INTRODUCTION

The purpose of this document is to outline the WCC initiative of searching for an alternative vision to economic globalisation. This is an attempt to interpret the policy of the Central Committee on this subject as stipulated at its January 2001 meeting in Potsdam, Germany. The thrust of this document will be on clarifying three components of economic globalisation, namely, the neo-liberal economic paradigm, trade, and finance. This document is, therefore, a WCC tool to guide policy implementation on this subject. Programme implementation will be done in conjunction with other teams and clusters dealing with globalisation in general, and economic globalisation in particular. The WCC will work closely with the Ecumenical Advocacy Alliance on the trade paradigm.

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November 2001

THE DEFINITION OF ECONOMIC GLOBALISATION

The concept of economic globalisation is still unclear to the secular world, to churches and to the ecumenical family. The concept is frequently confused with globalisation in general terms. While globalisation understood as increasing internationalisation of ideas, science, communication and technology is considered a fact of life, there is a concerted effort by a few countries and corporations to enforce a kind of economic globalisation which favours a few and impoverishes millions of people in the world. This process is well explained by Dickinson.[1] Further clarity and critique of this system was reaffirmed as essential by the WCC Central Committee. It recommended "that the member churches and the WCC develop a comprehensive ecumenical theological analysis of economic globalisation and its impact on the churches, and provide a theological base for search of alternatives coordinated by the Cluster on Issues and Themes." (Policy Reference II.3: 14(i))

The ecumenical family considers economic globalisation as an institutional expression of a powerful ideology - a system of beliefs and practices which, although claimed by its proponents to be universal, reflect a particular web of values dominated by western societies. Its values are western, not Christian.[2] The 1991 WCC's Assembly in Canberra made it clear that we need a new concept of value based not on money and exchange. Christians cannot worship God and participate in God's mission while idolising our human creations at the same

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1 See Richard Dickinson, Economic Globalisation: Deepening Challenge for Christians, WCC-JPC, and October 1998.

2 Dickinson (1998) p.19

time. But exactly that happens when we accept the ideology of the primacy of market forces, which is the guiding spirit of economic globalisation. We cannot serve our neighbour when sacrificing her or him to false gods upon which we, because of increasing insecurity, have come to depend.[3]

Following the WCC's Assembly at Harare, which asked: "How do we live our faith in the context of globalisation?", the CC directed the WCC to focus on searching for alternatives to economic globalisation based on Christian values in the following three areas:

- the transformation of the current global market economy to embrace equity and values that reflect the teachings and example of Christ;
- development of just trade;
- promotion of a just financial system, free of debt bondage, corrupt practices and excessive speculative profit making. (Policy Reference II.3: 14, (iii))

[3] See the WCC Background Document on WTO Ministerial Round, Geneva, October 1999,p.9

THE NEO-LIBERAL ECONOMIC PARADIGM

The neo-liberal economic paradigm is sometimes referred to in short as the "market paradigm", the "Free market" or the "Washington Consensus". It is a set of economic values and institutions based on a belief that there can be "a total free market" in which unregulated competing economic relationships of individuals in pursuit of their economic gains can lead to optimum good under "the invisible hand". The paradigm is preoccupied with growth while neglecting issues of equity and ethics. This paradigm is not good for either the North or the South. Hence, it should not be tackled solely as a problem of the South failing to embrace it. It is unfortunate that the current efforts are directed at assisting developing countries to cope with this inappropriate paradigm, giving an impression that the problems are basically national in character, and pretending that such countries can prosper without a substantial change of the paradigm.

This paradigm on which economic globalisation is built creates profound inequality, poverty and ecological degradation. The emphasis on deregulation leads to social exclusion, while its thrust on classical growth affects negatively the ecumenical quest for sustaining earth and communities. Profits are calculated based on short-term transactions, disregarding the long-term effect the productive processes have on earth and biosphere.

The United National Development Programme (UNDP) has reams of statistics to illustrate the inadequacy of this paradigm. The World Bank president also noted in a September 2000 speech in Prague during the World Bank Annual Meeting, that there is something wrong with the system: " We live in a world scarred by inequality. Something is wrong when the richest 20 percent of the global population receives more than 80 percent of the global income. Something is wrong when 10 percent of a global population receives half of the national income as happens in far too many countries today. Something is wrong when the average income for the richest 20 countries is 37 times the average of the poor countries.

"Something is wrong when 1.2 billion people live on less than a dollar a day and 2.8 billion still live on less than 2 dollars a day. With all the forces making the world smaller, it is time to change our way of thinking... Growth is not enough. We must confront deep-seated inequalities."[4] While the Bank has adopted the language of the ecumenical family and social movements, its operational values continue to embrace the principles of the free market - which intensifies the very negative impact it has on societies. As stated by the WCC general secretary during the Copenhagen UN Summit on Social Development, the means used to resolve poverty and inequality are the causes of these problems.

The World Bank, the International Monetary Fund (IMF), the World Trade Organisation (WTO), transnational corporations, banks, OECD, G7 and several middle-income countries are the main protagonists implementing this paradigm. The statement, " We must change our thinking" by the World Bank president at Prague should involve revisiting the paradigm. The World Council of Churches shall continue to confront these institutions with this challenge through organised encounters and working with civil society movements. In order to guide the churches on this front, the Central Committee di-

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[4] See James D. Wolfensohn*, Building an Equitable World,* Address to the Board of Governors Prague, Czech Republic, September 26,2000 p. 9

rected the WCC to develop guidelines for churches aiming at a consistent response from member churches and ecumenical organisations to institutions promoting economic globalisation, and the sharing of information in order to raise awareness of the adverse effects of economic globalisation. [Policy Reference II.3: 14: (iii, a, b)]

The WCC continues to reject the claim of the universal value of market economics. Markets exclude people as consumers or buyers of goods and services if they have no incomes, or insufficient incomes, which can be translated into purchasing power. This exclusion is attributable to a lack of entitlements. Markets exclude people as producers or consumers if they have neither assets nor capabilities. Helleiner pointed out that empirical reality also presents us with an imperfection-ridden market system – imperfectly competitive, imperfectly informed, with many markets missing entirely. It is also characterised by grotesquely inequitable "initial conditions". To many, if not indeed by now the majority, inequities in the distribution of income, wealth and power are both the most important determinants of economic outcomes in market systems and the most important targets for international economic policy[5]. Assets, physical or financial, can be used (or sold) to yield an income in the form of rent, interest or profits. Even those without assets can enter the market as sellers, using their labour, if they have some capabilities (talents, skills, education etc).

Maximum world market integration is not the remedy for all the problems of all societies in the various regions of the world. The markets should be means to serve and not to

[5] Gerald Karl Helleiner, *Markets, Politics and Globalisation: Can the Global Economy be Civilised?,* UNCTAD paper at the 10th Raul Prebisch Lecture, December 2000, p.7

dominate society. Their concrete shape needs to be different according to the social, cultural, environment and historical conditions of societies and their value systems. In each situation, it must be decided which kind of political framework and intervention is necessary to make markets function, how to find the right type of balance between state and private initiative, between local and global orientation, production and equity.

In short, it is essential for the WCC to continue advocating for a paradigm shift. Any initiative for market reforms without a paradigm shift will continue to reproduce inequity and poverty. The WCC and the ecumenical family is searching for an approach which allows it to express development and economy in relation to our common vocation to live in right relationship with our neighbours, with the earth and with our creator. Such an approach would include these key affirmations:[6]

- Recognition that real value cannot be expressed in monetary terms and that life – and that which is essential to sustain it – cannot be commodified.
- Belief in the inherent dignity of every person, and a priority on creating the conditions for a dignified life.
- Commitment to an economy whose role is to serve the well being of the people and the health of the earth.
- Focus on the ultimate aim of economic life to nurture sustainable, just and participatory communities.
- Vision of global community whose interdependence is not reduced to trade and markets.

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[6] See WCC & ECEJ, *JUSTICE* , 2001, pp.1-2

- Acknowledgement of a common destiny as co-inhabitants of the one earth for which we all share responsibility and from which we should all equally benefit.
- Responsibility to uphold the right of all people – particularly the diverse communities of the poor and excluded – to participate in the economic, social and political decisions which affect them.

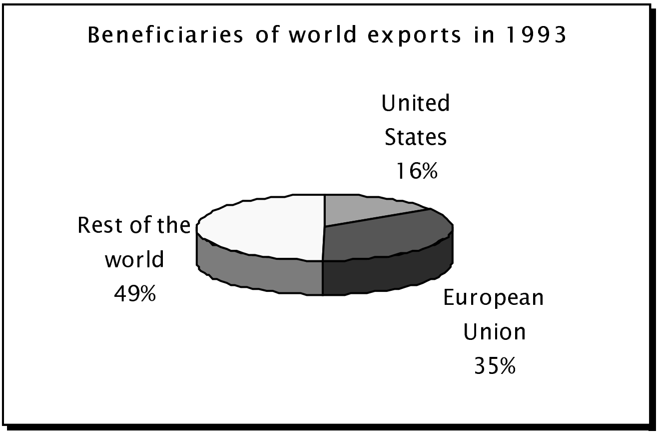
The elements of an alternative vision should:

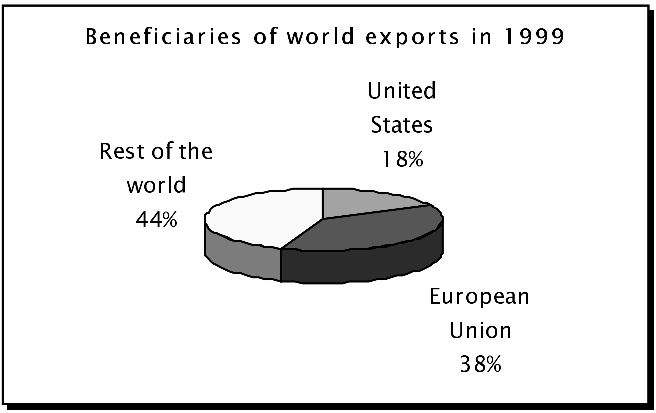
- encourage countries to mobilise financial resources from within instead of depending on foreign direct investment;[7]
- work out systems of income and land redistribution to encourage internal markets;[8]
- de-emphasise growth and maximise equity in order to reduce environmental disequilibrium;
- subject the private sector and the state to constant monitoring by civil society;
- enshrine the principle of subsidiarity in economic life by encouraging production of goods to take place at the community and national level;
- have a strategy that consciously subordinates the logic of the market and the pursuit of cost-efficiency to the values of security, equity and social solidarity.

While the market as dogma is under criticism, another dimension requires attention, and this is inequity in the global trade system, on which we comment below.

[7] See WCC and ECEJ, JUSTICE: The Heart of The Matter: An Ecumenical Approach to Financing Development, January 2000

[8] See Also UNCTAD X, High-level Round Table on Trade and Development: *Directions for the Twenty -first Century: Income Distribution and development,* Bangkok, 26November 1999, a paper by Frances Stewart.


Beneficiaries of world exports in 1993
United States 16%
Rest of the world 49%
European Union 35%


Beneficiaries of world exports in 1999
United States 18%
Rest of the world 44%
European Union 38%

TRADE

The world trade system is unjust particularly to developing countries. Statistics on trade have shown that liberalised trade continues to favour the industrial countries and their corporations. 40% of global trade is between the 350 largest corporations in the north – an indication that the concept of the free market is a myth. *The Economist* quoted the following figures from the IMF: In 1993, the United States benefited from world exports by 15.7 percent, the European Union by 34.7 percent and the rest of the world 49.6 percent. In 1999, the United States benefited by 17.7 percent, EU by 38.0 percent and the rest of the world 44.3 percent[9]. It is estimated that between 1980 and1991, terms of trade losses to all developing countries amounted to US $290 billion. The World Bank reports that non-oil commodity prices fell by 11.2% in 1999.

The challenge here is equity in trade. The main players of globalisation believe that increased trade solves most of the economic problems facing societies. There is a need to look at the effect of trade liberalisation on income within communities. Increased exports also lead to environmental destruction and disintegration of communities. Food security is also threatened in developing countries due to liberalised trade in agro-industry. The most disturbing problem of liberalised trade is inequity caused by the tariff barriers that the industrial countries raise against products from developing countries. For instance, the real cost of producing sugar in developing countries is as little as a third of what it is in some EU countries, but developing country exports are kept out by an EU

[9] *The Economist*, November 11th, 2000 p.110

tariff of 213%. Agricultural subsidies in the member countries of the Organisation for Economic Cooperation and Development (OECD) amounted to $361 billion in 1999 – more than the entire GDP of sub-saharan Africa.

The WTO has also failed to address the problem of the declining prices developing countries receive for their exports relative to the prices they pay for their imports. In other words terms of trade is an issue which requires a vigorous resolve. Yassine Fall identified three empirical generalisations about interests and payoff structures of Multilateral Trade Arrangements (MTA) that support the disproportionate allocations of gains from world trade as follows:[10]

- Strong countries tend to control and manipulate world resources, global markets and multilateral trade flows to their advantage.
- The higher the position of a country or trading block in the global military and economic power scale, the higher is the priority accorded its interests in multilateral trading negotiations and the higher its share of positive payoff from multilateral agreements.
- Dominant economic and political groups within strong countries influence the character, growth and distribution of the gains of international division of labour. In other words multilateral trading arrangements do not make global and national economic systems egalitarian; rather, they reinforce global and national inequalities.

Therefore, Fall contends, the interests underlying the agenda of MTAs are those of the dominant nations and groups within

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[10] Garba, Abdul-Ganiyu and Garba, P. Kassey, "Trade Liberalisation, Gender Equality and adjustment policies in Sub-Saharan Africa" in *AFRICA: Gender, Globalisation and Resistance,* AAWORD, edited by Yassine Fall, p.16

these nations. Consequently, even in dominant countries, some groups are excluded in the debates and negotiations. For instance ethnic minorities, women's groups and labour unions are disproportionately under-represented in the executive, legislative and top management of giant corporations, whose interests override those of other groups.

The World Trade Organisation

The aftermath of the Uruguay Round of Multilateral Trade Negotiations under GATT resulted in the formation of the World Trade Organisation. It was noted by many countries that the last round was characterised by the massive gap between the economic and political strengths of developed and developing countries. Lal Das observed that the latter found themselves in an extremely vulnerable position and succumbed to bilateral and multilateral pressures. These countries were also not united and there was a collapse of coordination among the developing countries on the issues.

The first need is to look critically at the deficiencies and imbalances in the agreements. Two objectives are cited: first, developing countries should ponder the reasons why they had to make all these concessions without commensurate returns. This will help them identify their strengths and weaknesses and provide objective lessons for deciding on future strategies. Second, they should examine the deficiencies and imbalances in the WTO agreements from their point of view, and make efforts to bring about desirable changes in them.[11] Seattle gave a first glimpse of what is at stake.

Lal Das mentions 44 deficiencies and imbalances, and provides 49 suggestions. Some of the issues he raises are also concerns of the ecumenical family and of social movements.

Das questions:
- the WTO's dispute settlement mechanisms;
- market access and tariffs;
- balance payment measures and safeguard measures;
- subsidies and countervailing measures, and anti-dumping; Agreement in Sectors: agriculture and Textiles;
- Non-traditional issues: services and intellectual property rights;
- New protectionism in developed countries via environment;
- Neglected commitments of developed countries in Part IV of GATT.

The position of the WCC and the ecumenical family is that there should not be another round of negotiations without first resolving the structural issues and the deficiencies of the agreements. Given the serious challenges faced by developing countries in implementing their Uruguay Round commitments (and in dealing with improper implementation by the developed countries) there should be a review of many of the agreements with a view to amending them. Martin Khor observed that many of the agreements themselves mandate that

[11] Bharagirath Lal Das, *The WTO Agreements: Deficiencies, Imbalances and Required Changes*, Third World Network, Malaysia, 1998. He provides an analysis of the various WTO agreements and pinpoints their many deficiencies and imbalances (from the viewpoint of developing countries). He provides several specific proposals to offset or overcome the weaknesses and imbalances.

reviews be carried out four or five years after coming into force. The next three to five years of the WTO's activities should focus on the review process. Some of these agreements include Trade Related Intellectual Property rights (TRIPs) agreement article 27.3 (b), agriculture and food security and the Trade Related Investment Measures (TRIMs) agreement.

There is now increasing pressure from the developed countries to introduce new issues into the WTO for their advantage. This move is resisted by developing countries because they are not ready for new negotiations while still grappling with the problems generated by the Uruguay Round.[12] The strategic goal should be to effectively remove TRIPS and agriculture from the WTO. Agriculture is much more than trade. It is a way of life and the base of the very survival of millions of people. The minimum required is that the review process should limit the already-felt bad impact of those agreements on developing countries, and not transfer more power to the interests of transnational corporations.

The patenting of all life forms including micro-organisms should be banned in the review of Article 27.3 (b) of the TRIPS agreement. So-called *sui generis* systems that protect the knowledge of local and Indigenous communities from bio-piracy should be strengthened instead of being excluded. Public health concerns must have priority over intellectual property rights, as recently proven by the conflict between the South African government and pharmaceutical companies.

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[12] Martin Khor, "How The South is getting a Raw Deal at the WTO" in *Views from the South: The Effects of Globalisation and the WTO on Third World Countries,* Edited by Sarah Anderson, International Forum on Globalisation, 2000, pp.7-53. Khor argues that the WTO system reinforces and exacerbates the vast inequalities between North and South. At worst the New trade Agreements like WTO threaten poor nations' economic sovereignty, development prospects, environmental problems and food security.

TRIMS must be revised to lift the ban on local-content policies, which are an important tool for developing countries to support local industries.

The Agreement on Agriculture (AOA) should make an end of tariffs against agricultural exports from the South and the various forms of massive subsidies for agricultural production in the North, re-orienting agriculture to the needs of local markets. The principle of "special and differential treatment" should be applied in the interest of developing countries and their farmers. A food security exception needs to be introduced in market access rules. It is a scandal that the Marrakech decision (1994) to provide assistance to Net Food Importing Developing Countries is not yet implemented although the prices for food imports by those countries have increased. Other decisions in favour of developing countries have not been implemented either. A striking example is the promise by countries of the North to lift import barriers under the Agreement on Textiles and Clothing and to abandon Multi-fiber Agreements, which are still in place.

The WTO Structure and procedures are criticised as favouring the most powerful countries. Focus Global South and Third World Network observe that this institution represents the culmination of a long campaign by northern countries to contain the development aspirations of the South. Walden Bello, speaking from the Focus Global South perspective, describes the North's tactics over the past five decades to obstruct the efforts of the developing nations to pursue their interests through the United Nations system or by other means. He emphasises the preservation of the UN system, while demanding profound alternatives in the policies and processes of the WTO and the International Monetary Fund, if they are to be preserved at all.[13] Social movements like ATTAC are raising similar issues. In the case of Africa, such movements include the Southern and Eastern African Trade Information and Negotiations Initiative (SEATINI). This movement contends that the failure of the Seattle Ministerial Round in 1999 demonstrated that WTO needs urgent and fundamental reform. A comprehensive rethink of the WTO's mandate is now necessary. The reform is necessary because of the inherent imbalances.[14] Can UNCTAD be an arena for resolving world trade issues? The WCC has recently met with the UNCTAD secretary general to discuss areas of cooperation. One area could be the need to strengthen UNCTAD to take up issues raised here.

Finally, The WCC and the ecumenical family should ensure that the Multilateral Agreement on Investment (MAI) is not revived in any form within WTO. This agreement will give special powers to transnational corporations and make it very difficult to establish human rights social and environmental standards as criteria for investors. Just when we thought it was safe to forget about the MAI, the danger is back via the General Agreement on Trade in Services (GATS). This new tool of privatising public services has frightening similarities to MAI. Privatisation of public goods such as water, driven by the World Bank, had a devastating impact in Bolivia, leading to civil protests. The Bank has for decades always forced poor countries to privatise their public services. But privatisation of water and other key public services could be forced through much quicker if the WTO gets its way. GATS, currently under discussion, could put privatisation of public services on an entirely new footing, by declaring that government provision

[13] Walden Bello; Building an Iron Cage: The Bretton Woods Institutions, The WTO, and The South, Ibid.: pp. 54-90

[14] See the Third SEATINI Workshop report, 27th-31 March 2000, Harare, Zimbabwe, *Strengthening Africa in World Trade.*

of certain services prevents open competition and is therefore in breach of WTO rules. GATS aims to make it more and more difficult to resist private companies involvement in more and more types of services, such as water and health care.

The agreement is not new. It was negotiated during the last Trade Round which ended in 1994, and has been kept out of the limelight since. Countries agree to add service sectors to the list of sectors to liberalise (there are 160 of them), but once they do, it is almost impossible to re-regulate them. At the moment, GATS apply only to certain sectors, including telecommunications and the financial sector – those that are in the interest of the EU and USA. But when the rich nations' club, the OECD, abandoned MAI, the pressure mounted to accelerate GATS. The WCC and the ecumenical family should advocate against implementation of GATS within WTO. This area should be the subject of the UN-related institutions.

Trade in Eastern and Central Europe

The WCC, World Alliance of Reformed Churches (WARC) and Conference of European Churches (CEC) have together begun involving churches in Eastern and Central Europe in reflecting on the impact of economic globalisation in the region. During a churches' consultation in Budapest from 23 to 28 June 2001, problems of economic globalisation in the region were raised. The euphoria that was experienced during the initial stage of transforming communist markets to capitalist ones has faded due to the emergence of inequalities and poverty. Some people in the region have become extremely rich while others became extremely poor.

UNDP reports on this region have given very disturbing economic statistics. The IMF intervention in Russia, for instance, has been one devastating failure after another. Within four years of its programme entering into effect in 1992, the country's national income had dropped one-half – a disaster worse than the US Great Depression. "The number of Russians in poverty rose from 2 million to 60 million. Male life expectancy fell from 65.5 years to 57. Having hewed to the IMF's dictates, Russia has seen most of the collapsed cash economy replaced with barter, making it difficult to collect taxes. IMF demands for rapid privatisation of industry led to an explosion of corruption and organised crime." (Centre for Economic and Policy Research). Problems of liberalised trade will also feature more in the future as these so called transition economies strive to be part of the WTO. The WCC and the ecumenical family will continue to work very closely with the churches in this region. The Budapest joint WCC/WARC/CEC consultation on economic globalisation came up with a document called "Serve God Not Mammon".

On trade, the WCC and the Ecumenical family will continue to:

- provide theological clarity on just trade, refuting the myth of free market;
- Advocate for the reform of WTO and strengthening UNCTAD or other alternative mechanisms that promote fair trade;
- advocate for the re-negotiation of the Uruguay Round of agreements;
- say no to GATS and any move to revive MAI;
- stop new issues being pushed to WTO before the old ones are re-negotiated.
- insist that the next trade round should be for resolving the deficiencies and imbalances of WTO Agreements;
- carry out advocacy work on trade in Latin America, Pacific, Africa , Asia and Eastern and Central Europe;

- Work for just trade that eradicates poverty.

WCC advocacy work on trade focuses mainly on the aforementioned issues, but since finance capital is now the rule of the world, the WCC has to deal with it as well.

FINANCE

The WCC approaches the finance issue from three main angles; it emphasises:

- an end to debt bondage;
- ecological debt; and
- financial volatility: excessive speculation and tax havens.

An End to Debt Bondage

Following the Sabbath tradition of Jubilee, the WCC's eighth assembly affirmed that cancelling the debt of impoverished countries and addressing the devastating cycle of debt accumulation are matters of urgency. The assembly noted that debt bondage of the poorest countries to western governments and creditors is today's new slavery. The assembly saw Jubilee not only as cancellation of debt, but rather as the need to radically re-examine and transform the systems that impoverish others. "The accelerating concentration of wealth for a few in the richest countries and the devastating decline in living standards in the poorest countries call for correction along the lines of the ancient Sabbath and jubilee cycles. The social, political and ecological costs of the debt crisis can no longer be tolerated and must be addressed."[15]

The assembly noted as well that the present debt-management proposals such as the Heavily Indebted Poor Countries Initiative (HIPCs), devised by creditors, offer too lit-

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[15] Together on The Way: Official Report of the Eighth Assembly of the World Council of Churches, Edited by Diane Kessler, WCC publications, Geneva, 1999 p179.

tle, too late, to too few countries. Because these are designed by creditors, their purpose is debt collection and not debt relief. Western creditors, represented by the IMF, impose conditions whose purpose is to generate revenues for debt service. The reformed HIPCs – to include a new conditionally of production of Poverty reduction papers (PRSPs) by the debtor countries with the participation of civil societies in these countries – is not a radical method because it is linked to Structural Adjustment Programmes (SAPs) which were responsible for increasing poverty and further indebtedness.

The debt problem has already been declared by many people as a moral issue. Mr Clinton, the former US president, said, "It is a moral issue. How can we sit here on the biggest mountain of wealth we have ever accumulated, that any nation in all of human history has ever accumulated, and not share that wealth?"[16]

The Ecumenical Coalition for Economic Justice (ECEJ) noted that the current initiative to write off uncollected debt does not increase revenues needed for investment by the debtor countries. In 1999, HIPC countries owed $35 billion in debt servicing payments, but were actually paying $18billion. The World Bank and the IMF cite debt relief for Nicaragua as one of the most generous, saying its debt will be reduced by 72% (from $6.3 billion to$1.8 billion) However, Nicaragua has only been able to pay about half the debt service owed. Most of its debt reduction will simply clear the books. Actual resources freed up through HIPC debt relief will equal just 11% of gov-

[16] Shadowy figures, The G7, IMF and World bank-globalisation and debt, Jubilee 2000 Coalition UK, Prague Sept. 2000p.5

ernment spending, or 30% of social spending.[17] This scenario can be seen in many HIPCs. The WCC and the ecumenical family are concerned that the debt problem has not been fundamentally resolved. WCC advocacy work will be mainly at the level of pushing for the establishment of an independent and transparent arbitration process for negotiating and agreeing upon international debt cancellation. This process should lead to the cancellation of odious and illegitimate debt. The German *Jubilee 2000* movement and the African Forum and Network on Debt and Development (AFRODAD) are working on this proposal.

Ecological Debt

Ecological debt has been part of the WCC programme focus on globalisation and debt. The term refers to the responsibility held by industrialised countries for the continuing destruction of the planet due to their production and consumption patterns. Acción Ecológica (AEE) in Ecuador define ecological debt as "the debt accumulated by Northern, industrial countries toward Third-World countries on account of resource plundering, environmental damage, and the free occupation of environmental space to deposit wastes, such as greenhouse gases, from the industrial countries".[18] Using this definition, the poor people of the Third-World are the principal creditors of ecological debt. The debtors are the wealthy of this planet. According to the 1998 UNDP report the 20% of the world's

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[17] ECEJ. In FFD Briefing Note: "The Debt of Developing Countries: 2001", the ECEJ advocates for immediate 100% cancellation of the debts (both bilateral and multilateral) owed by low-income countries on the grounds that they are illegitimate since repayments violates the human rights of the citizens of these countries.

[18] *Economic Justice, Ecological Debt: South Tells North "Time To Pay Up"* ECEJ. Periodical on Global Issues of Economic Justice, Volume XI, Number 3, October 2000 p.2

population living in the highest-income countries make 86% of all consumer purchases, while the poorest fifth make a minuscule 1.3%. The richest fifth consume 58% of the energy used by humans, while the poorest 20% use less than 4%. The high-income fifth account for 53% of carbon dioxide emissions, the poorest just 3%.

The ecumenical family is therefore concerned about over-charging of the poor through financial debt payment – which has been paid over and over again to the rich countries – when a deep ecological debt must be paid to the poor by the rich.

The concept of ecological debt raised by the South underline the point that those who abuse the biosphere, transgress ecological limits and enforce unsustainable patterns of resource extraction must begin to discharge this ecological debt by, firstly cancelling the debt owed by developing countries to Northern creditors. According to AEE Ecuador the way the debt was accumulated is as follows:

- extraction of natural resources (petroleum, minerals, and marine, forest and genetic resources) that is destroying the basis of survival of Southern peoples;
- ecologically unequal terms of trade whereby goods are exported without taking into account the social and environmental impacts of their extraction;
- the looting destruction, destruction and devastation during the colonial period (including slave labour, genocide and cultural genocide);
- the appropriation of traditional knowledge relating to seeds and medicinal plants upon which biotechnology and modern agro-industries are based;
- the degradation of the best lands and marine resources used for export production, putting at risk self-reliance and cultural sovereignty of Southern communities;

- contamination of the atmosphere by industrial countries through excessive emissions of greenhouse and ozone-destroying gases causing climate change;
- the disproportionate appropriation of the carbon dioxide absorption capacity of the world's oceans and vegetation;
- production of chemical and nuclear weapons which are often tested in the South;
- dumping in the Third-World of toxic wastes and the sale of pesticides banned in the North.

Today, ecological debt is augmented by financial debt, Structural Adjustment Programmes, foreign investment, raw material prices that exclude the ecological cost of their production, unequal exchange of products, the bio-engineering of seeds to make them dependent on chemicals, and measures within the WTO and the North Atlantic Free Trade Area (NAFTA) which protect the patenting of genetic material for agriculture or pharmacology by Northern transnational corporations without compensation to the original guardians of bio-diversity in the South.[19]

The WCC and the ecumenical family are called to raise these fundamental questions by providing clarity, critique, and alternatives.

The next component of finance involves advocating against excessive speculation.

[19] Ibid. pp.2-3

Financial Volatility: Excessive speculation and tax havens

The WCC and the overall ecumenical family is concerned with the current global financial instability which has continued to throw many people into poverty while concentrating wealth and power in the hands of a few corporations and countries in the world. This scenario leads to violence, and threatens world peace if no serious measures are taken.

The following are major examples of the extreme instability in currency markets:

- banking and real estate crises in the United States lasting for 10 years from 1970
- major slumps in the global stock market in 1987 and 1989
- European Monetary System (EMS) crisis in 1992
- Japanese financial markets' instability in the early 1990s
- the Southern Cone crisis of the late 1970s and early 1980s
- the debt Crisis of the 1980s
- the Mexican crisis of 1994-1995
- the East Asian crisis, beginning in 1997
- the Russian crisis of 1998.

These crises were breeding grounds for increased money laundering, creation of tax havens, and transfer of stolen money from Third-World dictators to banks in industrialised countries.

There are important differences between industrialised and developing countries in the nature and effects of financial stability and crises. Experience shows that in developing countries, reversal of capital flows and sharp declines in the currency often threaten domestic financial stability. Similarly, domestic financial crises usually translate into currency turmoil, payment difficulties and even external debt crises. By contrast, currency turmoil in industrialised countries since the advent of more flexible exchange rates in the 1970s has frequently involved large movements of rates concentrated into short periods. These movements result from buying and selling decisions by economic players in currency markets, often taken with little regard for indicators of countries' fundamentals (such as relative price levels, microeconomic performance, and the stance of macroeconomic policies). Such movements generally impose costs on the real economy and lead to significant misalignments, i.e., levels of the exchange rate which, at reasonable full employment for the economy in question, are inconsistent with a sustainable external payment position.[20] But such turmoil does not usually spill over into domestic financial markets, nor do financial disruptions necessarily lead to currency and payment crises.

These differences between developing and industrialised countries stem from a number of factors. First, the size of developing-country financial markets is small, so that entry or exit of even medium-size investors from industrialised countries is capable of causing considerable price fluctuations, even though their placements in these markets account for a small percentage of total portfolios. Furthermore, differences in the foreign asset position and currency denomination of external debt play a crucial role.[21] Here the vulnerability of developing countries is greater because of their typically higher net indebtedness and higher shares of their external debt denominated in foreign currencies. The vulnerability of

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[20] For two surveys of the voluminous literature on the subject see *"The Exchange rate System"* in UNCTAD (1987) and Rosenberg (1996), especially chapters II and XII (the latter discusses evidence concerning trend-following behavior of currency traders).

[21] "Dollarisation" adds further to vulnerability since it effectively eliminates the difference between residents and non-residents in the determination of the profitability of their investments and their ease of access to foreign assets.

the domestic financial system is increased further when the private sector rather than sovereign governments owe external debt. A rush of investors and creditors to exit and a consequent financial panic characterises all financial crises in developing countries.

Views from the South on this problem have described the situation thus: *"Under the new standards of the global free trade and deregulation, there are few controls upon massive movements of funds crossing borders. With technologies of global communication networks, currency speculators are able to move unimaginably huge amounts of money, instantaneously and invisibly, from one part of the globe to another by mere touch of a key, destabilising currencies and countries."*[22] This is something that many Third-World countries are trying hard to prevent – notably Chile, Malaysia, China and Russia – by means of techniques such as "speed bumps" that require foreign investors to leave their funds invested in these countries for a fixed period of time. This slows the opportunities for the speculative investment – withdrawal-investment cycles – that have left Third-World currencies and economies in disarray, leading to increased poverty.

People living under poverty doubled to 40 million in Indonesia due to the East Asia financial crisis. In 1998 more than 50% of the firms in Asia and Latin America were forced into bankruptcy. Some developing countries, such as Malaysia, want to be in control of financial capital movements, which recalls the famous Keynes dictum: "I sympathise with those who would minimise, rather than with those who would maximise, economic entanglements among nations. Ideas, knowledge, sci-

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[22] *Views from the South: The Effects of Globalisation and the WTO on Third-World Countries,* edited by Sarah Anderson, International Forum on Globalisation, San Francisco, no date, p.3

ence, hospitality, travel – these are things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and, above all let finance be primarily national." Keynes was concerned with the rule of unregulated movement of financial capital already in 1933 during the Great Depression. Are the current efforts solving this problem? The entry point could be our strong support for introducing the currency transaction tax (CTT) in short called "Tobin Tax".[23]

REVIEWING THE CURRENT PROPOSALS FOR REFORMS

A number of proposals have been made since the Asian crisis to resolve financial crises by governments, international organisations, private researchers and market participants. Many of the proposals have concentrated on marginal reform and incremental change rather than the so-called big ideas that emerged in the wake of East Asian Financial crisis.[24] It is noted that attention has focused on standards and transparency and to a lesser extent, on financial regulation and supervision, while efforts have been piecemeal or absent in more important areas addressing systemic instability and its consequences. Emphasis has shifted towards costly self-defence mechanisms and greater financial discipline in debtor countries. Developing countries are urged to adopt measures such as tight national prudential regulations to manage debt, higher stocks of international reserves and contingent credit lines as a safeguard against speculative attacks, and tight monetary

[23] Tax on all international financial transactions to deter speculation. The CTT is known as "Tobin Tax" after the Nobel-prize winning economist, James Tobin, who first proposed the idea in 1972.

[24] The summary of the proposals and actions so far taken are found in IMF (1999a)

and fiscal policies to secure market confidence, while maintaining open capital accounts, and convertibility. Big ideas for appropriate institutional arrangements at the international level for global regulation of capital flows, timely provision of adequate international liquidity with appropriate conditions, and internationally sanctioned arrangements for orderly debt workouts have not found favour among the powerful, though these proposals are milder than those given by churches and social movements. Yilmaz Akyuz noted that the following ideas were considered too radical to deserve official attention:[25]

- A proposal by George Soros to establish an international credit insurance corporation designed to reduce the likelihood of excessive credit expansion;
- A proposal by Henry Kaufman to establish a board of overseers of major international Institutions and markets with wide-ranging powers for setting standards, and for the oversight and regulation of commercial banking, securities business and insurance;
- A similar proposal for the creation of a global mega-agency for financial regulation and supervision – a world financial authority – with responsibility for setting regulatory standards for all financial enterprises, offshore as well onshore entities;
- The proposal to establish a genuine international lender-of-last resort, with discretion to create its own liquidity;
- The proposal to create an international bankruptcy court in order to apply an international version of chapter 11 of the United States Bankruptcy Code for orderly debt workouts.

[25] Yilmaz Akyuz, *"The Debate on The International Financial Architecture: Reforming the Reformers"* United Nations Economic Commission for Europe, UN/ECE Regional Conference 6-7 December 2000

- The proposal to manage the exchange rates of G3 currencies through arrangements such as target zones, supported by George Soros and Paul Volcker;
- The Tobin Tax to curb short-term volatility of capital movements and exchange rates.

Political constraints and conflict of interest, rather than conceptual and technical problems, are the main reason why the international community has not been able to achieve even modest real progress in setting up effective global arrangements for prevention and management of financial crises. There are also differences within G7 members regarding the nature and direction of reforms. A number of proposals made by some G7 countries for regulation, control and intervention in financial and currency markets have not enjoyed consensus, in large part because of the opposition of the United States.[26] Agreement among the G7 has been much easier to attain in areas aiming at disciplining the debtor developing countries. What is evident today is that a rules-based global financial system with explicit responsibilities of creditors and debtors, and well-defined roles for public and private sectors is opposed by major industrial powers which continue to favour a case-by-case approach because, *inter alia*, such an approach give them discretionary power due to their leverage in international financial institutions. This scenario is not fair because it reflects the interests of larger and richer countries. The role of the churches is to constantly raise the issue of the injustice inherent in this global financial system dominated by the North.

[26] Akyuz, Ibidp.3

PROPOSALS FROM CHURCHES AND SOCIAL MOVEMENTS

The ecumenical family, churches and people of faith can take up the challenge and join the discussion about a just international financial system. Most appropriately, they can begin again to creatively organise encounters with the major players in financial markets. They can, among other things, advocate

- debates on a new financial architecture to include representatives of all developing countries and of civil society; democratic international institutions are needed. The existing institutions (IMF, World Bank, BIS, WTO, etc) are acting in favour of the interests of the main economic powers;
- excessive, destabilising currency speculation be deterred;
- national and regional central banks be given more control over monetary policy;
- a multilateral approach on common standards be developed to define the tax base to minimise tax avoidance opportunities for both TNCs and international investors;
- a multilateral agreement established to allow states to tax TNCs on a global unitary basis, with appropriate mechanisms to allocate tax revenues internationally;
- support for the proposal for an International Convention to facilitate the recovery and repatriation of funds illegally appropriated from national treasuries of poor countries;
- creatively with civil society working out a new system in which justice can be central in all global financial transactions;

- creating an arbitration mechanism to resolve problems of debt under the auspices of the UN;
- applying a Currency Transaction Tax to curb short-term volatility of capital movements and exchange rates;
- a process of democratising all global finance and trade institutions;
- the closing down of tax havens (offshore centres) and for making capital property socially accountable;
- a pension system of solidarity and resisting its privatisation;
- investing church money in alternative banks;
- looking critically at the churches’ own structures and financial policies;
- organising awareness-building seminars on financial markets.

ECONOMIC GLOBALISATION WORK WITHIN THE JPC TEAM

Certain elements of economic globalisation touch the constituencies of the Justice Peace and Creation team, and thus will affect its work as follows:

Women and Economic Globalisation

Exclusion and marginalisation are products of economic globalisation. They have affected women and children more than others in our societies. Yet women have demonstrated a prodigious capacity for providing critique, clarity and alternatives to economic globalisation. Their perspectives need to be harvested and their alternatives globalised. The three components of economic globalisation cited in this document will be addressed in the upcoming WCC programme on women and globalisation.

Youth and Economic Globalisation

Economic globalisation affect youth world-wide. The WCC will continue to engage youth in analysing the impact of economic globalisation and enable them to look for alternatives.

Indigenous People and Economic Globalisation

The process of economic globalisation deprives Indigenous people of their lands and natural heritage. Awareness-building and finding ways to enable these people regain their power to retain their lands and restore their livelihoods is imperative. The WCC will continue to raise these issues.

Economic globalisation and the DOV (Decade to Overcome Violence)

Economic globalisation leads to structural violence, embedded in economic structures, unjust trade and finance. Research on economically-instituted violence will be done under this theme.

Economic Globalisation and the Environment

Economic globalisation is accelerated by the process of trade liberalisation. This process has created excessive competition and production of goods, leading to environmental destruction. The WCC is concerned about this trend, and will continue to organise global and regional consultations on this issue.

Economic Globalisation and Racism

Economic globalisation has resulted in discrimination, prevented people from meeting their needs, and has sometimes restricted movement as a result of xenophobic tendencies in some societies, particularly as people immigrate in search of jobs. The WCC will continue to raise such issues.

The Approach

Due to the vastness of the subject, the WCC-JPC team approaches the theme of economic globalisation in a participatory manner. The focus is on clarity, critique and alternatives. Many facets of economic globalisation are central foci of the work carried out by the JPC team on women, youth, Indigenous people, violence, racism, and on ethics, theology and ecology.

JPC work began a Consultation on "Globalisation and *Status Confessionis*" organised by the WCC and WARC in Bangkok in 1998. This Asian regional consultation was followed by another in Budapest on "Globalisation in Central and Eastern Europe: Responses to the Ecological, Economic and Social Consequences". A third was held in the Pacific in August 2001; more such consultations are planned for Western Europe, Latin America, Africa and North America. An ecumenical team will be drawn together to consolidate the responses from the various consultations and produce an ecumenical document on the churches' response to economic globalisation. This document will be shared with the churches for comments. The final version will be presented at the WCC's ninth assembly in 2006. The process is expected to enable WARC to declare economic globalisation as a matter of church confession at its 2004 general assembly. Having created awareness on the subject among its member churches, the WCC is also hoping to come up with a clear theological analysis on alternatives to economic globalisation.

Consultations, seminars, workshops, encounters and studies are methods used with the WCC's partners to provide clarity, critique and alternatives on this subject. External encounters between the WCC, the churches and social movements with the international finance institutions will also take place. In the case of Western Europe, the main partners are those churches and social movements already engaged on the components of globalisation mentioned here. *Kairos Europa* for instance has substantial experience in campaigning for regulating financial markets; the WCC cooperates with this group in organising workshops and consultations. *Jubilee South* is good at raising the issue of ecological debt. WCC cooperates with them on this subject. *Jubilee 2000* in Germany and AFRODAD are working on the arbitration mechanism; the WCC will support this venture. On the issue of a paradigm shift, a team on "Alternative Discourse to Globalisation" has been appointed to prepare encounters with the IFIs. The *Ecumenical Coalition on Alternatives to Globalisation,* of which WCC is also a member, will deal with some of the issues raised. Meanwhile a background document on how churches can respond to IFI policies called *"Lead us not into Temptation"* has been published. Training of trainers on a critical look at economic globalisation will follow. The production of a curriculum on economic globalisation is being done in close cooperation with the WCC youth desk and the Young Men's Christian Association (YMCA). The issue of trade is being dealt with in conjunction with *SEATIN*, the *Ecumenical Advocacy Alliance (EAA)*, *Focus on Global South* and the *Third World Network*. The first workshop on "Justice in International Trade" took place in August, 2001 in conjunction with *Bread For All* and the EAA.

The issue of the deficiencies and imbalances of the WTO trade Agreements, with particular focus on the General Agreement on Trade and Services (GATS) will be addressed in close cooperation with the above mentioned networks. The WCC is also contributing to the UN process of Financing for Development, Rio+5. Finally, theological analysis on alternatives to economic globalisation will involve the whole WCC cluster on Issues and Themes. It is expected that JPC will work on this issue in co-operation with other teams in the cluster, the churches and social movements.