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HEADLINE: The social costs of globalisation

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The report of the global commission on the social dimensions of globalisation*, issued this week, shows dramatically how the debate on globalisation has changed in recent years. The commission was established two years ago by the International Labour Organisation and its 24 members (of which I was one) were drawn from diverse interest groups, intellectual persuasions and nationalities. Its mission was to look carefully at the social dimensions of globalisation, which had too often been given short shrift in policy discussions.

Some of the commission's messages - such as the need for better ways of restructuring debt - might have seemed controversial a short while ago. Today they are either in the mainstream or are gradually being accepted. But the central theme, that we need to look at the social consequences of globalisation, can never be overstressed.

It is now generally agreed that the state has a role to play in cushioning individuals and society from the impact of rapid economic change. But the way globalisation has been managed has eroded the ability of the state to play its proper role; and the root of this problem lies in the global political system - if such it can be called. Institutions such as the International Monetary Fund and World Bank must become more transparent and their voting structures must be changed to reflect the current - as opposed to 1945 - distribution of economic power, let alone basic democratic principles.

The report recognises that social progress, particularly for the poorest countries, cannot be separated from economic development. But it differs from the conventional wisdom on globalisation in arguing, first, that economic progress by itself may not entail social progress and, second, that the policies pushed by the international economic institutions - especially capital market liberalisation and an unbalanced trade liberalisation agenda - may not lead to economic growth and stability in developing countries.

The report also recognises that, while developing countries are responsible for their own actions, the international community has responsibilities too. Many poor countries have no hope of competing in the globalised world - even assuming there is a level playing field - without help to get them to a point of self-sustaining development. The commission thus underlines the importance of the rich nations fulfilling their promise of increasing overseas development assistance to 0.7 per cent of gross domestic product (compared with an actual average of 0.23 per cent of GDP), of relieving debt and of introducing other measures to speed the flow of capital and technology. Given the political will, these could be achieved almost overnight. So too could ending the outrageous discrimination - against products in which the poor are competitive - by rich countries that preach free trade.

Yet more money and fairer trade are just part of the answer. Much of the damage done by globalisation has been a result of institutional and policy failures. In many cases, globalisation has been managed in a way that has eroded the state's ability to provide macroeconomic stability and social protection. Tax competition for businesses has weakened the tax base and put more of the burden of taxation on workers. Competition for investment has eroded the will of the state to protect the environment from pollution and workers from exploitation.

Today, in the advanced industrial countries, displaced workers - those who have lost their jobs because of outsourcing or competitive imports - call for more protection and it is natural that democratic governments should respond. But if those in developed countries - where unemployment is low, strong social safety nets are in place and there are high levels of education - turn to government for help, how much more necessary is assistance in developing countries?

The economic and financial volatility - and hence insecurity - associated with globalisation is the result of an agenda driven by interests and ideology. We all know how much damage it has done, especially to middle-income countries in Asia and Latin America - how it has contributed not only to poverty but also, in many countries, to the devastation of the middle class. Even the IMF now agrees that capital market liberalisation has contributed neither to growth nor to stability.

If globalisation is managed better, the world can come closer together and become more prosperous. If it continues to be poorly managed, discontent with globalisation will grow. The commission's report provides concrete suggestions on how it can be better managed. But, whatever one thinks of these suggestions, this much is clear: we need a more inclusive debate about globalisation, in which its social dimensions are given their proper emphasis.

* A Fair Globalization: Creating Opportunities For All

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