that we focus on here, however, the practical and relatively actionable issues of procurement practices, accountability and transparency do tend to blend at the borders with a set of questions that we are focusing on and that turn around equity.

Equity is a tricky term that basically means fairness and justice, and the patent unfairness of today’s world comes into the picture. The inequities of globalisation are evident in the pain of those far from Wall Street, who are affected by slack banking practices in the United States. We could give countless other examples.

It is easy to become bogged down in these questions about global equity and the search for solutions. Solutions range from obvious incremental reforms to the blue-sky dreams of the world we would like to see.

As a pragmatic idealist, I come back to three practical conclusions. We need all our alliances to work together to keep the focus on poverty issues, as many here have done. It’s the name of the game for our children, together with climate change. The divided world we have now is not sustainable.

Second, we need to forge ahead with development assistance, for all its foibles and faults. We need to work to strengthen its basic integrity, because that is vital to making a case and to making it work.

And third, we need to recognise, name, and address the ethical issues surrounding equity, as they are a part of the reason why people shy away from talking about the c-word, corruption.

**Mr ALTMAN (Moderator):**

Thank you, Ms Marshall, for broadening this issue and helping us think about some concrete ways to take it on.

We are now going to hear from Claribel David. She is Vice-President of the International Fair Trade Association. You have heard that she was the founding Chair of the Asia Fair Trade Forum, which claims over 90 companies in 11 countries from Asia as its members. She left the world of banking and finance
some dozen or so years ago to pursue this course, and I think we can all agree it was probably not soon enough.

She is going to discuss how globalisation has exacerbated some of the ill effects of corruption, and what micro and macro regulatory frameworks and voluntary measures we might use to deal with those challenges.

Ms David.

Ms DAVID:

Thank you, Daniel.

Good morning, ladies and gentlemen.

As we speak, the fire which started on Wall Street continues to wreak havoc across the markets of Europe and Asia, with economists warning us that we are facing the worst economic crisis the world has seen since 1929. Katherine started to discuss the possible repercussions of this crisis, and, very briefly, I would like to go into its root cause.

Extensive financial deregulation, low interest rates, and poor credit standards gave birth to toxic mortgages, which were exported across the world through globalisation. Mortgage brokers aggressively and recklessly pushed their products, which gave them a steady stream of fee-based income.

To maximise their profits, they originated as many mortgages as possible, and in turn, investment bankers bought these products, sliced and diced the risk, and passed them on as much as they could. And banks all over the world bought and sold these highly complex financial instruments, in a globalised, borderless economy, where there is no longer a clear distinction between the international and the domestic, the internal and the external.

Last August, we all know that the executives of the world’s largest trader in dairy products arrived for a meeting at the headquarters of their Chinese joint venture company. Their company’s powdered milk was found to contain melamine, a chemical used in plastics that is highly toxic in food. Soon, melamine started turning up in milk products and milk-related products of international companies, including Nestlé, Cadbury, and Unilever, leading to massive product recalls around the world.
Sustainable globalisation accepts the logic of free markets, but rejects the excesses of neo-liberalism, on one hand, and the abuses of state regulation, on the other. A key argument is that the globalised economy requires effective global regulation, which would tackle the abuse and corruption of unregulated market capitalism.

It is less about interfering in the unfolding processes of globalisation than changing the terms under which wealth is generated and appropriated in a market economy. I believe that globalisation can be controlled, tamed, harnessed and made to work as a force for good.

It is on this premise that the forthcoming Washington Crisis Summit is most likely to endorse a Global Regulatory Reform Agenda, which would cover rules on the international flow of investment funds, improve oversight of global financial institutions, and mechanisms boosting transparency and accountability in global financial transactions.

The economist Joseph Stiglitz recently stated that the world will need to construct a new global economic order for the 21st century, which should include a new multilateral regulatory agency, the form of which we do not know yet.

However, some quarters argue that the global regulatory framework is not enough to single-handedly control transnational corporations in their production of inequality, their corrupt influence on governments, their tax avoidance schemes, poor environmental record and even poorer labour market practices.

These corporations have evolved into global companies with long, complex, almost invisible supply chains and networks around the world which have become regimes in their own rights. How do you control them?

Thus, an emerging pattern in the approach to governance revolves around micro-regulatory frameworks or self-regulation, co-regulation and cooperative management.

In the shocking stories of toxic mortgages and toxic milk, the role of corporate social responsibility comes to the forefront. And there are various mechanisms by which corporate responsibility is demonstrated, verified and guaranteed in the market place.
A current model is the voluntary, multi-stakeholder standard system, described as a cross-sectoral partnership created to develop and monitor practice or regulation standards, based on the fundamental principals of transparency and accountability.

These systems develop as a result of perceived market and government failure to deliver ethical outcomes. One example of this system would be the UN Global Compact, and others would include standards and certification systems on fair trade, manufacturing, labour, sustainable agriculture, sustainable forestry and fisheries, tourism and even carbon accounting.

Standards on the financial reporting of multinational corporations, including banks, are currently being developed. These certification systems and labels give consumers and other stakeholders an independent third party guarantee that a company, including its entire supply chain, is in compliance with standards.

Some of the more known standards are the Fairtrade Certification, Rainforest Alliance, SA8000 for labour standards, ISO 14000 for environmental management, and others.

And most of you have heard about fair-trade-labelled coffee and tea being sold in supermarkets in the North and now increasingly in the South.

Underpinning and driving the Voluntary Standards Initiatives is a powerful global regulator called the consumer. In a European consumer survey conducted in 1995 and 1997, 71% of French consumers would choose a product not produced in conditions exploiting children; 67% of British consumers claimed to have bought environmentally friendly products, even if they were more expensive; 60% of British consumers said they would protest a company’s irresponsible corporate behaviour; and 30% have actually boycotted stores and companies. By 2004, the European survey found that 75% of consumers were ready to modify their purchasing decisions based on ethical considerations. Government, as a consumer in public procurement, has also become a powerful regulator.

But even if substantial gains have been made towards ethical or responsible consumption, so much more needs to be done to raise consumer
awareness through education in order to create a mass-based consumer movement both in the North and in the South, which will demand, prove and guarantee responsible corporate behaviour.

We in the fair trade movement are committed to this initiative. Thank you.

Mr ALTMAN (Moderator):

Thank you, Ms David, for presenting that very important aspect of globalisation, which I am sure we will talk about more in a few minutes.

We are now going to hear from Dimitris Vlassis. He has worked for the United Nations in crime prevention since 1989, after having fought against organised and drug-related crimes for many years. He is now Chief of the Corruption and Economic Crime Section of the United Nations Office on Drugs and Crime (UNODC). As a technical advisor, he has helped out countries like Cambodia and Somalia, as they try to control crime in the aftermath of conflict.

He is going to be talking to us about the role of the United Nations Convention against Corruption, especially in the pursuit of sustainable development, and how globalisation has affected that role.

Mr Vlassis.

Mr VLASSIS:

Thank you, Daniel.

Good morning, ladies and gentlemen.

We have already heard about how sustainable globalisation is important, and what the threats are to turning sustainable globalisation into unsustainable globalisation.

I think sustainable globalisation requires two things, economic growth but also social stability. The biggest killer of both, in countries both rich and poor, is corruption. It undermines economic growth, by breaking the rules on which the financial system should be based. You don’t need to look far, especially these days, to see plenty of examples.
More importantly, I think corruption breaks trust in government and erodes the legitimacy of institutions, both public and private. This can lead to social instability.

Lack of trust in institutions also breeds apathy, which is as serious as instability, as it attacks democracy at its very core.

Corruption retards development by stealing the public’s money that is needed to build schools, roads, sanitation and health systems.

That is why, although the rule of law per se is not one of the Millennium Development Goals, we argue that it is the key to unlocking all of them. This includes strengthening integrity, and I think, as Daniel said at the beginning, that globalisation presents challenges, but it also offers opportunities. And the best global blueprint that globalisation has offered us is the new United Nations Convention against Corruption.

How can the Convention promote sustainable globalisation? Let me provide you with three ways.

First, the Convention should and can be used as an insurance policy, in the broadest sense of the word, for both developed and developing countries.

It is an insurance policy for development and the means employed to promote and sustain it. In this way, both providers and recipients of development assistance make sure that assistance gets into the hands of those for whom it is intended.

We heard the risks that the financial crisis may pose to development, and I can assure you that those risks are probably more real than many of us realise. It is not just a bookkeeping issue, in other words, making sure that money is well spent. It is also an issue of good governance.

The Convention is the most universal and comprehensive means to build integrity. It should be universally applied, not only by states, but also by development agencies and banks.

It offers a transparent and common framework, it is the product of an inclusive and fully participatory process, and most importantly, the result of genuine and informed consensus. That makes it unique.
Using the Convention as a common benchmark, a goal in other words, to which we should all aspire, is thus made easy. We have all taken part in negotiating it; we all agree it is the crystallisation of our common efforts; and by using the Convention, we all play by the same rules. And I repeat: rules that we all developed together. No one has imposed them on anyone else.

This is the best way to increase aid effectiveness and strengthen integrity, while avoiding double standards or shifting goalposts. States parties can demonstrate their commitment to integrity by implementing the Convention, being a partner not only in development but also in integrity. The Convention will build confidence and ensure that money is well spent. It has that potential.

My second point is the link between governance and integrity. Governance and development are not separate agendas. Indeed, you cannot have one without the other. Since integrity is a key aspect of good governance, implementing the Convention will strengthen political and economic accountability. The linchpin and enabling factor for all this is technical assistance, which is an integral part of the Convention.

Therefore, the Convention is not only an insurance policy; it can also be a down payment for building good and clean governance. The challenge of course remains in how technical assistance can be effectively delivered.

This brings me to my third and final point: the need to prevent corruption from enabling other crimes, the need to look at and deal with corruption as the lubricant for other crimes. For it is such lubricants for crimes that hurt sustainable globalisation. Let me give you some examples.

The bribery that enables environmental crime, the dumping of toxic waste, for example; counterfeit medicines that harm rather than help the sick; illegal checkpoints along highways that hinder trade; the fraud that rips off investors or diverts aid or investment to private pockets; trafficking in human beings and its disastrous consequences on the most vulnerable victims, that is women and children.

It is very often small transactions as much as large-scale fraud that threaten development and human security. I suggest that implementation of the Convention, as well as national anti-corruption strategies called for by the
Convention, introduce a culture of integrity. I would even say a culture of legality, a value that all societies can claim as their own, regardless of cultural backgrounds.

You all know the adage that we need global solutions to global problems. And we are all becoming painfully aware, these days especially, of how true this is.

We have a solution with the Convention. The corrupt use the openness of globalisation to shield illicit assets and to launder money. The Convention fights back by eliminating bank secrecy, an impediment to anti-corruption efforts. It strengthens international cooperation and has specific, robust and new, groundbreaking provisions to recover stolen assets and ensure they return to the countries from which they were stolen.

Globalisation has raised awareness of the problem on a truly international scale; it has created momentum. The UNCAC has the potential of eliminating safe havens to ensure that perpetrators have nowhere to hide and will not enjoy the fruits of their crime.

We need to all work together: civil society, international organisations, the media and governments, and we all need to blow the whistle, not only in our own countries, but to expose and deal with corruption around the world.

In short, building and sustaining integrity and indeed safeguarding it are the cornerstones of sustainable globalisation. This can be achieved with the implementation of the world’s only universal anti-corruption instrument and the local action it calls for to prevent corruption, strengthen checks and balances in the system, but most importantly, change mindsets about something that we must all recognise as a crime, not a normal way of conducting business.

Thank you very much.

Mr ALTMAN (Moderator):

Thank you Mr Vlassis for that vigorous call to enforcement in the case of corruption.

It is now my great privilege to introduce Mr George Papandreou. He was Foreign Minister of Greece between 1999 and 2004 and he has been a Member
of Parliament since 1981. He is also a Fellow at Harvard University's Center for International Affairs.

He is going to share his perspective, that derives from a long career in politics, on dealing with these issues.

I believe Mr Papandreou is going to speak in Greek so you may want to put your head-sets on.

Mr Papandreou.

Mr PAPANDREOU:

Thank you very much. I will be speaking in Greek, but allow me to say a few words of welcome in English. If there are any questions, I will answer them in English.

First, let me welcome you all to this event. It's an honour to have Transparency International in Greece, at a time when the issue of corruption has become very important for the world, and also for Greek society, when it has become part of our political discussion, especially as regards our democratic institutions. I am very pleased that you are here today to discuss this matter with us.

In my presentation, I will try to outline how I understand the link between corruption and the undermining of our democratic system and our democratic principles.

I will now switch into Greek.

If there were no freedom, we would not know the meaning of slavery. If we did not have a just society and democracy, we would not know the meaning of corruption. It is no coincidence that Aristotle often cited the danger of corruption in a democracy; indeed, the Ancient Greeks often referred to the death of democracy as a result of corruption.

Corruption stems from and augments social inequality, and an unjust distribution of power, be it economic, political or any other kind of power. Democratic institutions and the demand for social justice for the full implementation of the law are the cornerstones of equality, respect for human
beings, respect of human rights and dignity and of beliefs and values, which lie at the very heart of politics.

As President of Socialist International, I can confirm that these definitions of democracy and social justice are at the very core of our values. Corruption leads to inequality, it increases political, social, cultural and of course economic inequality, and even ecological inequality. In other words, corruption leads to greater exploitation of human beings by human beings.

I mentioned ecological inequality, because it is one of mankind’s greatest problems. I believe that there is ecological inequality, a sort of ecological apartheid, within our countries and between our countries, in that some states enjoy clean air, a clean environment, clean energy sources as much as they wish, whilst others states on our planet are used as a mere dumping ground.

Hence, there is ecological inequality and corruption aggravates the problem.

The recent global crisis is a result of corruption and the basic lack of democratic rule of law; in other words, the undermining of democracy. I firmly believe that the breakdown of the credit system is a direct result of the limitations of democratic institutions, and of the concentration of capital and power, political power, in the hands of a few.

It is no coincidence that the Nobel Laureate in Economics, Paul Krugman, in his analysis of America, states that the existing inequality in the U.S., the margin of inequality, economic inequality, can be compared to the margin of the Crash of 1929. What does Krugman mean by this? That the concentration of power in the hands of the oligarchy allowed the American political system to be taken hostage. It has led to a lack of rule of law, of monitoring systems, of a system of checks and balances for the economy, and of the necessary checks for economic and political actions. And this is a huge problem, a democratic problem.

The globalisation of the economy has certainly set a greater challenge, because there are less and less checks in place. I believe that what is needed, at international level, is the democratisation of the global administration.
Tomorrow, 15 economic powers will meet with the outgoing President of the U.S., George Bush, in Washington. Their message needs to be that decisions will no longer be made behind closed doors. The global economic system needs to be governed democratically, so that there is transparency in the decision-making process, something you have been struggling to attain.

As President of Socialist International, I have asked Joe Stiglitz, who I am pleased to announce has accepted, to chair a Committee to share with us – there are 160 political parties within our organisation – his ideas, together with those of other politicians, economists and scholars, on how such an economic system could become more transparent, more democratic, so as to benefit all the citizens of the world.

Before concluding, I would like to add that corruption undermines democratic institutions in diverse ways, including by undermining political psychology. It undermines the sense of trust we should have in society, trust in our institutions. It creates the feeling that justice is in the hands of the powerful, and not that power is in the hands of the just. This leads to cynicism, and eventually apathy and sometimes even more extreme behaviour.

Corruption augments social injustice because of an unfair distribution of wealth. It is no coincidence that the World Bank recently reported that $2.5 trillion were lost due to corruption. Add to that the $1.5 trillion lost in America because of the economic meltdown, and you may begin to comprehend the extent of economic inequality affecting relations between countries and businesses.

In his book *The Bottom Billion*, in which he describes the plight of the poor, Paul Collier makes an interesting comparison between two oil-producing countries, namely Norway and an African country. He shows how oil is a source of development for Norway, but a curse for the African nation.

He expounds further on his theory, by stating that there are no transparent institutions to monitor capital, and that this capital leads to the “buying” of the politicians of the African country.
For this reason, powerful countries are called for; but when we say powerful, we do not mean an autocratic or centralised state, but rather a democratic state that enforces transparent laws and good governance.

The same applies to Greece, where we too had problems with Siemens, which succeeded in creating an atmosphere of discord in our country to further its own projects and interests.

In conclusion, transparency is one of the main ingredients of a democracy, because it provides knowledge. It provides the citizen with the power to monitor. Knowledge itself is power.

Corruption is not related to culture, despite the fact that many seem to believe it is a cultural attribute. I have often heard people say, even here in Greece, that corruption is part of our DNA. Corruption is in no man's DNA. In my opinion, it is related to how well countries and international organisations are able to enforce laws and foster democratic practices.

For this reason, we need to stop corruption at the very top; we need to strike against the political leadership of each country and at international level too.

Of course, this entails impeding the “buying” of politicians and of our political way of life by the power of wealth and the media.

The concentration of wealth and of the media in the hands of the oligarchy is what hurts our society and leads to politicians and political parties being “bought”.

It is for this reason that we need to keep in check the way in which political parties are financed, their power and their hold on the mass media. In this way we can guarantee the democratisation and autonomy of politics.

The way in which Obama’s election campaign was financed is most certainly an interesting example. We parties of Socialist International are striving to amend the way in which our parties are financed, so that we can be truly free to democratically represent our supporters, and thereby stand up against the centralisation of power, and the inequality bred by corruption.

Thank you very much.

Mr ALTMAN (Moderator):
Thank you very much, Mr Papandreou, for those fascinating remarks.

I would now like to pose a question to the entire panel. After that, we will open the discussion to the audience.

In addition to writing a column for the International Herald Tribune, I am President of North Yard Economics, which is a not-for-profit economic consulting firm exclusively serving governments and NGOs in developing countries. And I would like to put on my economist’s hat for a minute.

One of the things that we can do to stem corruption through the process of globalisation is to set up mechanisms that engender good incentives for people to avoid corruption, to do the right thing.

One such mechanism, which has already been mentioned on this stage, is the Mo Ibrahim prize. The future recipient, President Festus Mogae is here with us. The prize is the front-runner in giving heads of state an incentive to act properly, to engage in clean governance during their terms and, when they retire, to have a comfortable life to look forward to. That is one way of creating an incentive for good behaviour.

What I would like to do now is to ask each and every one of you if there are any mechanisms that you would propose to do the same in your various spheres.

I will start with Futhi Mtoba and Claribel David in the private sector.

Ms Mtoba:

If you consider the private sector, I think the prize waiting at the moment of the demise of an institution should be a deterrent in itself. But as a Board member of UN Global Compact, I can safely say that that is what Global Compact is all about, about businesses focusing on their long-term survival themselves. So the incentive for them should be that they will still be there tomorrow.

I think we have enough regulatory policies in place. What we need now, in my opinion, is for people to use their moral compass. Because you cannot regulate everything. You have to go back to basics and understand that you will
not be there in the future if you do not do the right thing or conduct your business properly.

This is why there was an outcry at the amount of money that the government put into the hands of the private sector. This is why taxpayers started saying that they are going to be penalised double. They believe that they have not only lost their pensions, but that now these institutions are being set afloat again.

That is why, in my opinion, what we have seen happening in the financial sector should serve as a lesson for every business which does not conduct its business appropriately.

Mr ALTMAN (Moderator):

Thank you. So, it is important to focus on the long term, because you may not be there in the long term if you are not acting appropriately.

Ms David.

Ms DAVID:

I would like to come back to the issue of corporate social responsibility. It is a strategy for business sustainability, and in this sense, I agree with Ms Mtoba that it is not about the short term but about the long term. It is not only about looking to maximise shareholder value but stakeholder value to, to include customers, the community at large, regulators, partners and all other stakeholders.

I would like to have a quick look at the issue of corporate governance as regards the current financial crisis.

The incentive system, which corporations have at the moment, encourages the proliferation of maximising the profit and expense of shareholder or stakeholder value. It focuses on profits in the short-term. And this, I think, exacerbates greed. It has resulted in what we know today to be this huge mess: the global financial crisis.

That is why corporate social responsibility is so important.
Mr ALTMAN (Moderator):

How do we actually get people running a company to focus on stakeholder value more holistically? The incentives right now are for shareholder value.

Ms DAVID:

As I said, it has to come from the public. The pressure and the demand must come from the customer, who needs to start insisting that financial transactions and financial reporting be made transparent and accountable to all stakeholders.

Mr ALTMAN (Moderator):

Thank you.

And now, in the very important sphere of the giving and use of development aid, what mechanisms can we use, Ms Marshall, to ensure that there is less corruption in the future?

Ms MARSHALL:

I think it is important that everyone realises that positive incentives, whether you are dealing with children or dogs or countries or leaders, generally work much better than negative incentives.

That said, there is a very clear record that putting money into badly-governed, corrupt systems achieves nothing, and often does a lot of harm.

So, the question of cutting off the spigot, of having clear criteria, the CPIA and other criteria, and basically allocating concessional funds, is well advanced and, I think, inarguable.

That said, it puts us into a real trap, because in many cases the countries that need help the most are the ones that are least able to use it, “the bottom billion”. And I think Paul Collier has made a very powerful case for the trap that is worsening, if anything. In other words, it’s getting more difficult to get on the ladder than it was before.

What that calls for, in practical terms, is the kind of alliances of civil society, of business, of philanthropy, of foundations, of development assistance
agencies, etc., that really try to crack the tough nuts, like the Democratic Republic of Congo, Myanmar, the Somalias of this world.

This means that you need, first of all, to build knowledge, to be on the lookout, so that essentially you are ready to take the moment forward, to create an opportunity to do so, to build, both inside and outside the country, relationships with civil society, to do the training and whatever else is necessary to keep core services like education going so that, at least, you don’t lose a generation.

We have to look at it case by case, something which is very difficult. I am uncomfortable with the taps turning off and on and the judgments that a country is good or bad in this camp or another, because I think it catches us in this real dilemma, which I think is very critical for all of us.

**Mr ALTMAN (Moderator):**

That is interesting, because some campaigners, like Bob Geldof, have said that even if only 50 cents on the dollar get through the web of corruption it’s still worth sending the aid money. But you’re saying it’s a little more subtle than that.

**Ms MARSHALL:**

I think it’s much more subtle than that. I think that zero tolerance on corruption is essential and feasible. But that doesn’t mean that you cut it all off. You find a way to enforce accountability and that sometimes means working with different partners. So maybe religious organisations, civil society, can find ways to do it, that are outside conventional norms.

**Mr ALTMAN (Moderator):**

Thank you.

Mr Vlassis, it’s a difficult set-up for you, because they are saying that positive incentives work better than negative ones like enforcement. But how can we work through the UN Convention to try and set up some of these positive mechanisms?
Mr VLASSIS:

The Convention does not only deal with enforcement. Let’s not forget that the Convention starts with a very comprehensive chapter on prevention and it covers a lot of ground. We think that there are many stakeholders in the fight against corruption, and no one can fight corruption effectively alone. By the same token, no country can fight corruption effectively these days on its own.

So what we need to do is to find ways to build partnerships, to build alliances, and I am not referring to alliances that remain – we’ve seen a number of those initiatives, all of them very commendable – but rather to a public private partnership and alliance that will go well beyond the declaratory stage, that will set specific goals, achievable goals. That may mean that we need to moderate expectations and be a bit more modest in what we try to achieve.

But we could bring political leaders together, as Mr Papandreou said, and I fully agree that the fight against corruption has to start at the top. The top has to give the signal, the top has to sustain the entire process, but it has to be supported by everybody else. Political leaders and business leaders – the business sector has made much progress, but I think it still needs to find a convincing argument about why it is important, why fighting corruption means good business – need to join forces. Not everyone is convinced of this, and we really need genuine commitment to move forward from leaders in education and civil society in general. As I said before, I am not interested in paying lip service and making declarations, but we need to develop an agenda which has concrete goals.

We can build around prevention strategies, prevention strategies built by consensus in countries, which means that they are “owned” by the entire population, so that they can be implemented and so that we can develop mechanisms to monitor the implementation of the Convention, which is also important to ensure uniformity around the world in dealing with these issues.

And last, but by no means least, I think we really need to focus on and invest heavily in education. I firmly believe that we need to create a new
generation to whom it would come more naturally to say no to corruption, than it
does to the poor today.

Mr ALTMAN (Moderator):

Thank you.

I think the point you made about the internationalisation of cooperation is
extremely important. I think the current financial crisis highlights how much of
global governance does in fact have to be global.

Mr Papandreou, this topic is right up your alley, especially as former
Minister of Education. It is also an extremely difficult issue for politicians,
because they’re often focused on the electoral cycle. How do we get politicians
to look at this problem in the long term, and institute good incentives for better
behaviour?

Mr PAPANDREOU:

Well, picking up on some of the earlier comments made, I think there is,
first of all, a systemic problem in our economies, something you mentioned, but
which I want to reiterate.

You have the shareholders and you have the stakeholders. The problem is
that the interest of the shareholders and the interest of the stakeholders can
differ greatly and the stakeholders may not have any real influence over the
shareholders.

The stakeholder is part of society, of the population, of our nations and of
our planet. How do we give them a voice so that they can in fact influence the
shareholders? The fact that these two are so diverse and the fact that in this
crisis we saw the shareholders going off to a “stratosphere” of their own where
nobody really knew what they were up to, where there was no transparency and
where they had huge power, both political and economic, showed that we have
very basic systemic problems.

This does not mean that we don’t want to, we can’t, we shouldn’t create a
movement from the bottom – I already stated we need to start from the top. I am
a fervent believer in movements from the bottom, whether they are NGOs or others.

This holds especially true at a time when consumers are becoming more and more aware, and you said this Ms David, of the fact that if we can educate consumers and in a wider sense, citizens, in the concept of citizenry, that is in being able to understand and know and learn about these issues, they can acquire some form of power, albeit small, but power, nonetheless, buying power in these corporations.

If they are well-known international corporations, they will be affected a lot more by consumer decisions. But this means that we need to provide the right information, that we need to know if there is child labour or if there are any corrupt practices, or whether there are, for example, environmental practices, or fair trade practices and so on. We really need to know what corporations and companies are doing.

This is why some form of regulation is required. Not regulation in terms of reams and reams of paper and bureaucracy, but simple transparency. That is what we need to enforce. If we enforce transparency in all our actions, from the private sector to the public sector, it would constitute a key and huge revolution that would allow our citizens, whether they’re consumers or citizens in a wider sense, to be able to make decisions and influence the shareholders of these companies.

Hence, you need the political will to move ahead with transparency. For example, I’ve suggested something very simple in our country, and that is that every single decision of each and every Minister and high official be published on the Internet. It does not entail any cost, it just requires political will and it would bring huge benefits by cutting down corrupt practices or election practices, which in essence, hide corruption, hide a corrupt philosophy of trying to buy off votes.

We need political will, and as we educate our public, I think that not only will our political cycle, the four or five-year electoral cycle, not be an impediment, but our citizens will be much more adamant on seeing politicians move forward on these issues of corruption, because in the end what it means is
that their politicians will be more accountable to their interests, and not to the interests of some very non-transparent or very powerful, economic, or other, interests.

Mr ALTMAN (Moderator):

Thank you, Mr Papandreou.

Thank you to all the members of the panel for their contributions.

We will now open the debate to the floor. Please keep your questions and comments short, out of respect for your fellow attendees.

We have a woman here, and then we'll take a question from the gentleman there.

MEMBER OF THE AUDIENCE:

Thank you. I am from TI Ghana. Inspired by what has happened in this room today and throughout the week, I would like to propose a motion in regard to recent reports that the former Chair of the Nigerian Economic and Financial Crimes Commission, the well known Mr Nugu Ribadu, who was present at the IACC in Guatemala, feels threatened and fears for his personal safety, as a direct result of having led a series of high-profile anti-corruption investigations during his chairmanship of the EFCC, and this should be of concern to us.

I think such reports show that the environment in which many of us are working is becoming increasingly hostile and at times dangerous. But freedom of expression, as you know, is a human right that each and every one of us must be allowed to exercise in our efforts to build transparent and accountable societies. And our voices cannot be silenced.

So we are calling on participants at this 13th IACC to call on the government of Nigeria and governments worldwide to ensure the protection of those speaking out against corruption. Those who claim the right to freedom of expression in their efforts to strengthen the national integrity of systems must be guaranteed the space to debate their concerns openly and without risk to their personal safety and well being. Only then will we be able to do what we have committed ourselves to this week.
Thank you.

**Mr ALTMAN (Moderator):**

As moderator, I will refer the motion to Mr O’Keefe, who is serving as Chairman. The motion is seconded.

**Mr O’KEEFE:**

Moderator,

Ladies and gentlemen,

I have great pleasure in seconding that motion.

Those of you who were in Guatemala will remember that in the closing days of our conference there, a very urgent matter arose in connection with former President Fujimori. The resolution adopted at that Conference was a powerful message to the Chilean Supreme Court, which was then considering his extradition to Peru to stand trial.

The passing of this motion will be a powerful message, not merely to the government to which it is directed, that is the government of Nigeria, but to all governments that may be leaning towards eliminating or interfering with anti-corruption agencies that exist, and worse still, the physical safety and integrity of their personnel.

This is an exceptional motion, but this also is an exceptional situation. And I would hope that this meeting, having gone through what we have been through over the last three days, would unanimously, and by acclamation, carry that motion. The IACC Council, and I as its Chairman, strongly support it and urge you to do the same.

**Mr ALTMAN (Moderator):**

The motion having been moved and seconded, I put it to the floor for vote by acclamation. All those in favour, say aye. All those not in favour, say nay. The motion has been passed. Thank you.

There is a question from the gentleman in the third row.
Mr WEMPE:

Thank you, Mr Altman. My name is Johan Wempe and I am from Saxion University in the Netherlands.

I have a question for Mr Papandreou. I enjoyed all the speeches, in particular that of Mr Papandreou. But I wonder, and that’s a fundamental question, whether we don’t expect too much from transparency. Of course, that may lead to a lot of irrationality, and one of the things that we have learned from the financial crisis is that if you have a lot of transparency, something we promote, it prevents corruption, but it may also mean that everyone will react on their immediate impulses, which may lead to a collapse of the system. That, I believe, is one of the lessons we have to learn from the financial crisis.

My question to you, Mr Papandreou, is the following: Do you recognise such a process? And how can we guarantee that transparency also leads to rationality and in fact long-term perspective in people, and the power for people to decide, based upon that long-term perspective?

Mr PAPANDREOU:

If I understood the question correctly, you are saying that transparency can also lead to extreme situations and to a collapse in the system.

It comes down to the fundamental question of democracy. This is a question we have often posed to those against democracy, who question how we can give power to the people when they don’t know how to handle it, when they don’t know how to make decisions. They believe that that is why we need oligarchies or aristocracies or kingdoms, etc.

I think what we are really saying here is that transparency may lead to some aberrations or extremes at some point, but in the end it comes down to one very basic question: Do we trust the people? Do we trust our citizens to make the right decisions, or not?

And I think, in the end, we have to say that we trust our people. Whatever the difficulties from a transition to a much more transparent world, in the end that world will benefit our citizens. It will help them become educated, and this
is why education is important. That is why I believe we need to move forward with this.

And I think that wherever this has been done – the Netherlands is one of the more transparent societies in the world, and you may have more to say on this – wherever we have seen transparency, we have also seen a dramatic reduction in corruption and inequality.

Of course, you have to have democracy to have transparency, because if you have authoritarian regimes you won’t have transparency. So they go hand in hand.

I believe that this means that we also have to put greater emphasis on educating our public, and I think democracy and education go hand in hand. The one cannot survive without the other. We need citizens that are educated. Then, transparency will be extremely positive for us.

Thank you.

Mr ALTMAN (Moderator):

Are there any other questions? Please raise your hands up high. I see one on the end there in the third row. I see another hand as well. We have time for all of you, as long as you keep your questions and comments short.

MEMBER OF THE AUDIENCE:

I am from TI Uruguay and I have a question for Mr Vlassis.

During the last four days, many people have mentioned the UNCAC. The United Nations is being reformed in eight pilot countries, as I’m sure you well know. How would you like to see the United Nations Field Office Representation change, in order to make the UN capable of holding governments accountable for what they have signed, particularly in those countries that have signed the Convention?

Thank you.

Mr ALTMAN (Moderator):

Thank you. Mr Vlassis.
Mr VLASSIS:

This question comes up time and again. The only way that the United Nations can make countries honour and not only implement their obligations is by engaging with them and by ensuring that everybody’s concerns are met.

It is a participatory process. We are not in the business of imposing sanctions, at least not this part of the United Nations; only the Security Council can impose sanctions, and I don’t think that this would be the best way forward in this field.

We have proof of the positive engagement of governments. We must also realise that there are different situations in different parts of the world, that there are different levels of development, that there are different levels of ability and capacity.

This has been already recognised in the Convention. This is the second convention in this area, in the area of international criminal law, with very specific, concrete provisions on technical assistance. It elevates, if you will, technical assistance to a matter of implementation, per se.

Now, with all these means at our disposal, with the power that intergovernmental forums create, governments are there interacting with their peers. With the provision of technical assistance to address genuine needs and gaps, I think that we are well on our way to ensuring that governments honour their obligations.

Mr ALTMAN (Moderator):

Thank you. The gentleman on the second deck of the lower level.

MEMBER OF THE AUDIENCE:

Good morning. When speaking about awarding a prize to the president who best fights the corruption, there is a chance that such a president cannot be found, especially in the Arab world. So we must be able to award a prize to a person who best fights corruption, as is the case in Egypt, where we have a single person who has become an example to an entire generation in the fight
against corruption. He is Yahya Hassanein Abdol-Hadi, an engineer who sacrificed his safety and his job in Egypt when he discovered and publicised the great scandal of the privatisation of the Omar Effendi Company.

We must concentrate on the people who fight corruption, not on the presidents or kings.

Thank you very much.

Mr ALTMAN (Moderator):

Perhaps, Ms Mtoba, you could comment on how we can protect whistle-blowers when they come across malfeasance in their daily work. Do you think this is something that the private sector should take on as well as the public sector?

Ms MTOBA:

Definitely. I think whistle-blowing is becoming more effective. I know for sure that our forensics team at Deloitte has used it extensively. In South Africa, organisations that have used the whistle-blowing mechanism have found it most useful and the people that blow the whistle are protected.

Mr ALTMAN (Moderator):

Thank you very much. I think we have time for just one more question. I would like to hear from someone who hasn’t asked a question yet during one of the plenary sessions. The gentleman there.

Mr EUKU:

Thank you very much. I am Simon Ross Euku, a Member of Parliament from Uganda.

I would like to return to the comments made by Mr Vlassis and hear something more on the rule of law and the fight against corruption, one of the major goals included in the Millennium Development Goals.
I am aware that there are many objectives in the fight against corruption. But if the rule of law and corruption are high in the agenda, then I feel the Millennium Development Goals can be achieved.

We have heard how the rule of law and the fight against corruption will be included. Shouldn’t they be effectively implemented in international organisations and institutions too, and shouldn’t we know for sure that the countries receiving technical assistance know how to achieve the Millennium Development Goals, that they know how to apply the rule of law in the fight against corruption?

Thank you.

Mr ALTMAN (Moderator):

Sir, you are very fortunate that we have an expert on the Millennium Development Goals here, Ms Marshall. Perhaps you can tell us a little bit about the role of the rule of law in executing the Goals.

Ms MARSHALL:

The rule of law figures in the very large Goal 8, which relates to partnerships and to the implicit compact that the Millennium Goals represent between the richer countries and the poorer countries of the world. Part of the implicit compact is that the poor countries undertake to use aid well and to govern well, whereas the rich countries undertake to reform their trade practices and to provide the resources that are necessary to achieve the Goals. They are part of a very large basket and there is a long way to go to achieve them.

We are already half way between the year 2000 and the year 2015, so people are already starting to reflect on what comes next. Because clearly something must come next.

I think there is a very strong case for being more explicit and trying to add some of the rigour that is the ideal of the Millennium Development Goals to areas that I think were considered too broad and too complex to tackle during the Millennium Summit. But for the next round I think there is an understanding
that this is a continuing process and that it could be broadened to include some of these areas.

**Mr ALTMAN (Moderator):**

I would like to thank all of you for attending, and thank all the panellists for their input. Could we please give them a round of applause.

**Opening Moderator:**

Thank you, Mr Altman for a job well done, and thank you to all the speakers.

As you very well know, there will be a number of workshops after the coffee break. Immediately after, at 13:30, we will have the final plenary of the conference, “The Road Ahead: Global Transparency for a Sustainable Future”, followed by the conference declaration and closing. Please join us for the closing as there will be some very important announcements.

Thank you very much.