Socially responsible globalization: a challenge for the European Union

By Bob Deacon
Preface

The strengthening of the social dimension of the European Union is a challenging and multi-dimensional project. European integration is not a separate process but a part of globalization, and thus, Europe has to clarify its role at the global level.

The Finnish Ministry of Social Affairs and Health has commissioned many books on the future of European social policy. One of them is Pathways for Social Protection in Europe (Ministry of Social Affairs and Health. Publications 1998:13) compiled by the European Institute of Social Security. This publication has launched seven pathways on how to develop the European social policy model. These seven pathways concern the internal development of the EU. However, Europe also has a crucial role to play as a global actor and not only of economic significance but also of social significance.

The idea of this discussion paper is to bring up ideas on how the European union could promote socially responsible globalization. This book has been written by Mr Bob Deacon, professor of Social Policy at the University of Sheffield, UK, with the assistance of Morgan Killick. Professor Deacon is also director of the Globalism and Social Policy programme. Professor Deacon would like to put forward the globalising of social rights, put social policy on the development agenda and inject social concerns into the global economy. These ideas are very challenging and it is not difficult to predict that they will meet with some criticism. However, these ideas clearly show, that the mechanisms, through which this kind of interest in socially responsible globalism can be expressed, need more of our attention at the European level.

The opinions expressed in this publication are those of the author and do not represent the views of the Ministry. The Ministry, however, hopes that this book can contribute to the discussions on economically and socially balanced European and global development.

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Kari Välimäki
Director-General
Acknowledgements and note about author

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The report has been written in a short time span to inform the policy process. While efforts have been made to secure the historical and scholastic accuracy of the text this has not been our first priority. It is hoped that what errors of this kind there are will stimulate debate about what has been and is yet to be done by the EU to secure a fairer world that meets more of its citizens social needs.

Bob Deacon

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SOCIALLY RESPONSIBLE GLOBALIZATION
A CHALLENGE FOR THE EUROPEAN UNION

INTRODUCTION AND OVERVIEW

This report’s focus is on the contribution that the EU is and could be making to advance the social welfare of citizens of the world. It is being written to coincide with the Finnish Presidency of the European Union in the second half of 1999. When the world was divided between a ‘communist’ east and a capitalist west Finland played a significant role globally fostering understanding and rapprochement between the two worlds as well as advancing the cause of peace globally. Now that the issue is not communism versus capitalism but what kind of global capitalism Finland can be again expected to play a role because of the positive part that its welfare state, along with those of Nordic countries generally, has played in meeting the needs of their citizens. Equally the high contribution of the Nordic countries to international development assistance gives them as a group the right to speak about how to improve the world in terms of social well-being. A key question for Finland is how to advance their potential contribution to global social justice through their membership of the European union. It is this concern that lies at the heart of the publication.

In his book THE GLOBAL TRAP H.P Martin et. al. (1997) argued that if the dangers of global economic liberalisation are to be avoided then;

The countries of Europe can and must start acting together against this danger (of a liberalizing globalization), but the solution does not lie in opposing a Fortress Europe to the coming Fortress America ... the aim would be to counter destructive ... neo-liberalism with a potent and viable European alternative ... in the unfettered global capitalism only a united Europe could push through new rules providing for a greater social balance and ecological restructuring ... A European Union truly worthy of the name could insist that the tax havens be cleared, demand the enforcement of minimum social and ecological standards, or raise a turnover tax on the capital and currency trade.

It is this view that also inspires the writing of this small booklet. It follows on from the previous booklet in this series entitled Pathways for Social Protection in Europe (Pieters and Nickless 1998) which was concerned to review the steps that might be taken within the EU to advance the social welfare of EU citizens. Our canvass is larger but no less important.

In fact the heyday of global neo-liberalism about which Martin was warning may have passed. The shortcomings of unregulated global financial markets are evident
for all to see. A global debate has begun in earnest within and between the major formal international organisations and an emerging global civil society as to the best way to move to a more socially responsible globalization. (Deacon 1999; Deacon 1999a). A few examples of this discussion can be noted here:

i) The Human Resources Network inside the World Bank continues to debate the relative merits of European universalistic and state approaches to social policy compared with American targeted and privatised approaches.

ii) The IMF recently convened a conference questioning the long held assumption that inequality and growth had to be traded against each other and asked rather whether there was a minimum degree of equity within all countries upon which we could agree and work for globally.

iii) The focus of International Development Co-operation (Aid) upon the goal of eliminating the worst poverty through targeting by 2015 is also a step forward but does however hold the danger of cutting across in a way that is not helpful the view that universalistic policies can make the best contribution to social stability.

iv) The UN summit on Social Development in 1995 committed world leaders to ‘create an economic, political, cultural and legal environment that will enable people to achieve social development’. In the early stages of the preparation for the review in 2000 of progress in this direction a number of more concrete global reforms have been tabled by the UN social policy and social development secretariat. Among these are the ‘identification of effective forms of international co-operation and co-ordination of taxation policy between countries so as to contain tax competition’. However when we examine in more detail the role of the UN in this global debate it is possible to be struck by the fact that because some in the South are tempted by the short term comparative advantage of low labour and social standards the UN isn’t necessarily the ally of universalistic social protection policies. Attempts by the North to argue for common global labour and social standards are often perceived to be self interested attempts to protect the social welfare securities of people in developed countries from being undercut by competition from the south. This situation be-devilled the discussions in 1996 when attempts were made to establish social clauses in world trade agreements.

Within this context of a global discourse concerning the future of welfare policy it is not surprising that from within Finland has emerged a body of writing which already advances the idea of nothing less than global social reformism (Patomäki 1999; Kiljunen 1999). Heikki Patomäki (1999, 18, 21, 26) argues that

‘it is in the real interests of the Nordics to struggle for changing the conditions which have made it so difficult to sustain social/democratic ideals ... this
process should at least be partially detached and freed from the notion of a sovereign state. Instead the focus should be on democratising and socialising world politics ... the neat model of inside progress and universal welfare-combined with outside foreign policy ... presupposes a context that is not there anymore ... any meaningful Nordic emancipation must be connected to regional and global social/democratic reforms ... and last but not least, as the only universalist and somewhat representative organisation, the United Nations should be the focal point of global socialdemocratic reforms ...

But the case for global social progress is not confined to contributions from the Nordic countries. For example the UK government, through the intervention of the Chancellor Gordon Brown, has made a significant contribution to the debate about how to regulate the global economy not only in terms of financial flows but also in terms of the social dimension of globalization. He has argued for a Global Social Policy Code. This would be a ‘code of global best practice in social policy which will apply for every country, will set minimum standards and will ensure that when the IMF and the World Bank help a country in trouble the agreed programme of reform will preserve investments in the social, education, and employment programmes which are essential for growth’ Moreover this code ‘should not be seen in narrow terms as merely the creation of social safety nets. We should see it as creating opportunities for all by investing more not less in education, employment and vital public services’. (Brown 1999.)

At the same time within the context of its Presidency of the European Union Germany set out some of its thoughts on these issues as follows (Schroeder 1999);

- ‘In Germany’s view an attempt should ... be made to incorporate in the new World Trade agreement general social and environmental standards’;
- ‘to the German government development policy translates into global structural policy designed to improve economic, social, ecological and political conditions in the developing world’;
- ‘Faced with economic globalization the EU needs a policy which promotes strengthened international co-operation and the creation of a regulatory framework including ecological and social aspects for the world economy as a lasting development’;
- ‘The German Presidency will initiate an EU charter of fundamental rights’

Within this context of a sharpened global debate about what is to be done to make globalization socially responsible this booklet approaches the topic in the following way.

- In chapter one we review the dangers of a neo-liberal globalization for social welfare north and south.
- In chapter two we review briefly the steps that are currently being taken to shift the world from this scenario to a more socially responsible one. The case for a global social reformist project is set out.
• In the third chapter we review some of the initial responses of the EU and its member countries to the challenges of globalization and make an initial assessment of whether it is reasonable to expect that the EU as a body could make more concerted steps towards being a global player helping to shift the world towards a socially responsible globalization. Has it the capacity to do what Hans Peter Martin suggests?

• Chapters four, five, and six review in turn the steps towards a socially responsible globalization in more detail and examine the track record of the EU in these matters. We cover how far the EU has or has not been a constructive ally in terms of
  a) Fostering a global set of human and social rights. (chapter 4)
  b) Setting global social targets and ensuring their achievement in the context of international development co-operation. (chapter 5)
  c) Ensuring the social regulation of global financial processes in terms of bilateral and international trade, financial flows and the behaviour of Trans-National Corporations. (chapter 6)

• In chapter seven we take stock of the achievements and shortcomings of the contribution of the EU so far to the goal of achieving a socially responsible globalization. A number of suggestions are made for how further steps might be taken at the level of the Commission, the Parliament, the Economic and Social Council and in terms of the Intergovernmental Process.

A word of explanation is needed as to why this booklet about global social well-being is being written by a scholar of social policy and at the request of a Ministry of Social Affairs and Health. It might have been expected that these matters were more the concern of scholars of development studies and affected the interests of Ministers of Overseas Development or Trade or Finance. The point is twofold. First Ministries of Social Policy within the EU have been concerned to improve EU social policy for the citizens of Europe but if this is their only concern they may either be unwitting accomplices to a European Social Protectionism seeking to defend the social privileges of a small part of the globe at the expense of the rest of humanity or will live to see these achievements swept away by the chill winds of a globalization driven by a particular economic liberal agenda. Second, if these scenarios are to be avoided, a more systematic policy coherence across traditional boundaries of Ministerial responsibility are needed. Ministers of International Development Co-operation need to think about how the social policies they advocate for the rest of the world impact back in a globalizing context on European Social Policy. Ministers of Trade need to be even more aware than they are of the impact of free trade and international investment on social policy. As pressure on labour taxes, for example, gets more intense Ministers of Finance need to reflect on how new global taxes can be levied to underpin social provision both within Europe and abroad. The concerns of European Ministries of Ministry of Social Affairs and Health do now have a global reach and a main focus of their activities must be to ensure there is policy coherence between them and other areas of government activity at the European and global level. If this does not happen we may see more of a process which has already
begun namely the making of social policy by default by other agencies whose first brief is not this business. The drift towards social policy being made by the WTO in dealings with trade Ministries, by the World Bank in dealings with Finance Ministries needs to be reversed. At the EU level it is hoped that this booklet will make a contribution in this regard.
CHAPTER ONE: THE CHALLENGES OF A LIBERALISING GLOBALIZATION

The process of globalization

This is not the place to examine the nature and meaning of globalization in great depth. For those who need this we suggest you refer to the 1999 UNDP Human Development Report which is on Globalization and Human Development. For the purposes of this pamphlet we mean by globalization all of the following processes which have accelerated over the past twenty or so years:

- Massively increased speculative flows of short term foreign investment based on currency trading;
- Significantly increased longer term foreign direct investment;
- Increased world trade with associated policies to reduce barriers to trade further;
- Increased share of global production and trade associated with Trans National Corporations (TNCs);
- Interconnectedness of production globally due in part to changes in the technology of production and servicing;
- Increased movement of people for trade and for labour purposes;
- The global reach of new forms of communication including TV and the internet.

These processes and other associated phenomena have in turn lead to the emergence of a global civil society sharing a common political and cultural space. At the same time while economic activity has become more global and we have seen the birth of a global civil society global political institutions lag behind these developments and are to a large extent stuck in an earlier historic epoch of intergovernmentalism.

The social consequences of globalization

The liberalising globalization of the past decades have been shown to have a number of undesirable social consequences globally (UNDP 1999). These include

- Increased inequality both within and between countries and increased impoverishment;
- Increased vulnerability of people to social risks such as unemployment and crime;
- Increased chances of exclusion of individuals, communities, countries and regions from the benefits of globalization.

At the same time the processes of liberalising globalization may have damaged the capacity of governments to act in a socially compensatory way. In the past countries were used to implementing and benefiting from their own national policies. Even the more open economies felt they could manage their own destinies. Globalization may be changing this. In particular;
• Countries which pursue macroeconomic policies which include deficit spending are punished by currency speculators and the outflow of capital.
• The taxation capabilities of countries are severely challenged by tax competition, tax havens, and transfer price mechanisms of multinational corporations.
• Governments confront difficulties in pursuing microeconomic policies such as industrial strategies. Multi-national organisations such as the WTO are quick to remind governments of the limits of autonomy in this sphere.
• Powerful TNCs bring capital, technology and management to their host country but this comes with a lack of accountability to the country within which they operate.

All of this is happening while the social consequences of globalization generate the need for more not less measures of social protection. Inequality requires more social redistribution, vulnerability requires the strengthening of social rights and entitlements and systems of social protection, social exclusion creates the need for strategies of empowerment.

One way to capture the impact of globalization on the capacity of more developed countries to juggle openness to globalization with a national social policy is to examine the impact of globalization on the diverse kinds of welfare states that are numbered among the OECD countries.

Globalization

• **Sets Welfare States in competition with each other.** This generates the danger of social dumping, deregulation and a race to the welfare bottom. There are, however, political choices available within each welfare state. Does it indeed cut expenditures and loosen labour and other regulations and pursue the race to the welfare bottom? Does it spend on certain aspects of social welfare to increase productivity and political and social stability in order to attract investment? Does it steer a third course and maintain all welfare expenditures funded in ways that do least damage to competitiveness?

• **Raises issues of social redistribution, social regulation, social empowerment to a regional and global level.** As a result new supranational and global actors enter the picture and complicate the politics of welfare. These include Inter-governmental Organisations such as the Bretton Woods organisations, the UN family of agencies, the OECD etc., International Non Governmental Organisations, Transnational Corporations, Global Social Movements, and Transnational Policy Networks, Epistemic Communities, and Subcontracted Consultancy Companies. It is because of this that there have been calls to regulate some of the global actors and to reform the contribution of others to global social governance.

• **Generates a global discourse within and between global actors on the future of national and supranational social policy.** In the emerging ‘complex multi-lateralism’ the future for social policy at both national and supranational level is being shaped
by a struggle between supranational organisations for the right to shape policy, and within and between supranational organisations for the content of social policy. Below we note for example how within this global discourse certain assumptions held by the IMF and the Bank about desirable social policy has steered countries to an unnecessary convergence in the direction of the residualisation and privatisation of social protection.

- **Creates a global market in welfare providers.** The increased opportunity globalization generates for private providers of welfare services to become global and operate in many countries may contribute to the undermining of national social provision and national regulatory policies. It is clear that the international insurance market is waiting in the wings to sell its products to the less risky sections of the population in Europe if the pressures upon pay-roll taxes begins to create political alliances for reducing public pension commitments. Global markets in social care providers, health service providers (Koivusalo and Ollila 1997; WHO 1998), social assistance and welfare benefits providers (The Times, 30th April 1999) as well as education are active in Europe. The Multilateral Agreement on Investment (MAI) which had been drafted under OECD auspices (OECD 1998) would have made it much easier for such global providers to expand into new markets and countries and potentially undermine public welfare provision (Clarke and Barlow 1997). Its temporary derailing helped by an effective alliance of global NGOs using email and the web to track and challenge the discussions and raise concerns is an important indicator of how the politics of welfare has become global.

**Globalization and developed welfare states**

Within this context projections concerning the future impact of globalization on social policy in developed countries have ranged from those that prophet doom to those that are complacent. At one extreme Hans-Peter Martin (1997, 7) has written:

> In a global pincers movement, the new International of capital is turning whole countries and social orders upside down. On one front, it threatens to pull out altogether according to the circumstances of the hour, thus forcing massive tax reductions as well as subsidies running into billions of marks or the provision of cost-free infrastructure. If that doesn’t work, tax planning in the grand style can often help out: profits are revealed only in countries where the rate of taxation is really low. All round the world, the owners of capital and wealth are contributing less and less to the financing of public expenditure. On the other front, those who manage the global flows of capital are driving down the wage-levels of their tax-paying employees. Wages as a share of national wealth are declining world-wide; no single nation is capable of resisting the pressure. The German model (will) be ‘well and truly thinned down’ by global competition.

At the other extreme writing on the capacity of governments to promote social goals Frank Vandenburgroucke (1998, 59) has concluded that,
Apart from the desirability of international economic co-operation and financial regulation ... the crucial constraints for successful egalitarian employment policies hinge (a) upon willingness to redistribute resources from rich (often high-skilled) to poor (often low-skilled) to finance targeted employment policies by means of wage subsidies or public employment schemes, improved education and training, and to remedy unacceptable income inequalities which cannot be eliminated by such policies; (b) upon willingness to accept some discipline with regard to the average wage level in both slack and tight labour markets ... Principles of reciprocity and efficiency in the implementation of employment programmes and social policies have to underpin the willingness to redistribute. There are no convincing arguments that ‘globalization’ has made it impossible to overcome these constraints.

Others (Pierson 1998) have ‘cautioned against the acceptance of a grossly oversimplified vision of national welfare states under siege from the forces of footloose global capital” pointing out that while there is some truth to the account other overlapping social transformations such as the changing nature of technology and the ageing population generating their own challenges to welfare states.

Between these two extremes lies a measure of consensus about what the current liberalising mode of globalization has done both to the labour and social problems that governments confront and to the capacity of governments to make social policy. One issue over which there is some agreement is that there is a logic in the context of globalization in shifting from pay-roll taxes and work based insurance arrangements to taxes on and benefits for citizens and residents. Ganghof and Genschel (1999) have shown how ‘tax competition ... has constrained policy responses by making some forms of revenue raising more costly’. Scharpf (1998, 173) has reminded us that,

the symbiosis of capitalism and democracy was only successful because the costs of the welfare state were borne by workers and consumers, rather than by capitalists. If this ‘impossibility theorem of redistribution’ is accepted, the loss of national regulatory capacity reduces itself to the relatively technical question of where the cost of (new) regulation should be placed. If they are placed on firms that are exposed to international competition, and if all other conditions remain the same, there will be a loss of international competitiveness ... if new social regulations, such as the German disability-care insurance, were financed through taxes on incomes and consumption, rather than through pay-roll taxes, enterprises would stay competitive.

A second issue over which there is a measure of agreement is that the internationalisation of the economy has had an impact upon the labour market North and South. In particular it seems indisputable that international trade and technological changes have contributed to a lowering of the cost of unskilled low wage labour, particularly in those sectors exposed to international competition and increased as a
consequence the gap between the better paid and the worst (Wood 1994). Pressures for more flexibility in even skilled labour markets continue (Rhodes 1998). However as Vandenbroucke argues this only increases the moral case for more and not less redistribution to finance subsidy payments to low wages (Vandenbroucke 1998). Following on from a meeting of OECD Ministers of Labour and Social Affairs in June 1998 the OECD (1999) are now also asserting that globalization may generate the pressure for more, not less social expenditure.

Conclusion

In terms of the impact of global liberalisation upon not only developed welfare states but other economies elsewhere in the world we can say that:

- The North has been tempted to turn welfare states into competition states at the cost of social cohesion but some have maintained a universalistic commitment to social protection in the face of these pressures. Others have tried to combine flexibility with social consensus. New initiatives supported by governments to regulate TNCs with codes of conduct have arisen.

- The post-communist East has been subject to enormous pressure from global financial institutions to replace its system of social guarantees with a residualized and privatized liberal social policy. When this pressure takes the forms of loans to rebuild social protection systems on conditions it is proved hard to resist.

- South East Asia has borne the brunt of the irresponsible herd instincts of short term financial speculators. Malaysia is the first to re-establish controls over capital flows. Such a response to the negative social consequences of a liberalized globalization will multiply unless there is a greater recognition of the need for global financial regulation and a socially responsible globalization.

- Latin America has been in the forefront of the wish of the global insurance and pension providers to extend their market share in countries with previous PAYG tax based government social security schemes.

- Many developing countries have seen opportunities presented by globalization to profit from existing low social and labor standards and to attract investment that otherwise would have gone to the North. Some countries are also selling natural assets on the global market with little thought to sustainability of natural resources. The temptation to short-termism will continue unless global agreements can be reached which reconcile the conflicts of interest between the North and the South in these matters.

- Large parts of Africa have been the absolute losers to date in the new global scenario. The amount of foreign direct investment has been minimal while at the same time
many countries are suffering from the AIDS pandemic and from continued instability traceable back to the shortcomings of the colonial era.
CHAPTER TWO: THE NEED FOR A SOcially RESPONSIBLE GLOBALIZATION

Diverse political responses to globalization

The extent of the impact of the current phase of globalization upon the capacity of welfare states to continue to provide the same level of social protection is disputed but can not be ignored. Equally it is clear that if the liberalising phase continues into global agreements about multilateral investment in health and other services and insurance then the impact will grow. It is also evident that many social policy changes are being undertaken in the name of globalization to mask ideological preferences for deregulation and residualisation. Equally it is clear that there has been a negative impact upon the capacity of some developing countries to sustain or improve on their social programmes as a result of economic globalization.

In the face of this a number of responses to globalization can be discerned all of which have implications directly or indirectly for social policy and provision. The most important may be listed as:

1) Individualisation of risk responsibility (Holzmann and Jorgensen 1999)
2) Anti globalist protectionism (Laing and Hines 1995)
3) Post-modern celebration of diversity (Cox 1997)
4) Hope in the marginalised (Hoogvelt 1997)
5) Global social reformism (Deacon 1997)

The first is the view which seems to shape the intellectual underpinnings of the World Bank’s emerging strategy for social protection policy. It concedes that globalization and associated changes in work and in the weakened capacity of states to continue to provide for their citizens as before generates a risky world. A key element of a global social policy response should be to encourage a greater reliance on personal risk insurance strategies. Ideally above a minimum level of social protection to be guaranteed by government all should be privately insured for the whole range of life eventualities such as old age, ill health, care when elderly etc. It concedes too much to liberalising globalization and rewards the private players such as insurance companies waiting to profit from the erosion of state social responsibility.

The second would roll back the story of globalization and argue for a greater degree of self reliance of states and regions on their own resources. It would re-impose trade barriers, limit foreign direct investment and control capital flows. It would husband local sustainable resources for production. This is an understandable reaction both north and south to the worst aspects of globalization. It points to the need to manage the process and speed with which economies open themselves to the global
market. It risks, however, throwing out the baby with the bathwater. The benefits of a regulated globalization would be lost and it may condemn some countries to a stage of development which all would not be happy with.

The third puts the case that concern to globalise human and social rights and to wish upon less developed countries some of the features of the more developed is to ride rough shod over cultural diversity. The west is seen here as imposing a set of social values upon an unwilling world in a modern day version of imperialism with a new moral garb. Diversity in culture and social policy and what constitutes the good society should prevail over UN standards. This view while appropriately recognising that social rights need to be met and associated services delivered in culturally sensitive ways can come close to abandoning the struggle for a decent life for all as measured by a globally agreed set of human rights and entitlements.

The fourth position is held by those who see a hope in the margins of the world and the margins of the formal economy. Those who are already excluded from global economic interconnectedness whether they be the unemployed on council estates in Britain surviving on non monetary units of exchange and skill trading or those who depend on the real economy of informal transactions in war torn states are the harbingers of a future which breaks from the unsustainable formal global economy. This view gives recognition to the ways in which formal economic growth can measure things which have nothing to do with meeting real needs. It also acknowledges the point that, by contrast, human needs can be effectively met in the context of non monetary exchanges. Taken to extreme, however, it can seem romantic in the face of the importance of the impact of the formal global economy.

**Global social reformism**

While acknowledging the value of some of the insights of the second, third and fourth positions we argue in this report for a fifth response to a liberalising globalization which we call global social reformism. It is a position which is opposed to the first strategy which would allow global social policy to follow the drift of global neo-liberalism. A social policy concerned with justice within and between countries begins from the necessity of intervening in the market in order to correct its inequity generating dynamic. Just as unfettered capitalism within single countries in the 19th century led through class struggle, fear of the underclass, and through the persuasion of reformists to cross-class compacts providing varying degrees of social security so now at the close of the 20th century we are witnessing the same calls for the reform of global capitalism for fear of the consequences. The fears oscillate between the spectre of social disintegration, crime and social unrest which would follow if the current phase of
liberalising globalism were to go unchecked and the warnings of a new national and regional protectionism with the subsequent danger of international conflict that this would presage.

Paul Hirst who has been associated with the view that the extent and impact of globalization is often overstated warns (Hirst 1997, 425):

under the rhetoric of responding to international competitive pressures many countries are cutting welfare, attempting to reduce wages, and rendering labour markets more competitive. They are in danger of damaging prosperity by undermining its social foundations ... The danger of recklessly pursued internationalisation without sufficient regard to its social effects is that there will be revolts against an open international economy in both the advanced and the developing world. In the developing world new protectionism arguments are gaining momentum and span a broad political spectrum. Thus we see environmentalists rejecting long-distance trade between advanced countries as wasteful, trade unions opposing the threat of accelerated job losses to low wage countries, and populist business figures turned politicians like Ross Perot and Sir James Goldsmith, arguing for protection.

These fears are echoed by Rhodes after reviewing the impact of globalization upon European welfare states (Rhodes 1996, 327):

Deferring the answer (to the problems posed by globalization) will not solve the problem. Rather it will lead to one of two negative outcomes: the erosion of civilised societies or the limitations of international capital mobility.

Historical research (Rieger and Liebfried 1998) on the relationship between periods of open globalization and welfare spending within the USA supports the case that periods of open free trade have been associated with more rather than less social spending. Rieger concludes that ‘disregard of the social implications of free trade and increased import competition will result in less, and not more integrated economies’ (Rieger and Liebfried 1995). The dominant influence of fundamentalist liberal economic thinking in the 70’ and 80’ has obscured this historical truth. Recent comparative research also points to the conclusion that ‘openness and internationalisation of small countries has rather been associated with increasing than with decreasing welfare spending’ (Kosonen 1998). Fortunately there is evidence of an understanding of these historic and comparative truths in supranational circles. The OECD’s recent analysis entitled The Caring World (OECD 1999) produced following the Ministerial Level conference on Social Policy in June 23-24th 1998 asserts in the context of a review of the impact of globalization that because of the dislocation of production associated with it ‘one of the effects of globalization could be to increase the demand for social protection ... a more useful blue
print for reform would be to recognise that globalization reinforces the need for some social protection’ (OECD 1999).

I have argued elsewhere (Deacon 1997; 1999) for a socially responsible globalization and suggested some of the steps that would be entailed. To recapitulate what appears to be needed is to envisage at the global level mechanisms of governance in the social sphere that exist at the national and regional level. Governments manage their economies so as to reduce the risk of crisis, they ensure the existence of public goods that markets do not automatically provide and they raise revenue in order to, among other things, achieve a reasonable degree of equity and social justice. A schematic way of imagining the reforms needed for a socially responsible globalization is therefore to project onto the global level the policies of social redistribution, social regulation and social empowerment that governments do when engaging in social policy nationally.

Inge Kaul, Isabelle Grunberg and Marc Stern (1999) addressing a wider set of concerns than social policy has argued similarly that the world has not yet found a way of ensuring the provision of global public goods because public policy making has not yet adjusted to three gaps which exist between present practice and present realities. These gaps are identified as jurisdictional (the gap between the global boundaries of today’s major problems and the national boundaries of policy-making), participation (which results from the fact that global issues are influenced by a variety of global actors but policy making is still intergovernmental) and an incentive gap (which results from the fact that moral persuasion is not enough to ensure countries co-operate for the common good). Others (Kapstein 1998; 1999; Ghai 1999) have recently begun to think through what their previous criticisms of neo-liberal globalization might mean for global reformist politics. Kapstein (1998) has argued ‘if public officials ... wish to pursue deeper integration (of the global economy) they will need to do more than focus on efficiency gains, they must strive for justice as well’. In the context of these ways of thinking a set of global policy measures dealing with redistribution, regulation and empowerment are emerging. They include;

- Social Redistribution:
  i) Independent sources of taxation for the UN such as the TOBIN tax on currency exchange,
  ii) Granting of Debt Relief with resulting funds used for social expenditure.
  iii) NAFTA, ASEAN, MERCUSOR, to emulate EU internal redistribution and regional development policies.

- Social Regulation:
  i) Social considerations to be included in the next round of World Trade Organisation negotiations,
ii) Bank and IMF to collaborate with and defer to UN social agencies when proposing economic and social reforms,

iii) UN Economic and Social Secretariat and UN social agencies to collaborate for strength and effectiveness.

- Social Empowerment
  i) Generalise the Council of Europe’s Court of human rights and extend to include social rights.
  ii) Strengthen the voice of civil society at UN and Bretton Woods.

The triangulation of Redistribution, Regulation and Empowerment holds the key to global social progress. Global citizens would be enabled to make their claims for social rights as set out by agreed rules because resource redistribution would have made it possible for these rights to be realised in practice. Put differently the interconnectedness of Trade, Aid and Standards is the key to global social responsibility. Common global social, health and labour rights (the elements of an emerging global social citizenship) can not be achieved without a policy of intra regional and inter regional social redistribution which, in addition to local economic development, is necessary to resource the realisation in practice of these rights. Free trade alone without these two other components will only generate more global inequity and perpetuate the challenge to standards where they already exist.

Steps towards a socially responsible globalization

It is now possible not only to note a set of worthy reform proposal such as those listed above a few of which might become realistic politics in the new Millennium, but also to discern concrete steps that are already being taken to usher in a more socially responsible globalization. Among these steps might be noted:

- the move from human rights to social rights and from declaration to implementation;
- the trend in International Development Co-operation towards setting goals and monitoring progress;
- the move to secure global minimum labour, social and health standards;
- the move to establish codes of practice for socially responsible investment and business;
- the calls for global economic regulation and taxation;
- the moves to extend constructive regionalism with a social dimension.

Each of these steps are problematic in some ways but taken together do suggest a shift away from a global politics of liberalism to a global politics of social concern. Each of these is reviewed briefly in turn before we examine in later chapters the specific success or failure of the EU’s contribution to this process.
In terms of human rights the end of the cold war broke a log jam in the conflict between the west and the east as to which rights were regarded as more essential. The west accused the east of not respecting political and civil rights by preventing free elections and not treating all equally before the law. The east retorted that much of the west did not secure the social rights of all of its citizens. Now it has proved far harder for the west to make this split between types of rights. Conferences such as the Vienna Conference on Human Rights assert the indivisibility of all human rights not withstanding the resource and distribution implications of including social rights in those to be supported. The most significant step in thinking through the global social policy implications of the UN’s Convention on Social Cultural and Economic Rights has been take recently within the context of the UK government’s initiate on a global code of best practice in social policy. (Ferguson 1999.) At the same time the United Nations development group of agencies has embarked on a programme of making common country assessments using the UN and related conventions as benchmarks for assessing policy (UN Development Group 1999). These steps and their associated pros and cons and the role of the EU in this movement for global social rights will be discussed in chapter four.

While overseas aid budgets have in general been falling in the past decade, a trend which clearly needs to be reversed, there has been an increasing attempt to coordinate and make more effective the limited aid available. One element of this has been the moves towards sector wide approaches (e.g. health and education sectors) where all bilateral interventions within one country are geared to achieving an agreed sectoral strategy in partnership with recipient governments. Within this context the Development Assistance Committee of the OECD has agreed a set of specific targets to be met by 2015 including the reduction of absolute poverty, the introduction of primary education for all and the global meeting of basic reproductive health rights. Debt relief may help finance these steps. The question as to how this understandable focus on targeting only the poor and the meeting of only basic education and health needs impacts on the possible privatisation of higher levels of care will be discussed in chapter five. Here too we will review both the role that the EU has played in these moves and the implications of these steps for the possible concerns of some European countries to establish a more universalistic approach to social policy and social development.

In terms of securing minimum labour, and social standards perhaps the most significant step has been the resolution on core labour standards by the ILO (1997) in the wake of the failure of the WTO Ministerial Meeting in Singapore 1996 to agree to include the use of a social clause as a legitimate sanction in international trade. This specification which the ILO and other bodies are hoping will become a de facto global agreement provides among others for the right to organise, the right to equal treatment and for the
outlawing of harmful child labour. The question as to whether this attempt at reaching a
global agreement on minimum labour standards is sufficient to protect the higher social
security related standards common in the developed world and the associated issue of
the role of the EU in these debates will be examined in chapter six.

Associated with these debates on core labour standards has been moves to
encourage the multinational TNCs to voluntarily adopt codes of practice which guide
their employment practices globally. A pincer movement of international trade unionism
on the one hand and a growing social concern among consumers in the north has
conspired to bring this self regulation onto the agenda. Within the ILO too there are
controversial discussions concerning the labelling of products which would approve
them in terms of the conditions under which they are produced. Some of the problems
associated with these moves and the role of the EU in this debate will also be reviewed in
chapter six.

Recent months have seen a veritable clamour of competing ideas as to whether
to and how to bring under some kind of regulation the uncontrolled short term
movements of finance capital which have had negative social consequences for several
parts of the world. The focus has been on establishing through the Bank of International
Settlements in Basle or by other means supervised by the IMF a code of practice for the
Banking sectors in countries in receipt of short term speculative flows. The idea would
be to discourage such flows by making more transparent the financial and economic
situation of countries uncertainty about which feeds speculation and herd instincts. At
the same time there have been calls to reintroduce controls on capital flows to ensure
lasting real investment. Within this context it has been suggested that when lending to
countries the IMF needs to police a set of common standards for all countries. These
include not only standards for the financial sector but also standards of good governance
and social policy standards to enable the effective handling of the social consequences of
remaining economic problems. Also the head of the fiscal affairs department of the IMF
has articulated the case for a global tax authority to begin to outlaw tax havens and to
regulate tax regimes. The role of the EU in all of this will also be reviewed in chapter six.

Finally in this list of the steps being taken in practice towards a socially
responsible globalization are the moves to a constructive regionalism with a social
dimension. There is a debate as to whether regional trading blocks are stepping stones or
obstacles to more effective global governance. A question is whether the emerging
regional groupings can be better linked in some way to a UN regional approach. In this
context the EU can be perceived as a self interested protectionist trading block which
excludes from access to its markets some goods that challenge its interests and is
concerned only to defend its social standards won on the backs of imperialism in the past
or guest worker relationships of the present. On the other hand the EU can be said to be
a model of emerging regional and global governance embodying social redistribution between richer and poorer regions, social regulation of capital across borders and the social empowerment of EU citizens who can challenge their governments in court when they perceive their social rights to be ignored. Whether the EU sees itself in this light and how it might make a contribution to such regionalism elsewhere and whether the EU processes of supranational governance can be regarded in some ways as providing a model for global governance reform will form part of the final assessment in chapter seven of the EU’s contribution to a socially responsible globalization.
CHAPTER THREE: EUROPE CHALLENGED BY GLOBALIZATION

The question therefore arises as to how has the EU and its member states responded to globalization. In particular how has this influenced its thinking not only about its own concern to retain a social dimension to its economic zone but also to contribute to a social dimension to globalization. In this chapter we will firstly note that the challenge globalization poses to social policy in Europe affects different countries differently and therefore has induced a varied response by different countries to the challenge. Secondly we will attempt to capture how the EU has a whole has responded to globalization and in particular how far that part of the European Commission most concerned with the social dimension has responded. Thirdly we will approach the issue as to how far it might be possible to speak of a more concerted effort emerging by the EU as a whole to contribute more effectively to a socially responsible globalization. Here we will be dealing with the issue of the constitution of the EU and its Commission in international fora. We will be asking to what extent the external dimension of the EU’s social policy is shaped by the common foreign and security policy or by the internal social policy of the EU? We will examine how the policies of other parts of the Commission such as those concerned with trade and external relations, of the European Parliament, of the Economic and Social Committee, or indeed of the intergovernmental process within Europe and in relation to other fora impact on social policy both internally and on its external form. This will lead into the remaining chapters where the contribution of the EU to several of the strategies being taken to make the world a more socially just place are reviewed in more detail.

European countries react differently to globalization

In terms of diverse country responses within Europe it can be said that there are examples of the three types of responses to globalization that Esping-Anderson reported in his review of social welfare in a global context (Esping-Andersen 1996). This confirms the findings of Kosonen (1998) that ‘there is no direct causal link between globalization and welfare policies ... the ... relation is mediated by choices made in national economic policy making’. These three European responses can be described as:

- Liberalization and residualisation exacerbating inequality;
- Preserving workplace based social security arrangements which can create the insider-outsider problem;
- Continuing to give priority to social democratic universalism of citizenship rights which can confront globalization with equity.
Britain falls into the category of countries who have adopted liberalizing and market driven responses to the pressures of globalization on their social policies. Reducing the social wage has been undertaken through greater selectivity, ‘workfare’ and the gradual erosion of benefits and/or coverage. The capacity of neo-liberal welfare states to combat poverty is weakened. For example, the post-transfer poverty rate among young households (20-29) rose to 53 percent in the UK in the 1980s. Child poverty remains very high in the Anglo-Saxon countries. Since the election of the current Labour government much has been made of the third way idea (Giddens 1998) which claims to be able to steer a course between accommodation to liberal globalization with its associated poverty wages and resisting it completely which courts the danger of job unemployment.

The assessment of this strategy by European partners is important and much will depend on whether the third way is, as Giddens insists a modernization of social democracy within a global context or a refutation of it. Current British social policy seems to be straddling between a social democratic impulse when it comes to universal health and education spending and neo-liberalism when it comes to reducing state pension provision and to a residualisation of some social benefits. What British social policy amounts to and whether it is an accommodation with American liberalism or something much more in keeping with the policies of the continent of Europe is important. It matters not only for British citizens but also, because of the UK’s significant role internationally in shaping the content of the emerging global social policy code.

Much of continental European initially chose another approach to the problems created by globalization, the labor reduction approach: subsidizing workers’ exit from the labor market mainly through early retirement. This according to Esping-Andersen created an ‘insider-outsider’ scenario ‘with a small, predominantly male, ‘insider’ workforce enjoying high wages, expensive social rights, and strong job security, combined with a swelling population of ‘outsiders’ depending either on the male breadwinner’s pay or on welfare state transfers’ (1996, 28). The roots of this system can be traced to the continental European welfare state combination of highly developed social insurance (especially pensions) and underdeveloped social services (such as public child care).

This familialistic transfer state rewards full-time male employment since entitlements are related to one’s employment records and punishes working wives, as social services to families are highly underdeveloped. For instance, public child care coverage in Germany, the Netherlands and Italy is low. The dual problems of mass retirement and mass unemployment have created rising financial requirements, growing social contributions and therefore fixed labour costs. In Germany for example, although the standard legal retirement age is 65, about half of the population retires earlier placing
a severe burden on the system. Early retirement due to unemployment rose more than 130 percent between 1992 and 1995 in western Germany and by some 600 percent in eastern Germany.

The indirect effect of these pressures is that employers have regulated their labour needs through an adjustment of hours rather than taking on extra workers. Also, the marginal costs of part-time employment tend to be high which works against female employment. Strong incentives to participate in the informal sector or to pursue self-employment further undermines the welfare state’s tax base. Hence, the labour market rigidities built into this system stem from most families’ dependence on the male earner’s pay and social rights – leading to a situation where ‘insiders’ strongly defend their existing position through trade unions. To reduce rigidities in this welfare state would mean diminishing dependency on the male single wage earner and fostering women’s labour force participation. The experiments within the Netherlands to reform its system so that it more successfully provide for decent flexible employment is an interesting development. The current governments of France and Germany are exercised by these perceived rigidities in the inherited workplace based social security system and are struggling to find other means of financing social expenditures while at the same time raising the pensionable age.

Sweden, as an example of the social democratic model, with its declining fiscal capacity combined with rising pressures on public job creation and/or income maintenance has been marginally adjusting its system toward an emerging ‘social investment’ approach. The Swedish model in the 1970s and 1980s combined equality and a productivist social policy that promised full employment and an equal status for women. Given the steady decline in manufacturing employment and wage solidarity, employment was sustained through the public sector. Until the mid-1980s this sector accounted for 80 percent of total net job growth and currently represents about 30 percent of total employment. From a welfare point of view, the Scandinavian system of public employment offers not only job pay and security but also a large number of quality jobs to women which allow them to harmonize careers and childbearing. However, the system rests on a large tax burden which is only sustainable if high rates of productivity growth are maintained. Declining fiscal capacity has undermined the Swedish system in recent years leading to growing wage differences, adjustments of the marginal tax rate and social entitlements meant to reduce negative work incentives and high absenteeism. There is now also more emphasis on ‘workfare’ and benefits are more closely related to contributions. These reforms indicate a process of marginal adjustment rather than a paradigmatic shift away from the basic principles of the universal welfare state. The experience of Finland tunneling through the worst recession in OECD
countries in post war times with its egalitarianism intact is instructive. (Heikkilä and Uusitalo 1997.)

While it is possible to detect the differences between countries in their responses to globalization others have argued that irrespective of political ideology there are some common trends across the whole of Europe in terms of social policy changes. Vic George (1998) notes that there have been eight types of reform brought into play across Europe which have contractionist aims as far as social welfare is concerned. Tax incentives are encouraging more people to rely on private provision. Some responsibilities for benefits such as sick pay have been shifted to employers. Restricted entitlements to unemployment benefits are taking place. Benefit levels are being reduced. User charges for health care are on the increase. Salary levels of state employees lags behind the private sector. Public utilities are being privatised. Quasi markets are being introduced within the operation of public services.

It has also been argued that different finds of Welfare States represented in Europe are differentially vulnerable to globalization and this explains what diverse responses there have been. (Palier, Prior and Sykes forthcoming to 2000). A summary of some of the considerations is set out below. Here globalization is unpacked into component elements. Capital flows and associated currency speculation is one element which has impacted on transition countries. Increased free trade is another which differentially effects countries. Embeddedness in the international production system is a third and here there are country differences. Finally an element of globalization which is of particular relevance to the post communist developed countries is the role of the global financial institutions in shaping through loan conditionality a particular model of social protection.
The outcome of this review and analysis suggests that:

1. Liberal social policy involving residualisation, individualisation and privatisation chimes with the present phase of liberalising globalization but at the cost of inequity.
2. Workplace based welfare systems of the former state socialist countries and the high payroll tax based Bismarckian insurance systems are vulnerable to global competitive pressures.
3. Social democratic citizenship based welfare systems funded out of consumption taxes are, given the political will, surprisingly sustainable in the face of global pressures.

Whether the EU as a whole accepts this analysis and has guided its internal and external social policy in the light of it we will turn to shortly.

One of the consequences of globalization in Europe could be said to be the adoption of the European Monetary Union or EMU. The point is to strengthen currencies against global competition. The impact of the EMU on the social polices of those countries who have joined it have themselves been variable even though of course the convergence requirement itself dictates a common approach to avoiding deficit spending and hence it

Figure 3.1. The complex impact of aspects of globalization upon european welfare states

<table>
<thead>
<tr>
<th>Type of Welfare State</th>
<th>Impact of short term capital flows</th>
<th>Impact of lower trade barriers</th>
<th>Impact of embeddedness in international production</th>
<th>Impact of global financial actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>State socialist</td>
<td>Threatened</td>
<td>Short term benefit of low wages</td>
<td>Not yet embedded but challenges workplace welfare</td>
<td>Large push to liberal (residual) social policy</td>
</tr>
<tr>
<td>Bismarckian</td>
<td>Potential protection by Euro</td>
<td>Challenges labour market rigidities and payroll taxes.</td>
<td>Positive history in high tech production.</td>
<td>Little</td>
</tr>
<tr>
<td>Social democratic</td>
<td>Potential protection for some by Euro</td>
<td>Income and consumer tax based benefits resistant if political will.</td>
<td>Positive history in high tech production.</td>
<td>Little</td>
</tr>
<tr>
<td>Liberal Anglo-Saxon</td>
<td>Gamble upon being outside Euro</td>
<td>‘Benefits’ for jobs of flexibility and lower wages but at price of inequity and poverty</td>
<td>High tech production seen as threatened by some</td>
<td>Little</td>
</tr>
</tbody>
</table>
has been argued makes a radical Keynesian strategy of spending one's way out of recession difficult. Pakaslahti (1998) has noted the existence of four groupings of countries in terms of their social policy responses to the EMU. He argues that in the run up to the EMU Germany, France and Belgium used the convergence criteria to reduce social expenditure. Portugal, Spain and Italy were attempting to avoid cuts in social expenditure. In the case of the Nordic states which are differently placed in terms of their membership of EMU (some in, some not) any changes in social protection was not linked to EMU and there remains a strong will to retain the social democratic approach to social welfare. Finally Luxembourg and Ireland had already met the criteria without any need for social policy changes. (Britain outside the EMU for now had, as we have noted above introduced some of the more radical social policy changes unconnected to this process).

The EU vacillates in response to the challenges of globalization

Is it possible to characterise the response of the EU as a whole to the pressures of a liberalising globalization? In sum it can be asserted that the response in terms of both its internal and external social dimension has been variable over time and between component parts of the EU system. This variability will be reviewed in general terms here but given more substance in the subsequent chapters which take different aspects of policy in turn. Included within this range of responses are:

- accommodation to the liberalising global agenda in labour markets and associated social policy;
- social protectionist inclinations in some of its trade dealings
- expressions of global social concern for human rights in its common foreign and security policy;
- assertiveness at the level of discourse if not in terms of deeds regarding the need for a social dimension to enlargement;
- attempts to link trade aid and standards within some of its development policy;
- recently a new assertiveness about the social dimension within the global discourse on social policy.

Accommodation to the requirements of a liberalising globalization certainly characterised much of the discussion about labour markets and social policy during the mid 1990s when the series of green and white papers on social policy emanating from the Commission (1993; 1994) addressed the need for more flexible working practices, the introduction of new kinds of contract, the reduction of the indirect costs of labour, the shift from passive unemployment benefits to an active labour market policy, increased retraining and educational opportunities. Here a juggling act was going on with the Commission wishing to support social protection policies but only in so far as they
adapted to some perceived requirements of increased global economic competition. Adaptation to the realities of liberal globalization was the priority at that point in time.

At much the same time however in the context of the run up to the establishment of the WTO and then in relation to the WTO Ministerial meeting in Singapore in 1996 the EU could be said to have been influenced by protectionist concerns. Clearly the need to protect the Common Agricultural Policy which is a kind of minimum income entitlement for a section of the EU population motivated the restrictions on trade in this sector. At the Singapore meeting the case was put for linking trade to a social clause with a view to both protecting the social standards of Europe but also to try to generalise these elsewhere. From the point of view of many in the developing world it was the protectionist sentiments which were perceived as being behind the concerns of northern countries.

Much is made during this period and up to today of the element of the common foreign and security policy of the EU which embraces human rights. The EU clearly sees itself as a player on the global stage concerned to bring about the realisation of human rights internationally. This has found reflection in its trade policy with the ACP nations, in its foreign policy in terms even of wars associated with NATO, in terms of aspects of its international development policy and as a consideration in its humanitarian activities. How far laudable aims in this regard have extended to social as distinct from civil and political rights and how far policy has had a positive impact in practice we shall consider in the later chapters.

In relation to the impending enlargement of the European Union the requirements of membership extend to a limited number of legal requirements in the social sphere. These include the equal treatment of men and women, and the adoption of certain health and safety standards. These legal requirements of membership have however been increasingly talked up by Commission officials as they engage in screenings of the applicant countries. It is being argued that applicant countries are joining a common social space which has high expectations regarding consensus forms of policy making and of decent levels of social protection. Paradoxically the subcontracting methods used by the EU to influence social provision through technical assistance under PHARE and TACIS have lead to the Commission loosing some control of the policy content of these projects to a diverse army of private consultants.

Some aspects of the trade policy of the EU can be said to be motivated by a concern to use trade for social beneficial purposes elsewhere in the world. Its system of differential tariff preferences which benefit countries meeting some of the ILO’s core labour standards or otherwise improving their social polices is geared to linking trade to standards but in a way which is not regarded negatively as a sanction but as a positive incentive. How far these policies are more than symbolic and how they will be affected
by the imminent round of both WTO negotiations and the negotiations to revise the LOME agreements between the EU and the ACP countries is something to be reviewed in detail in a later chapter.

The foregoing has characterised EU policy with regard to the task of injecting a social dimension into globalization as variable in time and policy area. It has ranged through the near capitulation to the global liberal agenda, through expressions of social protectionism, and on to attempts at least at the level of words to inject a social dimension into globalization. This vacillation is not dissimilar to that found in EU environmental policy in the context of globalization. Golub (1998) showed effectively how in this field too the EU was juggling with the need to be globally competitive while at the same time to protect the environment. When attempting to win global adherence to environmental standards it is faced with a setting of second best standards. If concerned to improve on these for the EU and take these into account in trade policy it falls into the trap of eco-protectionism.

In terms of social policy there are recent signs that the Commission is concerned to inject a more systematic approach and a more assertive approach into what it has called the external dimension of European Social Policy. In the context of the Austrian Presidency of the Union in late 1998 the head of DG 5, Allan Larsson in a speech at a conference on the new challenges of globalization (9-10 November 1998) argued that ‘We have created the best social safety nets in the world ... social policy is a productive factor in economic performance ... (this) is now emerging as the basis of the new G8 social policy discussions and is becoming very important in delivering the substance of the transatlantic dialogue too”. His choice of the term safety net has been explained as a strategy for EU to own this term and convert its meaning into a more universalistic approach to social policy. It seems to have acknowledged the point of Navarro (1998) and others that it is the politics of globalization which matters most and not an economic determinism mistakenly associated with it. This more assertive approach was also foreshadowed in the 1998-2000 Social Action Programme of the Commission (COM (1998) 259). This asserted that

‘the European social model is very appealing to countries outside the Union both in central and eastern Europe and in a world-wide context. ..........since the European Union is the single largest trading bloc in the world......it has an important role to play in promoting social progress on the world stage.’

The communication went on to promise a Communication on the development of the external dimension of European Social Policy. This communication which would have dealt with the social aspects of enlargement, with a codification of the role of the EU vis a
vis the UN etc, and with certain trade issues has been delayed because of the Commission’s resignation.

**Who shapes and speaks for the external dimension of EU social policy?**

Before we go any further and examine in more detail the EU track record on contributing to a global debate about social policy we need to address certain constitutional questions and issues to do with political processes within Europe. Who speaks for the EU on the global stage? Who has the power to make external policy? What is the relationship between the Commission and Parliament and the Council of Ministers? How important is the EU Presidency in all of this? Do certain European positions get adopted in global fora without reference to ‘official’ EU policy? Clarification of these issues and roles is important also if we are to suggest by what means the EU might become a more effective voice and actor for a socially responsible globalization.

To ask these questions is of course to enter the terrain of disputes between political scientists and observers of EU affairs some of whom emphasise the traditional intergovernmentalist approach to EU politics and others of whom emphasise the relative autonomy that the EU through the Commission has won for itself in the making of community policy. Sandholtz and Stone-Sweet (1998) suggest that at any one time a snap shot of EU politics might emphasise the intergovernmental bargaining while a longer time frame of analysis lends support to the relative power of the supranational institutions of Europe. Their view is that of a modified neo-functionalism or historic-institutional analysis whereby transnational actors within the EU, the Commission and others who engage transnationally, create space for their autonomy which sets up institutions which limit intergovernmentalism. Even in the case of internal social policy for example, an area where governments are keen to guard their autonomy under the rubric of subsidiarity, they conclude (Sandholtz and Stone-Sweet 1888, 56), that ‘a historical-institutional perspective highlights the growing significance of European policy, the influence of actors other than member-state governments, and the mounting constraints on the possibilities for initiatives by those governments’. This echoes the view of Wendon (1998) that the Commission does have capacity to advance social policy within the EU. As we shall see in a moment the defence of this view of a supranational Europe is hardest to defend in the area of foreign policy where national interests are jealously guarded. But even here taking the example of environmental policy (Sbragia 1998) conclude that ‘The European Community has over time developed the international standing and the capacity to become an important international actor in the area of international environmental relations’.
Foreign policy and the external dimension of EU social policy is most fraught with the tension between intergovernmentalism and a supranational view. There is on paper (The Treaty of European Union) a common foreign and security policy which, as we shall discuss in more detail in the next chapter, asserts that one of its objectives is to ‘develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms’. However critics insist (Rummel and Wiedmann 1998, 53) that the institutional arrangements which put the CFSP in the hands of the Council of Foreign Ministers and these deliberations are not institutionally tied in with the Commission in the same way as other policy areas means that ‘the EU largely lacks the means and capabilities needed to make decisions and implement them’. They argue that theoretically the CFSP ‘can draw support from other EU policies (economic external relations, development policy, humanitarian policy) ... but that in practice links with instruments outside of CFSP is not developed to the degree that it would be available whenever needed’.

Box and Koulaaimah-Gabriel (1997) comment on the lack of policy coherence between the CFSP and development policy and note the associated fact that the European Development Fund too is not part of the EC development budget. Some have argued (Crowe 1998) that the new Amsterdam treaty supported supranationalism in the CFSP beyond Maastricht by advancing qualified majority voting and by making the Secretary General of the Council of Foreign Ministers as High Representative of the CFSP able to speak on its behalf. The establishment of a Policy and Planning and Early Warning Unit (PPEWU) in the Council’s Secretariat in Brussels is seen as lending support to supranationalism. But from the point of view of our interest in the external dimension of EU social policy it is important to note the view of Rummel and Wiedman that this does nothing to solve a basic problem which is the narrow conception of what might constitute a CFSP. ‘The central issue of modernising the content and substance of EU foreign policy is not addressed and resolved. Contrary to traditional foreign and defence policy, in the future almost all sectors of public life will have external implications ... the present compartmentalised structure of the EU’s external relations seems to rigidly ignore the realities of today’s international world’ (Rummel and Wiedmann 1998, 54).

This complexity impacts upon the competence of the EU in relations to dialogue and agreements with other international actors and other countries. The EU does not have a legal status but the Community in terms of the Commission can assume legal responsibility with outsiders. So, too, can member states. This leads to a range of situations from Community agreements in relations to the WTO, through mixed Community and member state agreements in relation to association agreements. There are areas where the Maastrich Treaty endorsed the competence of member states to
negotiate in international organisations such as the UN. In relation to many of the issues that are of concern to us it is the combination of the continuing role of member states and the emerging role of the Commission working in parallel that creates complications. This will frustrate our search for a consistent and overarching thrust by the EU playing an effective role as an actor working for a socially responsible globalization. The working in tandem of the Presidency of the EU representing the member states collectively and the Commission is a strategy which has emerged to handle these ambiguities. This will be discussed in more detail below.

If we focus on the relationship of the EU to other international organisations which are actors shaping the global discourse concerning the future of welfare we can understand just how complicated the situation is. If we then add to that a question about the specific role or competence of the Commission in relations to these other actors we can also get a sense of what might be expected in terms of a consistent impact of the EU’s social dimension in these global fora. The table below summarises the situation.

**Figure 3.2 The status of the EU in relation to international organisations**

<table>
<thead>
<tr>
<th>INTERNATIONAL ORGANISATION</th>
<th>STATUS OF EU</th>
<th>ROLE OF THE COMMISSION.</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO</td>
<td>EC legal entity.</td>
<td>Commission leads</td>
</tr>
<tr>
<td>OECD</td>
<td>Participant but can’t block country consensus</td>
<td>Commission participates</td>
</tr>
<tr>
<td>G7/8</td>
<td>President of EU attends</td>
<td>Commission wanting involvement in finance meetings</td>
</tr>
<tr>
<td>Council of Europe</td>
<td>EC Observer</td>
<td>Commission on Social Affairs Committees</td>
</tr>
<tr>
<td>ILO</td>
<td>EC Observer</td>
<td>Commission plays no role (see text)</td>
</tr>
<tr>
<td>UN</td>
<td>EC Observer</td>
<td>Presidency leads, with Commission offering guidance.</td>
</tr>
<tr>
<td>World Bank and IMF</td>
<td>no formal role</td>
<td>Commission some engagement.</td>
</tr>
<tr>
<td>WHO</td>
<td>EC Observer</td>
<td>Commission observer.</td>
</tr>
</tbody>
</table>

It is only in the case of the OECD’s Economic, Labour, Education and Social Affairs Committee that European Social Policy as understood by the Commission is directly represented by the EC as a more or less full member of the committee. In the case of the Council of Europe, the ILO, the WHO there is the attendance of the Commission but the seat at the Council of Europe is often not take up, at the WHO the Commission member works in the health outpost in Luxembourg, and in the case of the ILO the European Union plays no role at all. The Commission tested at the Luxembourg Court its exclusive competence to deal with the ILO on behalf of member states, but the ruling in 1992.
which was for a shared competence with countries was perceived by the Commission as a defeat so that it has played no real role. At the ILO meetings there is no tradition of EU countries lobbying as a group rather they work with other industrial countries as a bloc. Set against this at the level of the liaison of secretariats officials in the Commission suggest that the appointment of the new heads of the ILO and of the WHO is likely to lead to better relations between the secretariats and they may begin to match those of the ones between the EU and the OECD.

The EU has no formal status at the World Bank or at the IMF. The member countries are reluctant to co-ordinate their positions. Together the 15 EU countries have more voting power than the US which currently dominates. It has been argued (WIDE 1997) ‘if member states were willing to work together they could have a significant impact’. There is also still something of a stand off between Commission and the Bank at the secretariat level as far as social policy is concerned although the Commission collaborates more closely on development matters. There is a memorandum of understanding between the Bank and the EU but it does not appear to touch closely on social policy.

In the forum of the Commission on Social Development of the UN and the associated PrepCom which has responsibility for leading the preparation for the Copenhagen plus 5 special session (to review the world’s progress in implementing the pledges of the Social Summit) the practice has emerged that the EU Presidency country takes the lead in marshalling an EU position which may or may not rely on commission input. In that respect there is no institutional memory and therefore not necessarily any consistency in policy adopted. Some attempt is being made from the Council of Europe’s new Social Exclusion Committee to co-ordinate the role of the EU and other European actors in the run up to the Copenhagen plus 5. It remains to be seen at the time of writing how this will evolve.

This appears to leaves the Commission and in particular those within it who have the responsibility for shaping social policy far removed from direct influence when it comes to the World Bank, the WTO and to some extent the G7/8. Given that global social policy is increasingly being made either by default or explicitly in these fora it suggests that the Commission has a lot of lobbying to do to get its voice heard in the places that matter.

Given the above it is suprising to find the commonly expressed sentiment that the EU is and should be a force in the world for social progress. Rosencrance (1997) reviewing the international role of the EU has said that ‘the continent that once ruled the world through the physical imposition of imperialism is now coming to set world standards in normative terms’. As we have already note in the field of global environmental policy some success of the EU has been noted. This success is attributed by Sbragia (1998) to the working together of the intergovernmental aspects of the Union through the Presidency and the federal aspects of the Union through the Commission. So
despite all the disjunctures between the CFSP and the Commission and the problems with the legal status of the EU in international relations there is a hope for an effective external dimension of the EU’s social policy. The next chapters examine these prospects in more detail.
CHAPTER FOUR: GLOBALISING SOCIAL RIGHTS

In this chapter we examine one of the steps towards a socially responsible globalization that appears now to be afforded priority attention within the international dialogue. First some of the controversy surrounding the West’s concern with human rights is reviewed. Then the most recent contribution to this debate which focuses on social rights is summarised. The EU’s contribution to this movement towards globalising social rights is then assessed.

International human and social rights: ‘moralising without resources’ or ‘real global progress’?

The opposition of some southern governments to the call to uphold global labour standards in the context of free trade is reflected also in an increasingly articulate opposition to the claims by the west made in the name of the world community that they are upholding universal human rights. International human rights activists who are seeking to implement the universal declaration of human rights become seen not as ‘guardian angels’ (Wheeler 1996) but as supporters of ‘global (imperialist) gangsters’ who are using the ethical claims of international society to assert a new global hegemony. In the context of the collapse of the cold war Chandler (1996) has argued the thesis that the focus on the protection of minority rights by the West through agencies such as the OSCE is recreating the East-West divide by asserting the moral superiority of the West and demonising the East.

The view that the West is often hypocritical on these questions and does not address human rights abuse in its own backyard has been given prominence recently by Amnesty International. The Prime Minister of Malaysia’s much reported comment that the West does not have a monopoly on human rights is one of the most visible aspect of this controversy. Cultural diversity has been used to justify a different moral and social policy agenda in Islamic societies (Dean and Khan 1997) and has recently been used to argue (Wong 1998) that in the context of China the European-like social policy reforms being suggested for the social security and social assistance schemes are likely to founder on the rock of Confucian indifference to the concept of rights granted by states to its citizens (Tao and Driver 1997).

The most powerful criticism of the human rights stance of western donors has been made recently by Katarina Tomasevski. She argues (Tomasevski 1997, 240) that the audience for the strand of human rights conditionality in aid policy is primarily domestic as is its more recent compliment the encouragement of democratic electoralism in recipient countries. The key problematic from the standpoint of a West that was seriously interested in improving well-being in recipient countries is that the call for
The assumption underlying donor’s policy that economic and political liberalisation go hand in hand undermined human rights by combining political empowerment with economic dis-empowerment, which was reflected in dis-empowering (and impoverishing) the government, thus ultimately precluding it from implementing human rights obligations. The very notion of human rights entails corollary government obligations. If a government is unable to raise revenue so as to be able to comply with its human rights obligations, human rights guarantees become illusory.’

The upshot of this attempt by the ‘international community’ to foster universal human rights and at the same time refuse to redistribute adequate resources from those governments that have to those that do not leads to the defence by northern and western social democrats of their ideals getting conflated by their southern and eastern critics with western free market imperialism wearing a new moral garb of social rights. The defence conversely of cultural diversity by some in the South and East then leads to the abandonment of a reasoned search for an agreed global form of social progress.

Notwithstanding all of these powerful arguments and perhaps emboldened by the concerted moves to back up the West’s concerns with more resources in the form of debt relief etc. there is now a renewed push to assert a) the universalism of human rights, b) the social dimension of them, and c) the means by which these global social rights could be more effectively realised internationally. The backcloth to this move was the intervention by the UK’s Chancellor of the Exchequer to link discussion of the need to regulate the flow of international capital with a perceived need to attend to, or rather prevent the damaging social consequences of speculative capital flows. He argued for a Global Social Policy Code. This would be a ‘code of global best practice in social policy which will apply for every country, will set minimum standards and will ensure that when IMF and World Bank help a country in trouble the agreed programme of reform will preserve investments in the social, education, and employment programmes which are essential for growth’ Moreover this code ‘should not be seen in narrow terms as merely the creation of social safety nets. We should see it as creating opportunities for all by investing more not less in education, employment and vital public services’. (Brown 1999.)

It was suggested by him that this code should be agreed at the next meeting of the World Bank meeting in spring 1999. The question, therefore, was posed as to who and how would this code be devised. However controversy developed concerning which international organisation should have the mandate to devise this code of global social
policy, the Bank with its concern to claim global expertise on these issues, or the UN with its mandate to deal with social policy. The first version produced by the Bank as to how to handle this question (March 23rd 1999 for the Committee of the Whole) suggested a twin track approach whereby ‘the detailed work on best practices for these social policy principles be done as part of a delineated work programme by the World Bank’, and that agreement be reached with the UN for then carrying forward this work as part of the Copenhagen plus 5 meeting. However the next version (April 9th 1999) for presentation to the Development Committee of the Bank shifted clearly the balance of responsibilities towards the UN. Its twin track approach now asserted that ‘the UN take the lead role..in development of universal principles of social policy”, and the Bank would help its member to implement these principles. The final communiqué from the April 28th 1999 meeting of the Development Committee noted that Ministers agreed that ‘further development of the principles of good practice in social policy was best pursued within the framework of the United Nations as part of ... the follow-up on ... the World Summit on Social Development’.

The motives for this referral to the UN were more to do with the concern on the part of some southern governments that the IMF and Bank would use the new principles as a set of social conditions in the context of loans or debt relief than with any concern to empower the UN. While some in the UN have welcomed this move others have suggested it lets the Bank and Fund off the hook of global social responsibility that these principles were designed to facilitate. The danger is that the new global financial architecture will be shaped without reference to the social policy principles. Which ever view is more accurate it is now for the United Nations and in particular the Preparatory Committee for the Copenhagen plus 5 meeting to do the technical work on this. The Bank has in its initial deliberations bequeathed a first draft which may be built upon. It suggest the principles should be based upon a) achieving universal and equitable access to basic social services including access to quality basic education and health care, b) enabling all men and women to attain secure and sustainable livelihoods and decent working conditions, c) promoting systems of social protection, and d) fostering social inclusion. It is the concern of the Social Policy and Social Development secretariat that the principles are taken forward in a way which encompasses both the ‘soft’ aspects of social policy and the ‘hard’ aspects economic policy. If this were to be an outcome of the Copenhagen plus 5 process this might empower the UN in the management of global economic and social policy.

It is timely and appropriate that a background paper aimed at influencing these further deliberations has been produced by staff of the UK’s DFID. (Ferguson 1999). Addressing the topic of Global Social Policy and Human Rights it follows on from the view of Rosalind Eyben (1998) that the ‘global architecture of UN conventions,
declarations, and world conference documents provide the most authoritative available source for the construction of these principles’. In effect the UN documentation provides an internationally legitimated set of agreements on social, economic and political issues. The contribution by DFID dismisses cultural relativist arguments by reference to these international agreements. It also asserts the equal weight of social and economic rights alongside civil and political rights. The paper then proceeds to explicate from the raft of UN conventions and declarations a set of social policy principles and practices. Social policy is here defined as embracing the ‘empowerment’ of people, the ensuring of ‘livelihood security’, the ‘provision of services’ and efforts which ‘foster social integration’. The UN conventions and the series of UN conference agreements are then reviewed to generate a set of policies which embrace a) the security of person, b) democratic participation, c) civil society, d) minimum livelihood, e) productive employment, f) labour standards and g) service provision.

The coming months will be important in firming these up for adoption at the Copenhagen plus 5 meeting. At this stage from the standpoint of the European Union’s concern with high quality social provision it is to be hoped that the final code for best practice in social policy should not slant too far in the direction of targeting and privatisation. It would have to explain what the alternative poles of universalism and public responsibility might mean for countries at different levels of development. It is to be hoped too that a way can be found of escaping from the view that all the code should be concerned with are BASIC education and health services. Whether and how the EU will make any effective intervention in this process will depend, as we saw in the last chapter, on the combination of the Presidency role in steering the intergovernmental process at the UN and any input from the Commission in to that. Some suggestions are made in the last chapter as to how the EU Presidencies might advance the issue and link the new code to real resources so that the sceptical view with which we began this section that the West is still just moralising does not prevail.

**The EU: Champion of global human but not social rights**

We turn now to the track record of the European Union within the global discourse about human and social rights. First it is recalled that an element of the common foreign and security policy is concerned with human rights. The effectiveness of the Union in making this a part of its policy towards other countries will be reviewed. The section then turns to the paradox that whereas there has been a concern to present the EU on a world stage as a champion of rights when it comes to the codification of rights within Europe itself there appears to be vacillation and laggardness.
The human rights element of the Common Foreign and Security Policy of the Union is based on one of the Treaty’s objectives, namely ‘to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms’. As part of the CFSP this means it is primarily the business of the Council of Foreign Ministers as was discussed in the last chapter. However the Commission tracks and influences policy in this field and presented a review communication on ‘The external dimension of human rights policy from Rome to Maastricht and beyond’. In practice DG 1A argued, in keeping with the kind of thinking that inspired the recent UK DFID paper on Global Social Policy and Social Rights, it is the UN’s Universal Declaration of Human Rights and associated subsequent conventions which guide EU policy. In particular it cites the three principles following on from the Universal Declaration which were reaffirmed by the international community at the Vienna Conference on Human Rights in 1993. These were the universality of rights which override national, religious or cultural provision, the indivisibility of rights which precludes discrimination between civil and political and economic, social and cultural rights, and the interdependence between human rights, democracy and development. It argues that these principles also feature in effect in the Luxembourg European Council’s declaration of human rights of June 1991.

The Commission goes to explicate what in practice adherence to these principles has meant for the EU in terms of its external relations. A long list mentions supporting the transition to democracy, promoting the rule of law, promoting civil society, defending independent media, protecting vulnerable groups and minorities, promoting peace building measure etc. The list is fairly long on civil and political rights and fairly short on social and economic rights. The communication also draws attention to the role of the EU as a global actor in the human rights discourse and mentions in particular that the ‘Union was a major actor in the negotiation process, speaking with one strong and effective voice’ in relation to the Beijing Conference on Women in 1995. In terms of the instruments available to the EU to progress this global human right policy these follow from the Commission’s communication of 1995 on the inclusion of respect for democratic principles and human rights in agreements between the Community and third countries. This approach has led to respect for these principles being embodied in trade agreements, association agreements and development assistance policy. All of this as a policy was effectively reaffirmed by the EU in its declaration on the occasion of the 50th anniversary of the declaration of human rights in Vienna in December 1998. This 1998 declaration reaffirms the indivisibility of human rights. But all of its subsequent clauses details work and thinking in relation to only civil and political rights. Social rights is mentioned only once in relation to the Union’s own Charter on Basic Social Right of Workers.
There have been a number of recent scholarly evaluations of the role of the EU globally in terms of the human rights issue (Smith 1998; Ward 1998; Cremona 1998). These focus on whether it is indeed the case, as the Commission claims, that it is taking these issue seriously in its international relations. Karen Smith (1998) notes that the EU ‘has been playing a highly normative role using its economic and diplomatic instruments to foster the spread of norms on human rights and democracy’. She asks (253) ‘to what extent does the EU actually apply conditionality ... how consistently does it follow its own pronouncements?’ The development of the policy outlined in the Commission account above is described and en route it is noted that the European Parliament has often been in the campaigning seat to strengthen EU resolve on these issues. It has become ‘an active promoter of the conditionality norm’. Conditionality, whereby countries receive benefits if they conform to certain policies, first appeared as far as the EU is concerned in connection with relations with post-communist Eastern Europe where trade and co-operation agreements were preferentially given on this basis. The PHARE system of aid did not, however, include a conditionality clause as the policy was intended to be demand driven by recipient countries. How effective PHARE has been in relation to social rights in particular we will return to in a later chapter. Following on from this LOME agreements with ACP countries then embodied conditional elements. Subsequently conditionality entered into development policy. Trade preferences could then also be suspended on human rights grounds. None of these conditionality policies seriously addresses social rights. The European Parliament called for including social rights in the human rights clause in a resolution of 1994 (OJ 1994, C61), but this was regarded as controversial.

Among the weaknesses of the human rights external dimension as perceived by Smith (1998, 274) are the absence of effective reporting mechanisms for evaluating the human rights record of EU aid recipients, the variability in pursuing the matter in relation to different trade partners... ‘commercial and strategic interests do often trump conditionality norms’. In general a positive assessment is given by Lewis of the extent to which the EU has systematically built in human rights considerations to many of its external policies. Ward (1998) is less sanguine and points to the discrepancy between a more coherent adoption of human rights conditionality in the context of trade agreements with developing countries, ex Soviet Union states, Mediterranean basin countries, Latin America including MERCUSOR on the one hand and not with EU-USA, EU-Canada, EU-Australia relations on the other hand. Relations with China and with ASEAN are said to be progressing ahead without the presence of human rights clauses. In sum (Ward 1998, 527) ‘potential for punishment of human rights abuse is imposed on some less developed areas of the world’. For our purpose what comes through most clearly however is the lack of attention, despite the rhetoric of the indivisibility of rights,
to social rights, a weakness in the external dimension of EU’s social policy to which we shall return in the last chapter.

Paradoxically while the EU sees itself as a major player on the global stage campaigning for indivisible human rights its approach to these issues when it comes to European citizens and residents leaves a lot to be desired. Certainly the lack of progress in codifying a comprehensive set of social rights of EU citizens is has been noted by many commentators. Gearty’s (1997) volume on European Civil Liberties and the European Convention on Human Rights is the most systematic review of the issues surrounding this question. The story is one that is complicated by the parallel existence of the EU and the Council of Europe. The European Convention on Human Rights which is the basis for the judicial proceedings of the Court of Human Rights in Strasbourg focuses on civil and political rights and does not address social rights. The EU is not a legal signatory to this but it is accepted as a basis of the Maastricht Treaty. Alongside the European Convention is the recently modified European Social Charter which covers most of the aspects of social rights that one would want to see in a global set of social rights. Countries can choose however which elements they sign up to and can exclude quite central ones. The recently improved reporting procedures does allow for collective complaints and is a potential source of political pressure for them being met in practice. In terms of the EU all that exists is the Charter on the Fundamental Rights of Workers produced in 1989. Even this is soft law which is not binding.

The absence of a charter of social rights for European citizens has lead to much discussion, but little action to remedy the situation. Stephen Hughes, MEP, speaking at the European Social Policy Forum in June 1998 complained ‘that social rights could only sneak their way into the Amsterdam Treaty by means of a reference to the Community Charter of Fundamental Rights of Workers. We are very far away from the incorporation of specific social rights.’ The Comité de Sages set up under the Commission’s guidance in 1996 argued in its report for a Europe of Civic and Social Rights. In terms of social rights it felt that progress might be assured by distinguishing between a) rights which could be enshrined in law now because they were implied by community law already, such as equal treatment, b) rights which could also be encoded in law as they were needed to facilitate economic integration such as the right to choose ones profession, thirdly c) would be a set of rights which might be aspired to. Their list (Comité de Sages 1996, 51) reflects some of the same items as on the Council of Europe’s Social Charter: the right to lifelong education, work or minimum income, health and safety, health care, housing, social security, etc. The proposal of Gerty (1997) in relation to EU social rights was to simply adopt the Council of Europe’s Social Charter, leaving the Court of Human Rights to cover civil and political rights. Pieters and Nickless considered these issues (1998) and came down in favour of some set of EU social rights. The initiative of the
German Presidency on this matter is taking time to produce results although there is an expert working party associated with DG 5 who have just finished working on this topic (European Commission 1999c). The report of this working group is very affirmative about the need to incorporate an express guarantee of rights into the Treaty. It suggests, to the contrary of Gerty, that this should be based on the European Convention of Human Rights. The Luxembourg European Court of Justice should integrate the decisions of the Strasbourg Court of Human Rights into the law of the EU. This does not address or advance the issue of social rights at all. The report makes no mention of the Council of Europe’s Social Charter. The working party was actually charged with examining the implications of the notion of the indivisibility of rights but in a short section the report lamely calls for the need to formulate new social rights where these can not be derived from an interpretation of civil rights. This suggests that the German initiative might not advance the cause of embodying social rights within the EU treaty.

Declaring social rights leads to the question as to whether they are covered by soft law which only requires countries to realise them if possible, or hard law whereby an individual could take her country to court, in this case the ECJ in Luxembourg, for not meeting her rights. The reason, of course for slow progress within Europe or elsewhere in making a set of social rights hard law are the resource implications implied and the differential capacity of governments to provide these resources. Despite these problems the 1993 World Conference on Human Rights called for the creation of an optional complaints procedure under the International Covenant on Economic, Social and Cultural Rights whereby individuals or groups could bring claims of violation of economic and social rights before an impartial body. The need to link rights or standards to resource redistribution lies at the heart of the European project which through its structural fund and concept of a level playing field depends on redistribution, regulation and empowerment. The same issue surfaces within Europe as it does at a global level. What level of social rights or standards could be agreed on with an associated set of transnational resource commitments which is on the one hand high enough to be meaningful but on the other hand low enough to be affordable without at the same time it being so low as to implicitly threaten higher standards elsewhere. Hine and Kassim (1998; 57) linked the issue of social rights and resources with the EU political process quite nicely when they concluded:

‘(An) appropriate and feasible role of the EU in this context is to establish a floor of standards at a level acceptable to the majority of member states; ensure that inequalities that cannot be resolved by redistribution policies within member states are met with by pan-European transfers, and help implement a set of ‘best practices’ policies and facilitate a process of consensual national adjustment’
The European Union regards itself as an important actor on the international stage campaigning for global human rights. It has established a set of instruments for trying to bring global change about. There is controversy about whether some of these instruments such as linking trade and aid to conditions are desirable. There is controversy about whether it treats all countries fairly in these matters. Despite the rhetoric linking all human rights together the overwhelming emphasise of policy and action avoids the issue of social rights. Even within its own borders it has yet to tackle the adoption of a set of social rights even as soft law. Yet among the member states the UK has emerged as a major player in the international arena with UK DFID thinking through the implications of UN conventions for an imminent global code of social rights. It remains to be seen within the intergovernmental process leading up to the Copenhagen plus 5 meeting whether the EU as a bloc will effectively contribute to the first ever adoption of a set of global social policy principles, whether the content of those principles will reflect the universalistic aspirations of most of Europe or will settle for a more basic and targeted approach which would be more in keeping with the Anglo-American tradition.
CHAPTER FIVE: MOVING SOCIAL POLICY UP THE DEVELOPMENT AGENDA

While the quantity of aid flowing from north to south has been reduced in the past decade in terms of a percentage of GNP in almost all countries there has been concerted international effort to make more effective use of this aid, to focus more of it on social aspects of development including health and education, to win the co-operation of developing countries’ to this project in terms of, for example the 20:20 initiative which would ensure that 20 % of aid is for social purposes and 20 % of developing countries public expenditure matches this. Targets which are believed to be attainable have been set by the major donors. As a contribution to this there is the real prospect of significant debt relief at the Millennium not attached to structural adjustment conditions. In this chapter we review some of the controversy around these developments in development policy, and then examine how the EU’s track record and policy on these issues measures up.

Attainable development targets: global social progress or legitimating residual social policy?

International Development Co-operation has moved a long way from the days of socially irresponsible structural adjustment programmes overseen by the Bank and IMF with no concern with the short term negative social consequences of such adjustment. Responding to the criticisms of global civil society and UN agencies the Bank first articulated a concern for poverty alleviation in this context in 1990. At that point the dominant aid paradigm was broad based growth, basic social services and safety nets. Many argued that while marking some progress this represented the institutionalisation globally of a residual approach to social policy and provision. Earlier (Deacon 1997) I showed that the focus of the development lobby upon the poorest of the poor often lead to a challenge in some countries to tripartite welfare settlements with urban workers that had been developed in an earlier period of import substitution or what some call now premature state building. While it was true that the PAYG social security provisions of Latin America and the state pensions of Indian and African civil servants were available only to a relatively privileged sector and that ways of extending these rights to the informal sector of employment are only now being addressed (van Ginneken 1998) it could be argued they provided a sounder and potentially more acceptable universal basis upon which to build than the individualised and privatised savings accounts which, under the pressures of structural adjustment are now being developed. The Bank was quite clear in its approach to social policy in such countries (Graham 1994; Deacon 1997) that an alliance could be struck between itself, the excluded poor and the
International NGOs and development lobby to bypass and let wither these incipient welfare states in favour of a targeted and residualised safety net approach to social policy. Moreover with a focus on safety nets with which it saw eye to eye with development lobbies it could move on from there to co-opt NGOs into delivering social funds to the poor within the framework of this New Policy Agenda (Edwards and Hulme 1995, Fowler 1996). Structural adjustment and debt burden had crippled the nascent welfare role of the state and laid the ground for a safety net approach within which INGOs would have a role and self interest.

It remains to be seen if in the wake of the argument by Stiglitz (1998) that there is now a need to rethink the Washington Consensus whether thinking and policy within the Bank on social development issues and social policy issues does move further from liberalism with safety nets. There are mixed messages. The first draft of the World Bank’s WDR-2001 on poverty (www.worldbank.org/devforum) has proposed a four prong approach which involves empowerment, security, opportunity and international structural issues. In the section dealing with unemployment insurance, however, there is still to be found the obsession with targeting on the poor. The current draft reads ‘the key issue is to design (these schemes) so that they maintain their function of providing insurance for the very poor and are not captured by the not so poor”. At the same time Wolfensohn’s proposal for a Comprehensive Development Framework (Wolfensohn 1999) covers good governance, an effective legal system, supervised financial systems but when it approaches the social dimension it still talks in terms of safety nets and the emphases in education and health policy is on universal primary education and communal and local level health services. On the positive side the draft does not come down firmly on the side of higher levels of education and health care being privately provided. In terms of the work of the Social Protection section of the Human Development Network in the Bank the current draft (Holzmann and Jorgensen 1999) of the emerging policy paper does acknowledge that there may be a case for income redistribution between income cohorts, between generations and between nations and regions, but the main thrust of the analytical work is that of enabling individuals and families to protect themselves from risk through a risk management strategy. In terms of income maintenance policy the interim conclusions of the draft are not suprising and in keeping with the market orientation of the Bank., This analysis the paper argues ‘fosters the importance of ... multi-pillar pension systems, individual social accounts to handle multiple risks (unemployment, sickness, disability, survivorship, old-age)’ and ‘puts the role of government in perspective: governments have an important role for the establishing and functioning of informal and market-based arrangements; governments and public administration also have their own agenda, exposing such arrangements to
political risk.” Hardly a rally cry for sound universal publicly provided services financed out of redistributive taxation!

It should not be taken for granted then that the new fashion in International Development Co-operation for setting achievable development targets is unalloyed global social progress. Certainly from the standpoint of Social Policy Ministries in Europe many would be very worried if some of the logic that inspired these moves in social development policy towards the south were to be applied towards social policy in the north. The OECD:DAC (1997) report Shaping the 21st Century: The Contribution of Development Co-operation set a number of targets for development policy. This lead to a joint venture between DAC, bilateral donors and the World Bank to establish indicators of progress towards their achievement (http://www.oecd.org/dac/ indicators).

The OECD:DAC (1997) targets which are ones thought to be realisable by 2015 focus on the poorest of the poor in poor countries. These targets include the halving of the number of people in extreme poverty, making basic education available to all girls and boys, enabling access for all to reproductive health services, with concomitant reductions in maternal and infant mortality rates and gender inequality. The two positives in this approach are the inclusion in the agreed measures of poverty of one indicator of inequality (the poorest fifth’s share of national consumption), which suggest that redistribution policies are not forgotten entirely and the fact that measurable and attainable targets and the monitoring of them are in place. The other side of the coin remains the limited goal in terms of public service provision of universal primary education and universal reproductive health. This leaves ample scope for the privatisation of the rest of social provision while international attention is focused on these issues of basic service delivery only.

**Obstacles to a progressive north-south social policy and social development dialogue**

The view of concerned aid workers that insist that in the absence of government provision then some kind of NGO assisted targeted social fund is preferable to nothing is hard to challenge. Equally the view that says while resources are limited then public money should be spent on primary and not secondary education is hard to fault. The same applies to priority expenditure on basic health services. The views only become open to challenge when the implications are thought through in terms of the consequential development of privileged and private provision of secondary and tertiary education and of private hospital care. The siphoning off into the global market of private medicine and the global market in higher education of the elite of these countries could destroy for ever the interclass solidarity that would be needed to fashion over the
longer haul an adequate universal education and health system and system of social protection for all. What defenders of a residualised approach to social development in the south have to show is how this strategy will lead over the next decades to an acceptable set of public provisions at all levels for all. The table below sets out some of the obstacles that get in the way of a progressive north-south dialogue on these matters.

**Figure 5.1. Obstacles to a progressive north-south dialogue on social policy and social development**

<table>
<thead>
<tr>
<th>a) Targeting and Safety Nets</th>
<th>NORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH</td>
<td>NINGOs have a role to play in implementing them. Resources are limited and we have to have distribution equity as measured by the Bank’s beneficiary index. Earlier formal universal social security was available only to a privileged working or civil service class.</td>
</tr>
<tr>
<td>NORTHERN</td>
<td>Directly challenge the universalism of European tradition in favour of USA residualism. It is necessary that the middle class also benefit from social spending in order to ensure a willingness to be taxed.</td>
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<table>
<thead>
<tr>
<th>b) Basic Education and Health</th>
<th>NORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH</td>
<td>Resource limitations dictate priorities. Health and participation are basic human needs. Tertiary education and hospital health was used only by the elite.</td>
</tr>
<tr>
<td>NORTHERN</td>
<td>Limiting state provision to these leaves the rest: secondary education, tertiary education and hospital care to be privatised which feeds the global market in private social welfare which undermines European tradition</td>
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</table>

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<tr>
<th>c) NGOs are making an important contribution</th>
<th>NORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH</td>
<td>Many Gov. in Africa and elsewhere were corrupt. Civil society was underdeveloped. NGOs can mobilise new resources and involve the poor.</td>
</tr>
<tr>
<td>NORTHERN</td>
<td>Governments have a responsibility to universalise good local initiatives. Key questions of social policy about resource priorities can only be settled by government.</td>
</tr>
</tbody>
</table>

The disjuncture in policy approaches at the level of articulated strategies is fortunately probably greater than the reality on the ground. However much, for example, the World Bank insist that the use by the middle class of public hospitals is a non equitable use of resources they continue in India and elsewhere to do so. Recent data from a number of countries (Gwatkin 1999) suggests that the richest 20 % of the population in these countries only use public health facilities a little bit less than the poorest 20 %. The professional middle class in most of the countries we are concerned with are not able to
afford private hospital care. The same applies to higher education in many countries. The picture is rather different though in some Asian and Latin American countries.

As debt relief approaches and the search for ways of ensuring that the liberated funds are spent on social welfare gets more urgent these issues take on more importance. They are linked closely to the emerging code of global principles for social policy discussed in chapter four. At stake is whether at the start of the next century the world lines up behind a set of best practices for social policy fashioned out of the immediate contingencies of a south made poor by the north which reflect a residualist orientation dominant in the USA or whether it learns from and applies to the task of social development the lessons of the European struggle for social welfare that only universalistic and inclusive approaches to social provision ensure stability, peace, security and social well-being for all. We examine the contribution of Europe’s aid policy and practice etc. in the light of this below.

**EU International Development Assistance is fragmented and lacks a coherent social dimension?**

There is no shortage of recent reviews of the extent and direction of European Community Aid. The British Overseas Development Institute (ODI) initiated a scholarly appraisal of the aid programmes of a large number of European countries and that of the EC in 1996. The EC study (Loquai, Hove and Bossuyt 1998) and the comparative synthesis of all the donors (Cox, Healey and Voipio 1999) are particularly relevant to our purpose, although the EC study excludes consideration of aid to the Mediterranean countries, Eastern Europe and the NIS and also aid channelled through the humanitarian office ECHO. Many of the same researchers were then co-opted by the OECD:DAC’s working group on poverty reduction to provide an appraisal of the EC and of the World Bank, UNDP, and IMF as well as several European country aid policies. Again the OECD:DAC study of the EC (Paccound 1998) excluded aid to eastern Europe and the work of ECHO. The synthesis report (Cox et al 1998) of all of these studies usefully sets the EC role in comparative perspective and also assesses the effectiveness of targeted verses more universalistic approaches to poverty reduction. At the same time as part of its regular peer review the OECD:DAC (1998) recently completed its Aid Review of the European Commission. The EU Development Council itself also commissioned a number of internal evaluations of aspects of EC aid focusing in turn on aid to the ACP countries, Asia and Latin American countries, Mediterranean countries, and humanitarian aid through ECHO. The first of these is now available (European Commission 1999a) and the others and the synthesis report are now being made available. The Development Council of the EU gave initial consideration to these on May 21st 1999. The monitoring of the Commission’s implementation of the Council’s views
will take place during the Finnish Presidency. The UK has been particularly active in assessing the EC aid programmes (DFID 1998) which has given rise to particular recommendations which will be reported below. Previous work by the author assessing the impact of the EU PHARE and TACIS programmes for support to Eastern Europe and the NIS complimented these sources. (Deacon 1997.)

All of these reviews have very similar things to say about European Community Aid much of which is quite critical. The critical comments may be summarised in the following list. European Community aid is regarded as:

- Suffering from fragmentation of responsibility and delivery leading to a failure of consistency or co-ordination between programmes;
- Embodying unjustified different policy approaches to different regions;
- Having grown in size in contrast to decline in most country aid budgets but many funds committed are not spent;
- Not focused on the poorest countries: country allocation is shaped by geopolitical considerations;
- Having fine resolutions on poverty alleviation as a goal but lacking practical policy steps and professional capacity to realise this goal effectively in practice;
- Attempting to link trade preferences for labour and social standards with aid for at least ACP countries through the LOME agreements but with little effect and suspect motivations;
- Suffering from a failure of the Commission to drive particular EU views on poverty alleviation or desirable social protection measures into projects because of the way the subcontracting mode is used;
- Suffering from a number of other institutional shortcomings within the Commission and between it and other donors and the recipient governments.

These comments are examined in more detail below. The question of how trade and aid issues are linked will be addressed in the next chapter. Given the lack of development policy coherence evident in the above it is not to be expected that we will find the EU in the forefront of a global discussion as to whether the OCED:DAC targets do embody a slide towards legitimating residualism. It is equally unlikely that we will find effective dialogue between the social policy secretariat of the Commission and the diverse component parts of the Commission responsible for the fragmented aid programme. The case of aid to Eastern Europe will provide a partial exception to this. These points will be returned to later.

The pattern of responsibility is captured partly by the following table showing the division of labour within the Commission (based on Loquai, Hove and Bossuyt 1998).
The SCR or central common services is a new directorate being established in 1999 to respond to some of the criticisms which are expressed below about the excessive focus on the administration of subcontracting etc. previously taking up the time of all of the other Directorates to the detriment of the clarification of policy orientation.

The aid budget itself is made up of one component (approximately 60% between 1986 and 1995) which is part of the EC budget subject to parliamentary scrutiny and a part, (approximately 40% in the same period) made up of the European Development Fund (EDF) which is voted for by countries and managed by the Development Council of Ministers. Apart from the question of internal fragmentation of responsibility there is the matter of how the EC does or does not agree a division of labour with Member Country aid budgets. Some countries would be willing to see this development others not. Within this context of fragmentation and also because of some of the other shortcomings in European policy clarity on social development issues the UK Parliament’s International Development Select Committee recently (29th Jan 1999) reported on EC aid and concluded. ‘The only way to ensure that development priorities receive due attention ... is to create a separate Directorate General for Development with exclusive responsibility for official development assistance ... responsible both for budgetised EC aid and the EDF’. This is the view of UK’s DFID which not only wishes to see such a unified directorate but also better policy linkages within the EC to other policy areas such as trade (DFID 1998).

<table>
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<tr>
<th>DIRECTORATE</th>
<th>RESPONSIBILITY</th>
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<tr>
<td>DG 8. Directorate General for Development</td>
<td>Co-operation with ACP countries Aid from Community budget line for all countries.</td>
</tr>
<tr>
<td>DG 1A. Directorate General for External Relations</td>
<td>Co-operation with CEES and NIS etc. PHARE, CONSENSUS,TACIS,</td>
</tr>
<tr>
<td>DG 1B. Directorate General for External Relations</td>
<td>Co-operation with Mediterranean, Middle East, Latin America and Asian countries.</td>
</tr>
<tr>
<td>DG 1, Directorate General for External Relations</td>
<td>External relations to Far East WTO negotiations</td>
</tr>
<tr>
<td>ECHO.</td>
<td>Humanitarian aid budget</td>
</tr>
<tr>
<td>SCR. Common Services</td>
<td>Execution of all external projects</td>
</tr>
</tbody>
</table>
A positive feature of EU aid compared with that of many individual countries is that it has increased in size over recent years. In the past three decades it has more than tripled as a share of all OECD aid. It is now the world’s fifth largest donor and taken together with member country bilateral aid it accounted for 60% of world aid in 1995 (Cox and Konning 1997). Over the past decade net ODA disbursements by the Union grew at an annual rate of 5.3% in real terms compared with an annual decline of 0.8% for all OECD countries. Set against this trend is the concern that the gap between commitments and actual disbursements has grown considerably. Between 1992 and 1996 the gap between the two exceeded $1,600 million dollars each year (OECD DAC 1998). Within the total amount of EC aid disbursed there has been a consistent increase between 1986 and 1995 in the share of aid going to support the social infrastructure including the health and education sectors. This increased from 3.4% of aid in 1986 to 12.0% in 1995. Humanitarian aid increased also dramatically in this period rising from 3.1% to 15.2% not least because of the crisis in former Yugoslavia. (Loquai, Hove and Bossuyt 1998.)

A major concern of most critical commentaries has however been whether the aid distribution matches up to words about the policy of focusing aid on alleviating poverty in the world. Article 130u of the 1993 treaty set out the objectives of development co-operation as including ‘the campaign against poverty in developing countries” and ‘social development in ... especially the most disadvantaged ones”. Two Development Council resolutions in 1993 and 1996 explicated the meaning of this in certain ways. In 1996 the resolution on Human and Social Development suggested that concerted action was required under four headings; human empowerment and participation, economic framework conducive to growth and employment generation, health and education/training. However in practice the trend in aid to countries has moved away from helping the most poor countries. In the 1980s 80% of assistance from the EC was focused on the least developed countries but by 1993/4 the least-developed countries were receiving only 38% of EC aid and low income countries were receiving a mere 15% of aid (Loquai et al 1998). According to the UK DFID ‘these trends in resource allocation are highly undesirable and constrain the EC’s contribution to the international poverty eradication strategy’ (DFID 1998). The OECD:DAC (1998) peer evaluation comments that ‘lip service to the poverty goal will no longer suffice. Additional work is required by the EU... to strengthen policy and implementation with respect to gender, human rights, participation, and partnership’. The OECD:DAC (Paccound 1998) poverty working group study of the EC noted that ‘The absence of strict and clear agency guidelines for introducing poverty reduction programmes and projects has forced the Commission staff to very intuitive approaches’ Within the context of the EU-ACP (European Commission 1999a) relations the internal evaluation of EC aid comments that
'The Commission has been focused not on achieving results-on reducing poverty-but on administrative procedures’. This is partly a problem of the lack of professional social development staff and other aspects of internal EC procedure which we will return to, later.

Part of the problem of lack of coherent policy orientation towards the key task of using aid to reduce global poverty is the geographical arrangement of the aid budget. Different practices and procedures have grown up and different priorities exist for different areas of the world. While some differences in focus are sensible because of the different levels of development of the countries involved others exist for historic or geopolitical reasons which have little to do with a coherent geographically nuanced social development policy focused on the poor. In the case of the Asian and Latin American and Mediterranean countries poverty alleviation as a goal and strategy is ‘far less homogeneous’ (Paccound 1998) and other factors influence aid priorities.

In the case of the Mediterranean countries a focus is the development of employment with a view also to the establishment of a common trade bloc. Corruption within the Commission has also influenced policy (Committee of Independent Experts 1999). Future membership of the EU shapes aid priorities to Eastern Europe. Trade considerations and potential contracts for EU firms continue to influence aid to some parts of Asia and Latin America. In the case of the ACP countries whose special relationship to the EU is shaped by the colonial legacy a more focused concern with poverty alleviation could be said to be present. From the time of the first LOME convention in 1975 EC aid was seen as an entitlement of the ACP countries who could shape the use of it as they saw fit. By the time of the third LOME convention agreed in 1985 there was a ‘slow move away from entitlement … and this facilitated the incorporation into the LOME conventions of priority objectives such as the reduction of poverty and democracy and the protection of human rights’ (European Commission 1997).

A move towards conditionality was more evident in LOME IV and IV b. in the context of structural adjustment by the World Bank and IMF. In practice the evaluation study argued that the use of conditionality ‘involves a more flexible policy dialogue with recipient countries (than the Bank or Funds)’. The EU-ACP evaluation by the Commission suggest a move to a genuine partnership with firm commitments by ACP countries re good governance etc. matched by firm responsibilities of the EC. This move away from simplistic structural adjustment-type conditionality to a partnership agreement is important to note. Here positive conditionality designed to improve social policy in recipient countries is secured through ownership by the recipient government of the policy coupled with financial support from the donors to facilitate the policy in the context of meaningful dialogue. This move chimes with the recommendations of Killick.
(1998) at the conclusion of his massive study of the shortcomings of old-fashioned conditionality. One important element of the development policy towards ACP countries is the explicit link to trade policies both in terms of the generalised systems of preferences which grant ACP countries access to the EU market for many of their goods and the additional trade tariff bonuses available to countries that meet certain ILO labour standards etc.

This triangulation of freeing trade as a reward for meeting standards achieved partly by a focused aid policy might be seen as the EU practising what we argued in chapter two was needed to secure greater global social justice, namely redistribution working with regulation and empowerment. However others have argued that the prime motive for the trade preferences is to provide Europe with cheap raw materials and products which do not threaten the subsidised goods produced by the Common Agricultural Policy and that by not using aid to facilitate other economic development the EU is conserving colonial production practices of benefit to Europe. This view notwithstanding the ODI evaluation (Loquai, Hove and Bossuyt 1998) of the EU aid programme noted in relation to the future of LOME that ‘The Commission’s draft mandate for the upcoming negotiations looks promising. It contains a clear Commitment to poverty eradication as the priority objective”. This aspect of linking trade to social conditions we shall return to in the next chapter when the future of LOME will be considered in the context of current EU policy towards it and the WTO forthcoming round of trade negotiations.

In the case of aid and technical assistance to Eastern Europe and the former Soviet Union the first interim evaluation of the PHARE and TACIS programme used by the EU to assist the transition concluded that ‘the decentralised implementation approach has resulted in a tendency for the Commission to contract out expertise in the transition process and retain in-house expertise in financial and administrative procedures, thereby losing grip on the substance and impact of the programmes. Internal human resource constraints, high staff turnover with concomitant poor institutional memory and little accumulation of experience, have all exacerbated this tendency. In a limited number of case, this may have lead to ‘contractor driven’ programmes’. (Commission 1997a 53.) A related concern was the ‘lack of prior sector analysis and strategic vision’ (52). This failure of the EU to use PHARE and TACIS as vehicles for driving through a European vision of social policy and poverty alleviation has been contrasted sharply with the relative systematic zeal with which the World Bank has used the transition to argue for targeted and residualist social policy and by the ILO to argue systematically for tripartite managed systems of social security (Deacon 1997). What social policy advice countries got from the PHARE and TACIS system reflected to some extent the predilections of the subcontracted consultancy company. Once
subcontracted by the EU little was done to suggest to the firms that they should in some way carry EU social policy with them in their work. This shortcoming was in part due to the lack of clarity on the part of the EU as to what model of social policy it would be selling. At the same time the percentage of PHARE and TACIS aid being used for social purposes is very small.

This situation has been improved somewhat by the newer CONSENSUS programme operating within the framework of PHARE which was explicitly designed to enable countries to shape their social protection systems with an eye to membership of the EU. The funds available to CONSENSUS, however, are very small. A normal PHARE project in one country averages 3MEUR while the total allocation to CONSENSUS for twelve countries for 1995-1999 was 20MEUR. Since 1998, however, the Commission has been able to raise the profile of the social dimension of accession. For example at a meeting of the Programme Advisory Board of CONSENSUS attended by applicant states on Dec. 18th 1998 the Commission argued that ‘Our social protection systems are distinguished by their universal nature and by the extent of their social support” (and that) ‘a commitment to high social standards (on the part of the applicant countries) will cement political support for enlargement’ (Larsson 1998a). This is the only example in our survey of a particular European perspective on social policy influencing the external development policy of the Union. The profile of this exception was raised recently at the Labour and Social Affairs Council (March 1999) when it was agreed in summing up by the German Presidency that social policy must become a fifth compulsory priority area in PHARE from 2000. This may be achieved by absorbing the CONSENSUS programme into it. At the same time since 1998 PHARE has been accession driven giving more scope to the EU to shape projects. Our question remains whether the perception of EU Ministers of Social Policy and the Commission which already recognises that the way social policy is unfolding in Eastern Europe is important for the future of EU social policy can be stretched to appreciate that this might in the context of globalization also apply to social policy in other regions of the world.

A brief comment on the Emergency Humanitarian work of the EC is need to complete the survey. ECHO was established in 1992 in the context of emergencies close to or in Europe in order to speed emergency humanitarian relief to crisis situations. The creation of a new directorate may have enabled the process to be speeded up but it yet further complicated the relationship to the rest of EC effort in the same regions. About 50 % of ECHO’s support to crisis regions is channelled through NGOs. Problems of financial accounting and transparency and the questionable legal basis of some of the funds spent under this EC budget head have been an object of concern. From the point of view of our concern that the EU contribute to the establishment elsewhere of sound governmental responsibility for social policy and provision the heavy if understandable
reliance of ECHO on INGOs raises questions. These were evident in the work of ECHO in Bosnia where even though there were in place entity and canton level Ministers able and willing to improve social provision and build on the basis of past Yugoslavian practice much of the work of ECHO, and indeed other donors bypassed the local administration and established parallel structures which in turn demoralised government agencies who saw funds they needed being siphoned elsewhere. (Deacon and Stubbs 1998). Worrying again was the absence of any strategy on the part of the ECHO office in Sarajevo to ensure that with the end of the war and the beginning of reconstruction the other EU agencies and programmes such as PHARE were brought systematically into the frame.

In much of the above it is clear that all of the evaluations of EU development policy are suggesting that one of the reasons for failure to follow through on fine pronouncements is the lack of capacity within the Commission to do this or that failure is due in some other way to institutional problems. The lack of sufficient social development profession staff is mentioned often and the absence of firm leadership on these policy issues is noted. No guidelines are given to enable subcontractors to adopt EU policy in their practice. Internal evaluations which focus on effectiveness have only just begun within DG 8. Overriding all of this is however the concern with the fragmented organisation. The OECD:DAC (Paccound 1998) peer review concludes that ‘a divided organisational framework has lead to a splintered policy framework ... (with) ... no coherent Commission wide development strategy...(which means) the Commission must pay a heavy price in efficiency and effectiveness’. Clearly this takes us back to the case for a unified DG for all development policy.

The initial review of these evaluations of EU aid by the Development Council on May 21st (EU Development Council 1999) appears to have steered clear of discussing the need for a unified DG but did resolve very clearly the need for the Commission to devise a ‘strategic up-to-date statement on development policy ... (which) should create an overall profile of EC’s development co-operation...(and which)...should ensure total coherence between development co-operation and the common foreign and security policy as well as external economic policy...(This would)...strengthen the focus of EC’s aid and contribute to increased complementarity between the Community and the Member States in development co-operation’. The Commission is to devise such a policy statement during 1999 to be ready in draft by the first half of 2000. The meeting of the Development Council in November 1999 will review progress.

Finally we need to consider where this leaves the desired objective of Europe playing a role in the world of helping to usher in a socially responsible globalization which is based on a set of global social policies which flow from the positive experiences of European social policy. It returns us to the question as to whether the
OECD:DAC/World Bank strategy that the EC is being asked to pay closer attention to of focusing aid on the poor and on only basic provision is a slide into legitimating residualism in social policy globally. One of the OECD:DAC evaluations attempts to synthesise the evaluations of EU country policies with those of the World Bank the UNDP and the EC and make comparisons (Cox et al 1998). It notes that ‘When weighing up the relative merits of universal versus targeted approaches, there is some merit in differentiating between basic service provision and interventions in the productive sectors (e.g. agricultural, fisheries, manufacturing) ... With respect to the provision of basic services such as primary health care or education, it may well be that the long term benefit of the poorest is best served by providing good quality services on a population wide basis. If basic health and education services are exclusively targeted at the poorest, the ‘not-so-poor’ will have to secure access through private routes. This may undermine their willingness to pay taxes, yet taxation is likely to provide the most sustainable financing for services’. This is not unimportant and chimes with the sentiments expressed by the Commission when addressing the social development strategy for Eastern Europe. From the European experience there is no reason to stop at an argument for universalism in relation to just basic education and health. A European Development goal should encompass European social policy objectives at all levels. It is to be hoped that in devising a new European Development policy the Commission take the opportunity to reflect again on the relationship between internal EU social policy and external social development policy so that the resulting policy is not just a restatement of OECD:BANK policy targeting provision on the poor and the basic but engages critically with it on the issue of basic verses higher level provision and targeting versus universalism.
CHAPTER SIX: INJECTING SOCIAL CONCERNS INTO THE GLOBAL ECONOMY

Moves towards declaring a global set of social rights (chapter 4) or towards a focus on universalistic social provision in development co-operation (chapter 5) will contribute little to the task of creating a socially responsible globalization unless they are complimented by consistent effort to bring global economic processes into line with these concerns. This is a broad topic embracing the regulation of speculative financial flows, the injection of a social dimension into world and bilateral trade, taking into account social policy in international agreements on investment, ensuring TNCs adopt a socially responsible investment strategy, and reforming the global tax structures both to eliminate tax competition and to raise global revenues for global social purposes. This chapter reviews progress within the global debate on these topics and then turns to an assessment of the EU’s contribution to the elements of the debate.

Snails progress towards inserting a social purpose in the global economy

Despite the negative social consequences of the Asian and other financial crises brought about in part by speculative capital flows finding a global agreement about what is to be done has been painfully slow. The question of moves to reduce short term speculative flows by taxing them we shall examine later in this section. There is general agreement that some kind of regulation of the Banking sectors in economies prone to speculation is needed but how this is to be done and with what instruments is far from clear. The IMF has articulated a concern to give more attention to protecting the poor in the context of its supervision of the economies of countries. Michel Camdessus (1999) has argued that good governance at national level ‘will have to be rounded off with a firm commitment to sound social and human development policies’, and that he supported ‘the call (of the G-7 Ministers of Finance) for the development of a set of general principles of good practice in social polices which we discussed in chapter four. Elsewhere (IMF 1998) the IMF has argued that ‘regard for the human costs involved in adjustment is essential if adjustment efforts are to be successful’. UK’s Gordon Brown has argued that a surveillance unit be established within the IMF charged with ensuring countries complied with four codes of conduct, on financial, fiscal policy and corporate governance and social policy (Guardian 22 April 1999). He wanted these codes brought within the remit of IMF’s article 4 consultations which are held with all 182 member countries. This would enable the charge that the codes would be a new form of conditionality directed only at some countries to be refuted. The Interim Committee of the IMF on April 27th 1999 welcomed progress on the development of codes of practice on fiscal transparency, on monetary and financial transparency, on corporate governance and other aspects of the banking and insurance sectors. It did not, however, receive the
code for social policy as this went the next day to the Development Committee of the World Bank as we mentioned in chapter four. The Bank then referred it to the UN. In chapter four we noted that this might have the effect of letting the IMF of the hook of considering social issues in its advice to government.

Within this context and that of imminent debt relief OXFAM while expressing concern about the IMF scrutiny of countries has argued that countries who, for example, spend 85-100% of their debt relief on health and social services and poverty relief should, be rewarded with further relief more quickly (OXFAM 1998). This may look like global progress but on the other hand the report of the Task Force of the Executive Committee on Economic and Social Affairs of the United Nations (UN 1999) asserts that ‘(IMF) conditionality should not include issues related to economic and social development ... which ... should be decided by legitimate national authorities’. The global debate is complicated by the struggle between the UN and the Bank/IMF for control of global social policy. Moves such as the agreement that the UN should be the agency to settle the global social policy code may seem at first sight victory for global social reform but the UN process giving as it does due weight to the south may lead to reducing the scope for global social regulation and also a set of polices that the Bank/IMF feels it can ignore. How to secure ‘positive conditionality’ by agreement rather than sanctions was an issue mentioned in the last chapter and will be returned to in the context of the EU’s LOME agreements below.

Progress globally on injecting a social dimension into international trade agreements has been stymied by the same set of conflicts that now seem to be bedevilling the social regulation of capital flows. Attempts by the North to argue for common global labour and social standards in the context of trade have been perceived to be self interested attempts to protect the social welfare securities of people in developed countries from being undercut by competition from the South. These concerns of some southern governments have impacted upon the capacity of UN agencies to put their weight behind social policies’ of the kind that have ensured a degree of equity in developed welfare states. The impasse within the ILO where initial moves to argue for inserting social clauses into world trade agreements were derailed by a concerted campaign of some southern governments is illustrative of this. Reviewing the current situation with regard to this debate Eddy Lee of the ILO notes (Lee 1997, 177) ‘there is a deep fault line of distrust between industrialised and developing countries ... the existing system of international labour standards as it has evolved through the ILO has, willy-nilly been caught in the cross-fire of this debate’. The positive aspect of the debate is the affirmation by all parties to support for what have come to be known as core labour standards. These are generally regarded to be those contained within conventions 29, 87, 98, 100, 105,111, and 138 concerned with the prohibition of forced labour and child
labour, freedom of association and the right to organise and bargain collectively, equal remuneration for men and women for work of equal value, and non-discrimination in employment (Kyloh 1998). Lee recognise that for global progress to be made there is a need to link common standards with much more significant North-South resource transfers. ‘Industrialised countries should share part of this burden (of enabling developing countries to implement labour standards), since they also benefit from the reduction of these ‘international public bads’. In the case of child labour, for example, calls to eliminate it should be accompanied by aid to compensate children and families.

This necessity of combining North-South trade with North-South aid in order to uphold global standards was mentioned in chapter two and will be returned to in the last chapter. All of this only serves to highlight that in terms of the debate about desirable social policies in the context of globalization the major location of the struggle of ideas is not only in the North between a European and an Anglo-Saxon perspective but also in the South between those who see a comparative advantage in exploiting the current absence of equitable social policy and those who do not. The discussions leading up to a possible ‘Millennium’ round of WTO negotiations set to begin in Seattle in November 1999 reveal these issues once again. Some socially concerned northern governments want to link labour standards and trade as does The International Confederation of Free Trade Unions (ICFTU 1999). Many progressive southern voices do not want the connection made and are more concerned to prevent the incursion of the WTO into the new agenda being tabled by the USA, supported by the EU, of investment, competition policy and government procurement. (Khor 1998, 1999.) On the issue of preventing the incursion of the global free trade principle into government procurement there may be more common ground between progressives north and south. This will be addressed below.

It is not only moves to increase global free trade that raise these social concerns but also the moves, temporarily halted by the opposition of a global network of civil society activists coupled with the strong objection of France and a few other countries, to reach through the OECD an agreement on multilateral investment (the MAI). Objection to the MAI was motivated, among other reasons, by the possible consequences for public government social provision or government subsidy to non profit providers of the right that would have been granted to private providers from other countries to challenge such public monopoly or public subsidy as unfair. (Clarke and Barlow 1998; Sanger 1998.) The full range of health and social service, from child-care centres, not-for-profit hospitals and community clinics to private labs and independent physicians, would have been covered by the MAI investment obligations. The MAI rules governing the treatment of investors applied to a much broader range of health and social service than does the NAFTA investment chapter. Applying the MAI rules to grants and subsidies would have
considerably restricted the ability of national and provincial governments and regional authorities to manage and regulate health and social services by attaching conditions to the receipt of public money.

The main pillar of the MAI was the prohibition against discriminatory treatment by one country of investors based in another country that is a party to the MAI. For example it would have entitled a foreign-based health or social services provider operating in Canada to receive public grants and subsidies on the same terms as a similar Canadian health care provider. Because the Canadian and American health care systems are so different it is not difficult to imagine the difficulties which would arise. Sanger goes on to argue that even a government setting out a reservation that such practices should not apply to their health and social services sector would have been full of holes. According to Sanger Canada’s proposed reservation read as follows: Canada reserves the right to adopt or maintain any measure with respect to the provision of public law enforcement and correctional services, and the following services to the extent that they are social services established or maintained for a public purpose: income security or insurance, social security or insurance, social welfare, public education, public training, health and child care. The protection for health and social services is highly qualified in this formulation. A program or other measure is protected only to the extent that it is a ‘social service established or maintained for a public purpose’.

The MAI, like NAFTA, does not offer any interpretation of the meaning of terms ‘social service’ and ‘public purpose’. While no NAFTA dispute panel has ruled on an interpretation of these terms, the United States promotes an extremely restrictive meaning. The Canadian government asserts that the great majority of health and social services have a public purpose and so are covered by the reservation. However, the U.S. government asserts a much narrower interpretation. Guidelines issued by the United States Trade Representative state that: If private investors/service providers are permitted to supply services similar to those provided by a government (i.e. day care, drug treatment, law enforcement, social welfare, education, etc.), Chapter 11 [Investment] and Chapter 12 [Cross border trade in services] apply to the provision of those services. In other words, the view of the USTR is that the NAFTA rules apply to health care and other social services, in all cases where there is a mix of public and private funding or service delivery. If this interpretation prevailed in a dispute it would expose a large segment of Canada’s health care system to challenge by foreign commercial interests. It is reasonable to assume that the United States would assert the same narrow interpretation of this language should Canada’s proposed reservation be incorporated into any future variant of the MAI. Furthermore, several delegations to the MAI negotiations had been reportedly opposed to any ‘unbounded’ reservations which would apply to future measures. They insist that any reservation should be limited to existing measures, and be subject to the principles
of ‘standstill’ (which prohibits altering an existing measure to deviate further from MAI norms) and ‘rollback’ (which commits countries to progressively reduce the scope of any such reservation) (Sanger 1998).

The issue will, as was noted above, resurface within the context of the Seattle meeting of the WTO. An examination of a recent background working paper by the Secretariat of the WTO Council for Trade in Services confirms this. (Koivusalo 1999). The document (WTO 1998) notes that the forthcoming round ‘offers members (of the WTO) to reconsider the breadth and depth of their commitments on health and social services, which are currently trailing behind other large sectors’. It notes with approval signs of an increased global trade in health care from developing to developed countries ‘with better off-people seeking rapid access to high-quality services abroad’. The document is exercised by the fact that under Article 1:3(c) of the GATS that services being provided in the exercise of governmental authority neither on a commercial basis nor in competition are excluded from free trade obligations. It goes on to note that ‘the coexistence of private and public hospitals may raise questions, however, concerning their competitive relationship and the applicability of the GATS.’ Indeed it argues that it is unrealistic to argue for the continued application of Article 1.3 to these situations. The most worrying aspect of this development is that discussions on this WILL take place. While there may be dispute about whether the new issues of investment, competition policy and government procurement are put onto the agenda of a big Millennium Round the issues of further trade in services and agriculture follow on from the existing WTO agreements.

A further aspect of global economic activity where there have been moves to inject greater social responsibility is in the employment and social policy practices of TNCs. In order to prevent a possible race to the welfare bottom by TNCs exploiting the low labour and social standards of some countries it has been suggested that global TNCs should adopt the same standards of employment practice and submit themselves to the same levels of taxation wherever they invest. Systems of global production are replacing trade as the major means of international economic integration. The consequent trend towards arms-length commercial relationships including subcontracting within and across national borders challenges current regulatory norms. Such production processes have lead to a ‘slash and burn’ pattern of development as transnationals (TNCs) shift their sources of supply around the world in pursuit of the cheapest and least regulated labor force. One aspect of the globalization of production has been the growth in Export Processing Zones (EPZs). Evidence suggests that workers in the EPZs are often employed in conditions with little or no recognition of core labour standards and intimidation of workers who try to organize to defend their rights. (ICFTU 1998.) Campaigns by organized lobby groups and the international trade union movement have effectively utilized the media and electronic telecommunications to
highlight issues of co-operate social and environmental responsibility. Campaigns have been used to mobilize both consumers and shareholders and have operated across national boundaries. Companies, keen to avoid negative publicity that might effect their image and, ultimately, profitability, have had to respond. On 13th May 1998, Nike announced that they would no longer be hiring anyone under the age of 18. This acting was the result of shareholder demands in response to criticism leveled at Nike for its employment practices. There is emerging evidence also that firms which adopt codes of conduct are perceived as more efficient and are better supported by investors. (Sajhau 1997.)

A key strategy has been to campaign for companies to adopt 'codes of conduct' which guarantee minimum labour standards throughout all the international operations of a company. In the absence of an enforceable international framework governing the operations of multinationals, pressing companies to adopt voluntary codes of conduct has become a major strategy for enforcing labour standards. The first major conference hosted by the UK based Ethical Trading Initiative took place in London at the end of 1998. This brought together hundreds of people from a range of (large) companies, trade unions and NGOs to discuss fair trade issues and company codes of conduct. In the UK recent research has shown that six out of the nine UK companies in the top one hundred multinationals (ranked by foreign assets) currently have codes in draft (Ferguson 1998). Essentially the codes define minimum labour standards that the company, and significantly, all its subcontractors including those overseas, are expected to comply with. The contents of the different codes of course vary enormously but there has been a shift towards standardisation recently. The baseline code for the ETI to which over 15 major UK companies have agreed is rooted in the ILO conventions. Thus this standardised code contains clauses on freedom of association, health and safety standards, child labour, hours of employment, discrimination etc.

It is important to place the development of codes within the wider context of the rapid growth of the ethical business and fair trade movement. In the space of a few years, fairly traded products and the wider fair trade movement appear to have gone from the margins to the mainstream as a strategy for promoting labour rights in the global economy. During the past decade, there has been an enormous growth in the scope and presence of Fair Trade so that by 1995 the retail sales of fair trade goods was worth a quarter of a billion dollars in Europe alone. That is not to suggest there are no problems with the strategy of ethical trading. As the experience of the US apparel sector and the issue of child labour has shown, the demands of the ethical consumer do not always promote actions which are in the best interests of southern workers. In response to public outcry in the US about the use of children in sweatshop conditions, a number of companies, such as Levi’s, introduced codes which included provisions banning the use
of child labour in their production processes. Cutting child labour out of the supply chain entailed a lesser risk of negative publicity than trying to improve their labour conditions. The evidence suggests that, as a result of companies’ actions, there has been a decrease in the use of child labour in garment industries exporting to the US. In the absence of alternative sources of reliable income, this outcome has not necessarily been in the best interests of all working children in southern countries. Codes of conduct are supposed to address the demands of the northern consumer, NGOs, the company shareholder and the southern worker.

Where these claims conflict, it has, in some cases, been the interests of the southern workers which have suffered. Companies respond to the consumer’s demand for immediate action rather than the worker’s need for gradual improvements. In order to be effective, codes have to be constructed and implemented in a way which surmounts these contradictions and addresses the needs of the least powerful. There is a danger too that the introduction of codes in export industries will exacerbate the difference in conditions between the those in this sector and other workers, with the most vulnerable workers being pushed out of the better paid and regulated export industries.

Finally there is the question of global tax regulation and global revenue raising. A number of concerns consequent upon globalization are evident as far as OECD countries are concerned. A race to the welfare bottom is feared because any social programmes whose costs fall upon capital may not be fundable when capital has the option of relocating to a country or zone with lower tax rates. Equally it is suggested that taxes on labour, or at least pay roll taxes that fall directly upon firms will be discouraged in the same way as investors will look to countries where the total cost of labour is cheap. There are of course traditional arguments against the worst case scenario. Some aspects of social spending even if they fall upon capital are beneficial to capital. Improved worker productivity, increased social and political stability are goods as far as long term investment is concerned. Equally there are reasons why some fixed capital is better located near the market for the products so that capital flight may not be so extensive as feared. The trends in taxation and in social spending in developed economies suggest that while globalization is beginning to exercise some constraints on taxation policy this is far from overwhelming. Equally there continues to be distinct patterns of difference among the wish and the capacity of governments to provide for social protection measures in the context of globalization. Within the OECD area government expenditure increased from just under 30 per cent of GDP in 1960 to a 1995 level of nearly 50 %. Over half of this increase has been due to increases in social transfers which increased from 9 % of GDP to 20 % (OECD 1998: DEELSA/ELSA/MIN (98)3). The reconciliation of this increased expenditure with the commitments to
balanced budgets described earlier has been achieved by increased taxation. The ratio of taxes to GDP across the OECD area has increased since 1985. However at the same time a number of countries have during this period cut aspects of social spending to balance the books.

Among the trends in the form of taxation that have been levied are the following: a) Reduction in the share of taxation falling on capital income (Rodrik 1997), b) Increase in the share of taxation falling on labour income (Rodrik 1997), c) Pressures increasingly evident to reduce payroll taxation to stimulate low wage employment (Scharf 1998), d) A reduction in the marginal rate of income taxation so that the burden of taxation is falling more on lower earners, e) Concern that a limit may have been reached in taxation on incomes and consumption, i.e. on labour income (OECD 1998). Associated with this is the emergence of a global market in skilled and professional labour seeking out low tax rates, e) Experiments with new forms of eco-friendly taxation (O’Roirdan 1997). The double dividend available from eco-taxation would appear to create a common interest between those who wish to defend the tradition of high taxation and high spending welfare states and those who want to protect the environment in the context of globalization. ‘The most comprehensive proposal for reform is to shift taxes from taxing employment to taxing pollution and other environmental damage. Although the idea is in its infancy, initial studies are promising. An OECD study for Norway suggests that a revenue-neutral shift of this sort might reduce unemployment by one percentage point while substantially reducing environmental damage’ (UNDP 1998, 100) This strategy of shifting to environmental taxation would, however, require a measure of cross border agreement and in that sense is no different from measures that would be required at the global level to reach agreement on levels of corporate taxation that applied everywhere.

The drift caused by globalization to taxes on labour income which are perceived to have reached the limits of viability can only be reversed and taxation on capital income increased by international agreement worked out under the authority of a new global tax authority. Steps are being taken within the EU to harmonise corporate tax rates but opposition to this from the UK is fed by the absence of any such global agreement. Such agreement may also be needed on rates of labour and consumption taxation. In this context it is encouraging to note that the Social Policy and Social Development secretariat of the UN have tabled as possible action agenda items for the Copenhagen plus 5 process the need to contain tax competition (UN 1999a). The first PrepCom in New York which ended on May 28th was however a long way from reaching agreement on the concrete steps to be taken in June 2000. It will fall to the Finnish and then the Portuguese EU Presidency to keep the momentum up towards seeing this as a step which requires global action.
In terms of not only trying to limit the speculative flow of short term capital but also in terms of raising global revenue for global social purposes the TOBIN tax remains an important proposal along with others such as a tax on air line travel (Cassimom 1999). It has been suggested (Kaul and Langmore 1996) that all of the revenue arising from transaction in poor countries should be retained by them but some of the revenues arising from transactions in richer countries should be remitted to a new global spending authority under UN auspices. Scheduled for 2001 is a high level UN conference on Finance for Development which might just be the place where a version of the TOBIN tax is given serious intergovernmental consideration as a means of taking further the Copenhagen plus 5 resolutions to meet specific development targets. The positive impact on social welfare north and south would be to:

- Ensure the meeting of the current OECD:DAC targets of securing basic education and health services as well as water, sanitation and shelter to ALL the world’s citizens, and enable the targets to be realistically extended to secondary education and hospital care. (Chapter five.)
- Shift the balance of power globally back to the UN from the World Bank and the IMF which in turn would lead to the erosion of the ideology of privatisation and residualisation in public welfare provision.
- Encourage global demand management and an element of global Keynesianism which would have a positive impact on growth globally and which, in turn, is a better environment within which to continue the struggle to find a north-south compromise on global labour, social and health standards.
- Contribute, through the positive impact all of this would have on egalitarianism within and between countries, to the erosion of all of those public global bads that stem from global inequity. These include aspects of international crime and drug running, illegal economic migration, and environmental degradation.
- Provide resources to turn the emerging global code of best practice on social policy with its associated conception of a set of global social rights into reality. (Chapter four.)

The EU’s role: Concern with the social dimension of Europe or the world?

To what extent and in what ways has Europe either in terms of the role of EU and Parliament or in terms of the intergovernmental process under the EU Presidency contributed to these concerns, namely; the regulation of global financial flows, injecting a social dimension into trade negotiations, addressing the issue of public social services in the context of the MAI and its successor, ensuring TNCs adopt a socially responsible code of practice, and handling issues of international tax harmonisation and international revenue raising? We review each of these in turn.

When we address the issue of the social regulation of the global economy by the IMF and the World Bank we are faced with a problem from the point of view of a coherent EU contribution. The EU does not exist as an entity in either bodies. Countries
are grouped within the World Bank voting system in ways which do not conform to the EU as a bloc. Nordic countries vote together for example. While it may have been the case that one of the reasons for the last Development Committee of the Bank (April 27th 1999) agreeing to shift responsibility for the global code of best practice in social policy from the Bank to the UN was the view of some European countries that this was appropriate it hardly counts as direct EU influence. As we saw in chapter four the influence for this decision came more from the south’s concern with social conditionality. The fact that it has now passed to the UN pre Copenhagen plus 5 process means that through the system of electronic intergovernmental exchanges, the associated meetings overseen by the Presidency and the subsequent Preparatory Committee caucus meetings in New York a common EU view on the global code will emerge.

This shift of the principles of social policy to the UN forum from the Bank is against the trend. The more issues of global social policy have become the province of the Bretton Woods organisations the less chance for influence directly by the EU or the Commission. Moves are being considered for a closer professional secretariat relationship between the Commission and the Social Protection Section of the World Bank. This could lead to increased European influence on bank social policy as was observed when the bank needed to recruit new European staff to handle their social sector activities in Eastern Europe (Deacon et al 1997). Indirectly, of course the EU by its attendance in the shape of the Presidency as well by the full presence of the UK, France, Germany and Italy at G7 meetings of Finance Ministers permits of a potential considerable leverage on global financial policy. None-the-less the Council of Ministers at the recent Vienna Council expressed concern about the adequacy of this indirect route to influence and expressed the view ‘that it was imperative that the Council should play its full part in international monetary and financial affairs’. It called for the full participation of the President of ECOFIN assisted by the Commission at G7 finance meetings. However the greater attention paid to ways to increase global employment within the G7 forum recently has been influenced by EU thinking. As a location for the Anglo-Saxon and European debate about the desirability of liberal or Keynesian broad macro economic strategies these G7 meetings which feed into the Bank and the Fund’s deliberations are important. On the matter of how the global financial crisis might be managed there is no one single European as distinct from G7 position (UNDP 1998). Blair had talked of a new IMF for a new Millennium. Lafontaine had talked of target zones for the world trading currencies etc. The EC Commissioner for Economic, Monetary and Financial Affairs, speaking at the 27th April meeting of the Interim Committee of the IMF argued for the adoption of codes ‘such as the one on good practices on Transparency in Monetary and Financial Policies’ but he did not mention the social dimension of this in the speech.
The policy of the European Union with regard to linking social concerns including labour standards with the freeing of trade has shifted over time and shifts according to whether the focus is the WTO or regional trade agreements. At certain key times such as the Singapore Ministerial meeting in December 1996 to consider the future agenda of the WTO different EU countries have found themselves taking quite divergent views. The EU spoke through the medium of the EC with one voice in the establishment of the trade agreements that gave rise to the WTO. The slow pace at which European agriculture would be exposed to competition through tariff reductions on foreign food imports was one of the ‘achievements’ of the EU in the face of the general call for reduced tariffs which the EU supported. Before the 1996 Singapore meeting the EU proposed that there should be a working party of the WTO to examine the link between trade and labour standards. While this communication from the Commission (COM (96) 402) linked the two it stressed that EU policy was not to use a social clause as a sanction against developing countries but free trade should help achieve a global raising of standards and adherence to core ones. The meeting itself found the UK allied with other neo-liberal governments, authoritarian Indonesia, anti Imperialist India actively opposing any link. European social democratic governments and the USA pushed for a link. The neo-liberal view prevailed.

In preparation for the 2000 round of trade negotiations the EU seemed to have decided not to raise the issue again. The note prepared for the EU trade Minister’s Informal Meeting on 9-10 May 1999 suggests only that ‘The Community and its Member States should continue to press for more progress within the ILO on the observance of core labour standards ... enhanced co-operation between the WTO and the ILO secretariats, which respects the distinctive rules and competencies of each institution, should also be pursued in line with the Singapore declaration’. This position reflects a rather unhappy compromise between those who are actually not in favour of linking the two issues and those who would want to but are sensitive to the opposition of some southern countries to the link. Clearer links between trade and environmental considerations are however envisaged. The opinion of the European Economic and Social Committee on the WTO (CES 66/99 D/HO/CH/ym/ht/ss) ‘calls upon the EC to stipulate that the participation of the EU in the next round of negotiations shall be conditional upon... application of environmental and labour standards more widely’.

On the matter of increasing the scope for opening the market in services within the existing WTO agreements and of pushing for a new Millennium Round which would encompass investment, competition policy and government procurement the EU stands alongside the USA. The Commission (European Commission 1999b) seems to see only advantage in this in expanding its business in developing countries. Any potential threat to government public social service provision within the EU from private health and
social care providers in the USA or elsewhere is not articulated. The preparations by the EU for the new round of negotiations are dominated by trade Ministers. There is an urgent need to bring Ministers of Development and of Social Policy into the frame of negotiations.

In terms of its bilateral trade relations the EU has however linked trade and standards. Countries fall into one of three categories from the point of view of access to EU trade. Most have access via the generalised system of preferences which provides some quota limited tariff free trade and some differential tariff arrangements. Second and these are the USA, Canada, Japan, New Zealand, Australia Taiwan who have most-favoured nation (MFN) status. Only one, North Korea has less than MFN status. Within the generalised system of preferences tariff barriers could be reduced for products ‘manufactured in conditions conforming to standards laid down by the ILO’. In 1998 the legislation was reformed to provide additional special incentive arrangements for those countries who applied and furnished proof of conforming to conventions concerning the right to organise and the minimum age of employment (DOC 396R1256). The Economic and Social Council in the opinion on the WTO mentioned above have bemoaned the limited uptake of this carrot approach to standards. The Parliament have voted on first reading (2/7/98) for a system of fair trade with developing countries which would create a common European fair trade label for imported goods which conformed to a number of conditions attached to production. These links of trade with standards are, of course complimented within the LOME agreements for the ACP countries with aid arrangements which we discussed in chapter five designed at least in part to facilitate conformity with the standards by making adherence to human rights an element of the agreements. Studies have been critical of how far this policy has worked in practice (Faber and Roelfsema 1997).

In terms of the future of LOME which is now being re-negotiated it would appear that the Commission has the job of balancing its tradition, albeit limited, of giving preferences for conformity with labour standards in its regional bilateral trading agreements to its position with respect to the WTO that presence or absence of such standards should not be a basis for trade sanctions. In terms of the stated Commission position at the start of the new negotiations it is asserted that the reduction of poverty shall be at the heart of the new ACP-EU relations. The Commission’s Green Paper (1997) on the future suggested support for growth in ACP countries through integration in trade, support by aid for social policies, and enhanced regionalisation would facilitate this. The EC negotiating brief for LOME (Lecomte 1998) provides for the idea of replacing the non-reciprocal trade preferences by reciprocal ones with aid compensating for ACP countries opening their markets to EC products. This move should take place on a regional basis so that ACP countries form among themselves and the EU regional
trading blocs, for example SADC. For the least developed ACPs they should retain their existing LOME privileges, but as Lecomte (1998) notes in the context of the WTO discrimination in the form of preferences would slowly lose their value. This only serves to point to the need for the EU to revise its negotiating mandate at Seattle and give greater priority to the place and value of non-reciprocal trade arrangements between countries that are at a different level of development.

Another way, as we saw in the last section, of raising global labour and allied standards was to move towards a code of conduct for TNCs to adopt and to implement where ever they invested. European moves on this seem to range from the very tentative in terms of the Commission and rather more radical in terms of proposals emanating from Parliament. At the beginning of 1998 DG 5 hosted a symposium on Codes of Conduct and International Labour Standards at which Padraig Flynn spoke. Little appears to have followed from this on a European level in terms of work either by DG 5 or by DG 8 to match the ethical trading initiative described earlier in the case of the UK and supported by UK DFID. On the other hand MEP Richard Howitt of the Parliaments Development Committee obtained a first reading on 15/01/99 for a resolution which called for the establishment of a compulsory code of practice incorporating respect for human rights, labour rights and environmental standards which would apply to all EU based TNCs. This would be overseen by a European Monitoring Platform made up of NGOs etc. Such a regulation should be linked to investment agreements as part of the new ACP deal. The Parliament agreed to an evolutionary approach whereby an initial voluntary code would give way to a compulsory one in time (European Parliament 1999).

Finally what is the EU position in terms of international tax policy as a contribution to ensuring the maintenance of public social expenditures in an era of competition? The issue has become a matter of some controversy within Europe not in terms of what to do globally but in terms of what to do about possible damaging tax competition within Europe. The Commission proposed a comprehensive review of taxation policy in March 1996. Initial work was done by a high level group appointed by the ECOFIN Council Ministers. Their deliberations were reported in late 1996 (COM (96) 546). While there was some acknowledgement that the pressure on labour taxes needed to be addressed there was no agreement on alternative forms of taxation such as consumption taxes or eco taxes. For some the solution lay in cutting expenditures. Considerable differences in the rates of tax on business were observed but no agreement emerged on a minimum. So far in practice customs taxes are of course fully harmonised, excise duties are not. There is a minimum rate with exceptions and common bands on VAT. In the area of savings taxes, corporate taxation and income taxation there was no harmonisation. The Finance Ministers discussed the issue again in December 1997 and
adopted a resolution on a code of conduct for business taxation. The Commission proposed a directive on cross border interest payments to individuals on May 20th 1998 and one on interest payments between companies on March 4th 1998. The issue took on a much more explosively controversial form in the wake of the election of a number of social democratic parties to power in Europe in 1998. The recommendations that moves needed to be taken to harmonise taxation policy within Europe made by the Party of European Socialist’s Working Group on taxation was taken up by the Social Democratic Finance Ministers meeting in late 1998. An uproar took place in the UK press with Lafontaine branded the most dangerous man in Europe and Britain insisting it would use the veto on taxation provided for within the Treaty. None-the-less French and German Ministers felt the beginnings of a tax code for Europe would be ready by the end of the German Presidency.

The acrimony within Europe resulting from the coexistence inside Europe of those governments who see a benefit in the context of global competition for investment from having low taxes and those who see the need to harmonise to prevent this competition driving EU countries apart can probably only be solved if the EU takes also an outward looking view on this and considers its contribution to common global tax standards. There is little sign that this is happening. An email response to an enquiry about EU work on the TOBIN tax to the Commission simply said ... ’for the moment there is not much work being done on this issue’.
CHAPTER SEVEN: EUROPE’S CONTRIBUTION TO A SOCIALLY RESPONSIBLE GLOBALIZATION

The Commission of the European Union asserted the importance of globalization as a challenge to Europe in the preface to its work programme for 1999 (COM604). ‘These objectives (of the Commission) were set against the backdrop of the fundamental challenges confronting the European Union in a changing world. One of these challenges is that of globalization, bringing growing interdependence, global circulation of information and the emergence of a world-wide market for trade and production ... concerted regulatory efforts will have to be made in order to limit the negative effects of this phenomena’. The document also asserted that ‘The European Union must be capable of exercising political responsibilities on the international scene to match its economic and commercial stature. In order to mobilise its full potential, the Union should not only promote an approach which integrates the various aspects of its external action to a greater extent but also exploits the links between its internal and external policies’. Finally it asserted ‘The Commission will also seek to ensure greater coherence in its human rights policy, a vital component of the relationship between the Union and the rest of the world’. We began this booklet with the cry of Martin and his co-authors that ‘A European Union truly worthy of its name could insist that tax havens be cleared, demand the enforcement of minimum social and ecological standards, and raise a turnover tax on the capital and currency trade’. This final chapter attempts a summary evaluation of the European Union against both of these statements.

The impact of globalization: summary

The impact of globalization upon the social dimension of Europe can be summarised from the material in chapter two as follows.

- Globalization does represent a challenge to aspects of the social policy of Europe but this can be overstated.
- The challenge is as much in terms of the ideology of liberalisation associated with globalization by some of its proponents as it is an inevitable consequence of globalization per se.
- Different countries of Europe find their social policy and social provision affected differently because of the financing bases of their programmes.
- Social provisions funded from labour taxation are most challenged by globalization. Citizenship based taxation and provision are, if the political will is there, most sustainable as an alternative if the other option of residualisation and privatisation is to be resisted.
- No coherent and systematic response to the challenges of globalization to the social dimension of Europe by the Union as a whole can be detected. The EU response to globalization has varied in time and in policy area.
The responses to globalization have embraced accommodation to the liberalising agenda of globalization, inclinations towards social protectionism, a concern to assert the importance of human but not often social rights globally, concern with the social dimension of enlargement and attempts to link trade and aid and social standards in relation to bilateral trade.

In the area of employment policy, particularly, the EU has made constructive contribution to a transatlantic and global discourse.

A lack of overall policy coherence in terms of responding to globalization has led to intergovernmental controversy on related questions such as tax policy.

The contribution of the EU to a socially responsible globalization: summary

An assessment, therefore of the actual contribution of Europe to a socially responsible globalization has to be a mixed one.

- The contribution of different elements of the EU institutional structure is different.
- The Parliament has often resolved policies which appear to go furthest in the direction of embodying the idea of a socially responsible globalization but it is not burdened yet with the job of seeing these through.
- The Commission attempts to juggle the defence of Europe’s particular interests with a concern about global human rights.
- The Economic and Social Committee articulates concerns about globalization but often tinged with a protectionist colour.
- The intergovernmental process has led to coherent EU contributions concerning the social dimension of globalization in some fora such as the Commission on Social Development but has generated unproductive controversy in others.
- The common foreign and security policy of the Union is fashioned by a dated conception of foreign policy and has not yet been able to integrate an external dimension of EU social policy as part of its brief.
- In a number of arenas and policy areas where steps are being taken internationally to fashion a socially responsible globalization the Union is certainly not at the forefront of debate.
- The move to fashion a global set of social rights which might be embodied in the emerging global guidelines of best practice in social policy owes little to the EU.
- Although the EU contributes a large proportion of international aid its development policy lags behind that of other actors in terms of a focused concern with global inequality. This in turn means it is not in a position to enter the debate about whether targeting the poor abroad contradicts the more universalistic social policy approaches operating within Europe.
- Little appears to be being contributed by the Commission at this stage to debates about global taxation policy or moves to socially regulate TNCs.
- The new initiative to reopen MAI type discussion within the context of the WTO does not appear to be informed by the potential negative impacts of multilateral investment on European governmental responsibility for health and social services.
- While exercised by the relationship between free trade and labour and social standards globally new policy initiatives on this seem to be off the agenda of the EU as a whole because of intergovernmental disagreement, a fondness for global
liberalisation on the part of the Commission and an uncertainty about how to proceed in these matters in the wake of Singapore.

• All of the above notwithstanding there are a number of policy initiatives or existing practices of the EU which would form the basis of a more socially responsible approach. These include the linking of aid to ACP countries with attempts to raise social standards in the context of trade concessions which privilege countries that conform to ILO and other standards. Also to be mentioned here are Parliamentary moves to compel European TNCs to adopt a code of practice with regard to their investments outside Europe. In a similar vein is the concern of the Commission to ensure that social policy developments in Eastern Europe aspire to European standards.

• Individual countries within the EU have made significant contributions to the global debate about how to respond to globalization with a social concern. Because of its special position in relation to both the USA and Europe the British government does seem to be pivotal here. Its initiatives on a global social policy code, in ethical trading, in pushing the OECD:DAC targets to the front of the global aid agenda are important. The question for Europe is how these sit alongside the UK’s accommodation with globalization. Does the third way as articulated from within the UK represent a renewal of social democratic values and practices refashioned for a global era or does it represent too much of a concession to the global liberal agenda?

The table below captures some of the ways in which EU policy embodies a progressive response to globalization in terms of the six steps towards a socially responsible globalization that were listed in chapter two. The table also suggests a more ideal contribution that might have been expected from the EU.
### Figure 7.1 The contribution of the EU to a socially responsible globalization

<table>
<thead>
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<th>Step towards a socially responsible globalization</th>
<th>EU contribution at present</th>
<th>Possible future contribution</th>
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<td>From Human rights to Social rights: From declaration to implementation</td>
<td>Human rights dimension of common foreign and security policy</td>
<td>Social rights to be included explicitly both for EU citizens and as a goal elsewhere</td>
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<tr>
<td>International development Co-operation: from setting goals to monitoring progress</td>
<td>EU aid policy is not focused on the poorest and policy for poverty alleviation lacks coherence.</td>
<td>EU to establishes as a model a court of social rights. (Luxembourg Court of Justice?) Better focus on poorer countries but with critical approach to OECD:DAC targets on only basic services. Desirability of universalism at all levels of health and education to be emphasised</td>
</tr>
<tr>
<td>Moves to secure global minimum labour, social and health standards</td>
<td>For minimum global labour standards but opposed to social protectionism.</td>
<td>Greater resolve to strengthen ILO capacity to enforce common labour standards within context of WTO policy. Injection of public health and social environmental issues into WTO 2000 round.</td>
</tr>
<tr>
<td>The moves to establish codes of practice for socially responsible investment and business</td>
<td>Discussion forum only so far plus Parliamentary call for legal obligation to follow a code with effective monitoring</td>
<td>Obligatory codes and monitoring not only for EU based TNCs.</td>
</tr>
<tr>
<td>The calls for global economic regulation and global taxation</td>
<td>No common EU position</td>
<td>Support through Copenhagen plus 5 a global social policy code which is orientated to universalistic and high level social provision. Support a TOBIN or similar tax.</td>
</tr>
<tr>
<td>The moves to extend constructive regionalism with a social dimension</td>
<td>EU-MERCUSOR dialogue EU-ASEAN dialogue Association and co-operation agreements and social dimension of accession process.</td>
<td>Support for a strengthened UN role in global economic and social policy. Greater attention to social dimension in all inter-regional discussions.</td>
</tr>
</tbody>
</table>

LOME negotiations aimed at
The impact of the social policy for Europe on the external dimension of EU social policy: summary

There are many actors in the process of shaping EU policy and impacting on its external social dimension. How far has EU internal social policy shaped its external dimension? How far, in the words of the Commission’s own Social Action Programme for 1998-2000 (COM (1998) 259) has the internal social policy of the EU enabled the EU to ‘play an important role in promoting social progress on the world stage’? This might be an opportune moment to make this assessment as the promised communication on the external dimension of its work has been delayed.

From all of the foregoing a check list of where EU internal social policy has and has not impacted upon aspects of EU’s external policy may be provided. In sum it appears as follows.

- In terms of the position of the EU in the world economy as a trading bloc it is the case that the relationship of EU internal social policy to this external environment has been one where the external forces shaped internal social policy rather than the other way round. The concern to privilege labour market policy within the Commission and the moves towards supporting flexible work and positive labour market policy were part of this. However this study has shown that the Commission is now becoming more assertive externally in terms of affecting the transatlantic dialogue within the G7. It is beginning to argue that it is possible to combine employment with high social standards.

- In terms of trade policy the internal social policy of the EU influenced the Commission before the the Singapore WTO meeting when an attempt was made to link trade and global social and labour standards but since the impasse between the North and South on this issue is now taking a back seat. It continues to support the link of trade and standards in bilateral trade.

- There is no sign of initiatives from the Commission to address systematically the possible impact on government responsibility for social provision of the moves to renew negotiations on international investment. Indeed the Commission appears to be leading the moves to reopen this agenda.

- In terms of EU Development policy there is no sign of the internal social policy impacting on development policy. The exception to this is in relation to ‘development policy’ towards Eastern Europe and the NIS where, rather late in the day, the Commission is now attempting to assert the importance of the social dimension of enlargement.

- The internal dimension of the EU’s social policy does not seem to have had the impact of raising social rights further up the agenda of the human rights aspect of the common foreign and security policy.

The relatively low influence of internal social policy on these external matters should be no surprise as it reflects the reality on a national basis of the pecking order of the Minister of Social Policy compared to the Minister of Foreign Policy, the Minister of
Finance and Economics, the Minister of Trade etc. While of no surprise it is of concern if the argument developed in chapter one and two is correct that social (including labour, health and human rights issues) along with environmental issues are now becoming the most important dimensions of global politics.

**Recommendations for improved EU global intervention: summary**

What changes are required if the goal is to ensure that the European Union as a Union is to make a more effective intervention in the dynamics of globalization such that the process of globalization takes the social dimension more seriously? From the analysis above reform proposals emerge at several levels. Changes are required in the Constitution of the EU as shaped by the treaty, in policy both at a very general level and in a number of areas, and in process. New initiatives are needed.

**Constitutional changes**

- A key obstacle to the EU’s social dimension being raised further up the European’s Union’s Foreign policy is the conceptualisation of foreign policy embodied within the treaty framework. It has not caught up with the new global realities where social, health, environmental and allied issues are the key issues in global politics. This needs addressing in the next intergovernmental conference where revisions to Amsterdam are on the agenda. At the same time the formulation of the CFSP needs to be informed by all directorates within the Commission and not least by DG 5. The existence of the concern with human rights within the existing CFSP does provide an opportunity to raise the issue of global social rights higher in the profile of the EU’s external concerns.

- Giving greater scope for Parliamentary scrutiny and shaping of policy, if the existing political composition of the Parliament does not change radically, would also advance a social dimension to the EU’s external policy.

**Policy changes (general)**

- At a general level what is required is the formulation of a clearer and more consistent European policy towards the negative social consequences of globalization which treads a path between a relapse into protectionism and an accommodation with liberal globalization. If agreement could be reached on this at a high intergovernmental level then the prospects for the EU speaking with one strong voice in favour of a socially responsible globalization would be greater.

- Similarly there is the need for greater policy coherence across the diverse dimensions of EU policy. Internal discussions about tax harmonisation make no sense unless they are linked to discussions in the G7 about global financial regulation, or, in turn linked to discussions about internal social policy. Policy formulation for the WTO round and any resurrected MAI cannot sensibly proceed without rigorous examination of the links between policy in these fields and the EU’s health and social policies.
- Internal and external social, health, and environmental impact assessments need to be routinely built into policy formulation in trade, economic and development policy and other areas.
Policy changes (specific)

- EU international development co-operation should focus on reducing global inequities and reducing poverty through increased aid to develop universalistic approaches to social provision not only at basic level but also, in time, all levels.
- EU international trade policy both bilateral and multilateral should aim to couple raised social and labour standards with trade policy by means of effective international aid geared to enabling countries to raise standards with the support of the ILO and WHO etc. Agreements are needed with developing countries that trade carrots for improved labour and social policies combined with consumer awareness campaigns via social (green) labelling of imports are desirable.
- EU policy towards the regulation of global financial flows should include support for a code of best practice in global social policy informed by best practice in European social policy.
- EU policy towards international capital flows should include support for a global regulatory tax authority and a global revenue raising process such as via a Toxin tax. Any new international investment agreement to be shaped to conserve the possibility of government provision for social, health and education above any globally agreed minimum in ways which are not subject to challenge by foreign investors.
- At the same time the EU should work towards a mandatory code of labour and social practice to be followed by TNCs. EU pension funds to be subject in their investment policies to these same regulations.
- EU humanitarian assistance to be provided in ways which maximise the capacity of the recipient government agencies improving their own capacity to provide social protection in the aftermath of the crisis.
- DG 5 to give urgent priority to working with DG 1A on the establishment of a bill of social rights for all EU residents. These rights, in due course to be subject to individual appeal to the ECJ. This bill then to be the basis of the developmental goal of EU aid policy.

Process changes

- More priority to be given to the interservices liaison processes within the Commission,
- The institutional memory of EU’s social policy interventions at the UN, ILO, WHO and indirectly at G7 needs to be strengthened. This would ensure a greater transparency and consistency between EU positions emerging in these fora via the intergovernmental process and EU social policy.
- The phrase ‘safety net’ should be dropped from the EU lexicon and be replaced with the phrase ‘systems of social protection’.
- The Labour and Social Council of Ministers and the Council of Health Ministers to more regularly reflect on the social impacts both internally and externally of EU policy emerging in other councils especially trade and finance.
- Specific guidance be given on EU social policy and EU external social and development policy to all INGOs and consulting companies who are subcontracted to implement EU technical assistance or aid.
Initiatives

- A key task for the coming period across Europe is to bring the thinking of Social Policy experts in Ministries of Social Affairs to bear on the practice of Trade Ministers, of Aid Ministers of Finance Ministries and of Foreign Ministers. Direction in practice is actually going in the opposite direction at present. Foreign Ministries and Trade Ministries are seeking advice on social standards issues from a range of consulting companies who have no necessary allegiance to the social policy of the country within which they operate or to EU social policy. The current impact of EU social policies on external relations policies tends therefore at best to be patchy. There is even a danger that trade, and foreign policy interests will come to shape EU internal social policies. A case exists for a European wide seminar which would discuss the links between trade, aid, and social policy. The point would be to encourage cross Ministerial discussions of these issues among higher level civil servants within countries and in the Commission in the company of scholars and civil society.

- The following processes are reaching an important stage during the end of 1999.

  i) The EU mandate for the WTO negotiations must be settled;

  ii) The review by the Development Council of EU development policy will begin to be formulated;

  iii) The EU position with regard to the Copenhagen plus 5 agenda including global principles of best practice in social policy and their financing will be shaped;

  iv) The legacy of the German Presidency to develop a code of social rights for EU citizens will need to be followed through.

If the recommendations of this little book are accepted then such a policy coherence will be forged not with a view to accommodating all EU policies to neo-liberal globalization but with a view to ensuring all EU policies, in keeping with the social dimension of the EU, are geared to the task of replacing a neo-liberal globalization with a socially responsible globalization.
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