

NOREENA HERTZ

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KEYNOTE SPEECH

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PUBLIC EYE ON DAVOS

Good morning Public Eye...it is so nice to be here.... Thank you for inviting me to your meeting...and thank you Matthias for enabling me to fit in a panel at the main forum before I spoke here...at which you will be glad to know I pulled no punches. I went there with a purpose. And I realized my goals. For while what the Public Eye does in terms of holding the WEF to account is absolutely essential, and the publicity that it generates in terms of unmasking unaccountability and corporate misdoings is really really important. What is also essential is that the critique of globalization that we share is heard within the forum too.

That participants are not allowed to just put on their passes, walk into the stuffy congress centre, and luxuriate in a false sense of security that the world outside is content with the ideology that most of them subscribe to.

Because their ideology has created a world in which a chasm gapes between politics and society, between profit and humanity, between what is right and what is expedient.

Their ideology has created a world in which the global economy has become detached from social justice to an extent that in modern times we have simply not seen before...

Let me remind us all of some shocking facts: 34,000 children die every single day in the developing world from poverty related diseases. Sub Saharan Africa the world's poorest region where 26 million people are HIV/AIDS infected pays out \$30million every single day on debt service. 54 countries are poorer today than they were in 1990. Young girls in Honduras are being paid 25c an hour in sweatshops for making sneakers. This while the same sneakers retail at \$180. Michael Eisner the chairman of Disney earned in one year \$576m the entire GDP of the Seychelles, and the \$170bn it would cost us to cancel all the debt of Sub Saharan Africa is less than what the United States has spent on military operations in Iraq so far.

It is shocking that the world we inhabit is a world of such extremes, such injustice, such divides, and that those in power are doing so little to address these concerns.

But before I go into what I think we must do about all this, let me step back and look at why the world has come to this. Obviously a complex question to answer. So let me posit just three

explanations, that although only partial, can help us understand

what is going on. First, the increasing economic power of big MNCs operating in a global marketplace. Second, the ideological power of the WB and the IMF. And third the unwillingness of most ruling politicians to take either big business or these international institutions on, and change the rules of the game so as to put social justice and sustainability at the heart of their policies. And let me spend a few minutes looking at each of these in turn.

With regards the power of MNCs. I'm thinking here of the fact that of the 100 biggest economies in the world, a third are now MNCs, and of what that means in terms of the influence they now have on government policies. In the United States for example, the bankrolling of George W.'s campaigns by energy companies has resulted in a big pay off for them. Not only has Dubya refused to ratify Kyoto he has also presided over the rolling back of most of the advancements in environmental policy that Clinton instigated.

While MNCs ability to scour the globe for ever better terms is creating a race to the bottom in both the developed and the developing world. In the developing world we see countries competing for ever more elusive foreign investment by sacrificing environmental regulations, and also worker rights. Governments there trying to make their nations more attractive by enacting repressive labour laws, turning a blind eye to health and safety at work infringements, and in the most

extreme cases banning freedom of association, peoples abilities to form trade unions and negotiate fair terms for themselves en bloc. With far too many corporations exploiting these governments' weaknesses at the cost of labour and environmental standards and human rights. As many of the cases that will be discussed here this afternoon will I am sure highlight. While in the developed world, although the story is more nuanced, politicians here too increasingly reacting to the footloose nature of multinational corporations by doing all they can to keep them on our shores whatever the potential social cost. Tax competition between countries accelerating –corporate tax rates (rates not take that is) have fallen in OECD countries by 3.5% since 1996. Direct subsidies to big business have been rising: in the United States totaling over \$75billion last year, effective welfare payments to big corporations that could have been spent instead on hospitals and schools. Big business increasingly calling the shots, shaping government policies, and defining the very nature of the space in which we live. As for the power of the IMF and WB. In developing countries, their policies of liberalisation, privatisation, labour market deregulation and cutbacks on public spending, clearly hurting the most vulnerable and poor. Take the capping of public expenditure. What does that in a very poor country in practice mean? It means that the country's most vulnerable disproportionately lose out. How so? Well in order to meet this requirement, governments typically don't invest in infrastructure development like water and sanitation. And who does this harm most? Those who are already most marginalised –women. For it is women who as a result walk up to 15 kilometres each day to collect water; women who on these journeys risk their own security. It is girls who become “prisoners of daylight” because of a lack of toilet facilities, fearful to go for a pee until it is dark and then having to catch their chances that they will not in the process be attacked or raped, not boys. When countries without strong social safety nets are forced to cap or cut back on public expenditure, the impact upon those already most marginalized in society is necessarily extremely severe. While if we stop to consider the net effect of all the rules and economic conditions demanded by the WB and IMF, we see that they have been extremely negative for pretty much every country that has adopted them. When Latin America did, its growth rate was slashed by a half. While when Sub Saharan Africa did, the income of the poorest 20% fell by 2% a year. No wonder the Wall Street Journal, hardly the bastion of caring liberals, recently wrote that “the IMF is impoverishing people in a way that is morally indefensible and politically unsustainable.” The two institutions set up against the backdrop of world war two to promote global stability and development are, in fact, promoting the very opposite. And as for my claim that many of those in power are unwilling to take on big business or the international institutions, and seem content to allow social injustice to continue grow -While of course, not all political parties and politicians do take this line, far too many of those in power do. We see lip service having been given to campaign finance reform in the United States, for example, but no tangible results meaning that big business continues to bankroll politicians with all the potential conflicts of interests this poses. We see voluntary self regulation being promoted by most governments as the way for multinational corporations to be governed globally –but come on, even Adam Smith recognized a need for an external watchman to rein the excesses of capitalism in.

We see the WB and IMF continue, by and large, with their actively dangerous policies, continuing to push forward the most extreme form of capitalism, unchecked by their shareholders, the nations of the world. And as for matters of social justice, we see almost all governments in the developed world unwilling to take the necessary steps with regard aid or trade subsidies or debt relief to deliver on it abroad. And in the developing, governments either unwilling to deliver justice to the masses –some of the biggest complaints of activists in the South are their own governments unwillingness to address the needs of their most marginalized. Or unable to do so. Will Lula really be able to make good his pledge to end hunger in Brazil, for example, while he continues to have to dance to the tune of the global financial market? Social justice sidelined, the international financial institutions revered, and big business playing an over important role -such is the world we inhabit. But it does not have to be so. Each and every one of us in this room can play a part in averting the global apocalypse that is looming. But how can we do this? What should we be calling for? In this, the final part of my talk, I will lay out for you my thoughts on what a new agenda could be. There are four essential principles that underlie this new agenda, principles that undoubtedly will resonate with many of you. First, inclusiveness. Second, a reconnection of the social and the economic. Third, a linking of globalisation to a plausible redistributive system. And fourth, a determination to ensure that everyone has access to justice wherever they are. All these things are entirely possible. In practical terms there are four immediate steps that should be taken. I shall discuss each briefly in turn. First we must lobby for a

complete rehaul of the WB and IMF. The economic conditions that they impose upon the world's poorest people are unacceptable, and for the most part wrong, and must stop being attached to the aid and debt relief they give. The voting rights of their shareholders must also be reformed so as to reflect shareholders' population sizes rather than as is the case at present, how rich they are. And the immunity of these institutions must be waived, so that where professional negligence or lack of due diligence in lending can be proven, a claimant whether a village, an individual or a nation, must be able to hold these institutions liable, in the same way that a bank can be held liable under the law. The World Bank and the Fund are responsible, after all, for bankrolling some of the most corrupt and tyrannical regimes in the world, and some of the world's most environmentally unsound or inhumane projects. Second, we need to push for the creation of something akin to a World Social Organisation. This organisation will act to counter the dominance of the World Trade Organisation and will establish rules and regulations that will reframe market mechanisms so as to ensure the long term protection of human rights, labour standards, and the environment. And it will have to have teeth as sharp as those of the WTO, and equally effective powers of enforcement. And if WTO and the World Social Organisation clash as they undoubtedly will? We will need to ensure that both are subjected to a new adjudication mechanism, within the UN system, which will act to mitigate between the different interests so as to best serve the public good. But the North must be careful not to use this new organisation as a form of protectionism. The developed world must help developing countries meet the costs of better global standards. In this respect the American Center for International Labor Solidarity's work with the US Trade Department in Cambodia, with its linking of preferential trade agreements to an improvement in working conditions and the meeting of ILO labour standards, exemplifies, in principle, this kind of approach. But we need to go much further. Which leads me to point three. For relinking the social to the economic, though necessary, will never be sufficient. There still remains the problem of alleviating the positions of those who are most excluded and marginalised. At the least, we need to push for the cancellation of debt, and the reversal of outflows of capital from the south to the north. We need to call for a significant increase in overseas aid, which has fallen 45 per cent in real terms since 1990 to the least developed countries, Switzerland ranks particularly badly amongst developed nations in terms of aid giving, but also ensure that it is the country's vulnerable and poor who see these monies, and not their domestic elites. And we must ensure that all unfair trade barriers on agricultural and textile products from the developing world are pulled down – developing countries continue to lose almost \$2 billion a day because of inequitable trade rules and subsidies. Obviously a travesty. But more than this we will need new money to realise our new goals. The world needs a new global tax authority, linked to the UN system. The authority should have the power to levy indirect taxes, for example on pollution and on energy consumption, which can then be spent on protecting the environment. The authority should also levy direct taxes on multinational corporations, in order to fund the development of global environmental, labour and human rights norms. And there are other innovative ways of raising new money that I will be happy to come back to in the discussion period. And fourth and finally, we need mechanisms to help people fight against injustice as part of a wider political rebuilding of institutions. All people, wherever they are, must be extended the rights we in the North take for granted. Workers and communities everywhere must be able to safeguard basic rights to minimum health and safety standards at work, to minimum wages, and not be dispossessed without adequate compensation. Multinational corporations must not be allowed to infringe these rights, wherever it is that they operate.

Many of us in this room have a public voice, many of us have platforms or constituencies of our own, many of us have personal networks that we can influence. Let us seize this moment and mobilize public opinion.

Not only for our own sakes but for the sake of future generations too.
THANK YOU