THEMATIC REPORTS

A human rights-based response to the financial and economic crisis

Although the legacy of the ongoing financial crisis will be gloomy, it may also have another legacy in that crucial ideas about human rights can no longer be dismissed. The crisis presents a historic opportunity – and a generational responsibility – to rethink decision-making in economic policy. A human rights-based approach calls for a reform of governance structures to ensure that all economic policy is carried out in accordance with the human rights regime. This will ensure participation at all levels, subjecting decisions to public scrutiny, transparency and accountability at every step.

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What started as a crisis in the sub-prime mortgage sector in the US, in the summer of 2007, has become an economic crisis of global dimensions that has been called the worst crisis since the Great Depression.

The magnitude of the crisis is shedding an altogether new light on the consequences of the traditional approach to human rights and the regulation of finance. Under this paradigm, human rights advocates are told that matters of financial regulation are entirely technical and to be left to the experts, while human rights policy and concerns should either be addressed independently from financial regulatory issues or simply circumscribed by whatever approach financial experts decide to take on such issues. However, the crisis has revealed the deficiencies of this approach and is emboldening a human rights-based critique of financial regulation. While there have been many explanations about the sources of the crisis, there is broad agreement on the importance of a number of failures due to lax regulation and supervision of financial markets, the actors that operate in them and the instruments with which they operate.[2]

At the same time, it is not hard to find support for the notion that the enjoyment of human rights will be significantly affected by the crisis everywhere. For instance, the dramatic decline in aggregate demand globally has resulted in extensive unemployment and destruction of livelihoods. After years of declining unemployment, some 20 million more people will be unemployed in 2009 than in 2007, according to forecasts by the ILO.[3] Some 50 million people could be put out of work if the crisis matches the magnitude of unemployment in the 1990s.[4] These general figures hide the greater impacts on women and their children, the poor, indigenous groups, ethnic minorities and migrant workers. Alongside increasing unemployment, social protection – conditional in many countries on having a job – is declining. For those who still have a job, more unemployment means greater pressure on their salaries and social coverage. Social security for senior citizens is also being significantly affected by the crisis, with pension funds registering losses of close to 50% in some cases.[5] The shift to fewer publicly funded pension systems of the last decades magnifies these impacts. In turn, the public revenues needed to bolster the required support for social and pension coverage have fallen substantially, limiting government options.

Poverty is expected to increase worldwide by as much as 53 million people.[6] Even this figure may be optimistic as it is based on the World Bank's widely questioned definition of poverty and is likely to understate the real number of the poor.[7] The decline in nutritional and health status among children who suffer from reduced (or lower quality) food consumption can be irreversible, and estimates suggest that the food crisis has already increased the number of people suffering from malnutrition by 44 million.[8]

The effects of the crisis are also likely to lead to increasing inequality. The gap between richer and poorer households that has been widening since the 1990s will get bigger. The income gap between the top and bottom 10% of wage earners had increased in 70% of a sample of countries investigated in an ILO report published last year.[9]

If social unrest and public expressions of desperation and frustration are met, as they have already been in some countries, with violent repression by government forces, then civil and political rights will also be threatened by the economic crisis. The rise in xenophobic or otherwise discriminatory sentiments that is being seen in several places could also jeopardize the rights of migrant workers and minority groups, who are most vulnerable to discrimination.

Looking at these impacts, and accepting the consensus about the sources of the crisis, one has to conclude that choices made on financial regulation have tangible consequences for the enjoyment of rights. The reverse is also true: an approach that seeks to uphold human rights standards independently of addressing the impacts of financial policy and regulatory choices will prove to be woefully insufficient and ineffective.

The evidence presented by this crisis, however, is no different from that revealed by other financial crises that have periodically hit different parts of the world in the last century, notably East Asia in the late 1990s. They all bring extreme hardships and suffering to ordinary citizens, especially the most vulnerable and marginalized, while those who profited from financial speculation are not held to account for their actions. For instance, the last few years have seen not only a continuation of trends towards increasing income inequality but also a reported increase in the

1 An earlier draft of this article served as the basis for a statement issued by the International Network for Economic, Social and Cultural Rights (ESCR-Net) in consultation with a large number of human rights organizations. The author is grateful to Nicolas Lusiani, who helped finalize the statement, as well as many human rights organizations that commented on it and provided inputs. Responsibility for any mistakes is, of course, solely that of the author.

2 For a detailed survey of the main official sources (IMF, Bank of International Settlements, Financial Stability Forum), showing the remarkable similarity in understanding the proximate causes of the financial crisis, see Caliari (2009), "Assessing Global Regulatory Impacts of the U.S. Subprime Mortgage Meltdown: International Banking Supervision and the Regulation of Credit Rating Agencies", paper prepared for the symposium on Financial Markets and Systemic Risk: The Global Repercussions of the U.S. Subprime Mortgage Meltdown, co-organized by the Journal of Transnational Law and Contemporary Problems at the University of Iowa College of Law, in conjunction with the University of Iowa Center for International Finance and Development.

3 ILO. "The Financial and Economic Crisis: A Decent Work Response." Discussion Paper, 2009 GB.304/ESP/2.

4 *Ibid.*

5 World Bank. The Financial Crisis and Mandatory Pension Systems for Developing Countries. Washington, DC: World Bank.

6 *World Bank News*, 12 February 2009.

7 The World Bank's arbitrary classification of people living below USD 2 a day as poor, and those living below USD 1 a day as extremely poor, has been repeatedly criticized as failing to capture the reality of poverty in different countries with very different poverty lines, and the basket of goods these incomes could purchase in different countries. In 2008, the Bank updated its long-outdated purchasing power parity (PPP) calculations; on this basis the number of people the Bank defines as extremely poor, now those living under USD 1.25 a day, was revised upwards to 1.4 billion, almost 50% more than the previous estimate of 1 billion (see UN Millennium Development Goals Report 2009: 4-7).

8 World Bank. Swimming Against the Tide: How Developing Countries Are Coping with the Global Crisis. Washington, DC: World Bank. 2009.

9 ILO. *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization.* Geneva: International Labour Organization (ILO).

amount of wealth controlled by the "super-rich".[10] This phenomenon was possible with aggressive investment strategies – read, speculation – facilitated by loose flows of capital.[11] Yet it is low-income groups, not those who profited from the pre-crisis boom, who will be disproportionately affected by the post-crisis bust.

In this regard, the financial crisis also calls into question the belief that the wealth earned on markets would "trickle down" to everyone else. Nobel Prize-winning economist Joseph Stiglitz recently stated that financial markets – and indeed GDP growth as currently measured – are not an end in themselves but exist to serve people's well-being. What is good for finance and what is good for GDP growth alone is not necessarily good for the economic well-being of all. This systemic collapse calls for a new role for national governments in economic policy-making – both domestically and, increasingly, at the international level.

A human rights response: the principles

A response to the financial and economic recession that places human rights norms at its centre is not only necessary as a matter of justice; it will also make reforms of the financial and economic system more sustainable and resilient to future crises.

A human rights-based policy response does not presuppose a certain type of economic system. Yet it does take as its point of departure a clear and universally recognized framework – a set of standards founded in the core instruments of international human rights law – to guide the design and implementation of economic policies and programmes to address the crisis. Human rights do not only set limits to oppression and authoritarianism; they also impose positive obligations on states to uphold economic, social and cultural rights. States have the duty to respect, protect and fulfil human rights at all times, especially in times of crisis.

Governments have a duty to ensure minimum essential levels of enjoyment of social and economic rights as a matter of priority, and they have a specific and continuing obligation to move as expeditiously and effectively as possible towards full implementation. Human rights standards call for governments to ensure that no deliberately retrogressive measures are taken – for example, cutting essential programmes – unless this is fully justified by reference to the totality of the rights provided for in the core human rights treaties and in the context of the full use of the maximum available resources. Even in the face of public revenue limitations, states must marshal the maximum available resources to ensure that full implementation of economic and social rights is progressively realized in the short and longer term.

In addition, the principle of non-discrimination requires that states ensure that all measures adopted in response to the crisis avoid disproportionate effects and that deliberate, targeted measures are put into place to secure substantive equality of access to basic services across countries and population groups. Disadvantaged members of society must be protected as a matter of priority, even in times of severe resource constraints.

While the primary human rights obligations of states rest within their jurisdictions, they are also – in the spirit of the UN Charter and applicable international law – required to contribute to international cooperation in the full realization of human rights. When acting within inter-governmental forums such as the UN, the World Bank and *ad hoc* meetings of the Group of 20 (G-20), states must guarantee that their policies are consistent and conducive to the realization of human rights. In this regard, those states that have enjoyed a more powerful position in decision-making on global economic policies have had greater responsibility for causing, through their actions and omissions, this global meltdown. This means that they also carry greater responsibility for the mitigation of the consequences and for taking the steps needed to assure a just and sustainable way forward. Under international law, governments must also ensure that human rights standards take primacy over trade, investment or finance commitments.

Basic human rights principles include social participation, transparency, access to information, judicial protection and accountability. People must be able to participate in public life and to meaningfully interact with the decision-making process affecting them, thus rendering the processes affecting their lives open to contest. Additionally, states must ensure that no one is above the law. Individuals whose rights have been affected must enjoy accessible and effective remedies to seek redress. Those responsible for harms, including private actors, must be brought to justice, and future activities affecting human rights must be prevented.

Reform of decision-making processes on economic policy

The crisis facing us today provides a historic opportunity and indeed a generational responsibility to rethink the manner in which decision-making on economic policy has so far taken place. A human rights approach calls for the reform of governance structures to ensure that all economic policy at the domestic and international levels is carried out in accordance with the legal content that the human rights regime offers.

Too often, official decisions on the regulation of financial capital flows, for example – or the need to dispense with them – are made by a few "experts", often including representatives of the private-sector industries themselves. This process in essence closes avenues for public participation in fundamental policy and legal discussions that affect everyone, with particular impacts on the most vulnerable and marginalized. A human rights-based policy response would transform this process, ensuring participation at all levels and subjecting decisions to public scrutiny, transparency and accountability at every step.

Accountability and participation in economic policy-making are also impaired when intrusive policy conditions are demanded by international financial institutions and donors or by inflexible rules in trade and investment agreements. States should be empowered to assert that their human rights obligations take priority over economic commitments or investors' rights.

These same human rights principles must be instilled at the international level, where cooperation in the realization of these rights is an obligation of all states, particularly those responsible for harms. Despite the far-reaching consequences of financial policy measures, the inter-governmental bodies setting the agenda and designing financial reforms, such as the Basel Committee on Banking Supervision, the Financial Stability Forum and the G-20, limit participation from the majority of countries. The IMF and the World Bank for their part continue to be ruled by principles regarding decision-making that confine developing countries to a marginal role and limit transparency. Equally important, other international organizations that have the express mandate to protect human rights are excluded from the design of policy responses in these forums.

The UN, as the guardian of the international legal framework, is the most appropriate and most legitimate forum to discuss the reforms that are necessary to restructure the international economic and financial system on a human rights foundation. Its role would be greatly strengthened by the establishment of a Global Economic Coordination Council, as recommended by the UN Commission of Experts.[12] Such a body, operating under the principle of constituency-based representation and at a level equal to the General Assembly and the Security

10 According to a 2007 study by Merrill Lynch and Capgemini, "The number of people with USD 1 million or more to invest grew by 8% to 9.5 million last year, and the wealth they control expanded to USD 37,200 billion. About 35% is in the hands of just 95,000 people with assets of more than USD 30 million." See Thal Larsen. P. "Super-rich Widen Wealth Gap by Taking More Risks." *Financial Times*, 28 June 2007.

11 Thal Larson (op. cit.), quoting a Merrill Lynch's executive who said the difference between the rich and super-rich reflected "a willingness by the very rich to take greater risks".

12 United Nations General Assembly. "Recommendations of the Commission of Experts of the President of the General Assembly on Reform of the International Monetary and Financial System." A/63/838. 29 April 2009.

Council, could provide greater effectiveness, representation and transparency in policy-making to address economic policies as they relate to development priorities beyond the narrow purview of finance or economic ministries.

> "African-American people and indigenous peoples have a common history of exploitation and conquest, and are disproportionately suffering the impacts of the crisis. Our current American Empire was built on the so-called *American dream*, but we see that stolen land and stolen labor was also used to construct this country, the wealthiest the world has ever known. From the outset, financial institutions aided and abetted profiteers seeking to build empire by any means necessary. We must reject the *neoliberal theology* and construct more progressive theological theories."
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> Jean Rice *(Picture the Homeless, New York)*

Banking and financial sector regulation

A striking aspect of the crisis is the extent to which financial entities managed to transfer the burden of their irresponsible risk-taking to the most vulnerable in society, and it was specific government policies designed to deregulate the financial system as a whole that enabled this. Governments – domestically and in concert with others – must therefore adopt measures to protect the human rights of their peoples through robust banking and financial sector regulation. They must also strengthen accountability and the rule of law by reining in criminal behaviour. Where certain acts are not currently seen as crimes (e.g., "tax evasion" in certain countries) or as offences that triggers legal liability, then appropriate legislation should be passed and enforced. Furthermore, governments must take serious action to ensure that those individuals and countries affected through no fault of their own find remedy.

Banks are the most regulated of all financial sector entities. Yet their behaviour has increasingly been ruled by principles of supervision that rely on their own internal mechanisms for risk management, rather than externally developed standards shaped by national supervisors. In response to pressure from industrialized countries, many poor countries have progressively adopted these same principles, partly lured by the possibility of attracting international banks. They also acceded, for the same reason, to the unrestricted movement of capital by such banks. Deregulation to attract foreign banks has often not had the desired payoffs, however. Empirical evidence shows no link between liberalized capital accounts and increased economic growth. Access to credit, especially by the most marginalized groups, has shown little improvement, while large international banks have tended to eliminate the domestic banking sector on which the neediest depend. Today, those countries with the greatest exposure to and dependence on foreign banks are the ones worst affected by the financial crisis, as these institutions retreat back to their home countries and refuse to lend in now fragile economies.

Reforms in the banking sector should include the space for national governments to regulate the services provided by any bank in the interest of ensuring broad access to credit and other key social functions. If state-provided banking services are considered a better option for guaranteeing rights, they should be fully pursued.

Hedge funds, private equity funds and credit rating agencies have been left to self-regulatory schemes. Hedge funds have been allowed to become, in many countries, the mainstream mechanism for ordinary citizens to hold their savings, placing citizens' access to social security at risk. Hedge funds and private equity funds have also forced sudden unemployment and other labour rights violations through their undue influence on the decision-making processes in the restructuring of companies around the world. Extraordinary profits were also fostered by leverage strategies that relied on tax exemptions on debt financing, thereby putting sources of public revenue at risk. This has limited the fiscal expansion possibilities of many governments just at the time they need it most to spur job creation and strengthen social protection measures.

Recognizing that the activities of these financial actors have profound, measurable impacts on human rights, the state must not abdicate its duty to protect. Governments should work together to adopt all necessary measures to prevent hedge funds, private equity funds, derivative instruments and credit rating agencies from adversely affecting human rights.

The liberalization of capital and the creation of impenetrable tax havens have made it more difficult to engage in progressive taxation of capital flows, and further eroded the tax base in countries of both North and South by facilitating the shifting of profits from where they are earned to other low- or zero-tax regimes. This has negative outcomes on public revenue, which is critical for governments to be able to meet their human rights obligations. Governments must live up to their duties toward their people by protecting public revenue in a transparent and accountable way, closing tax havens and taking appropriate measures to control the movement of capital and strengthen fiscal accounts.

Central banks for their part are public agencies and, as part of the government, have obligations to human rights. The principle of "central bank independence" has too often meant independence from social and human rights interests. It has not meant, however, freedom from interference by private financial interest groups. Central banks must recognize that independence does not mean lack of responsibility in serving the interests of society as a whole. They must balance the need to achieve stable and low inflation with their obligations to battle income inequalities and stabilize peoples' jobs and livelihoods through various credit and supervisory instruments.

The crisis and human rights in the South

The extent to which the crisis compromises the achievement of human rights commitments may be more dramatically exposed in the South. Developing countries that for a long time were told they must rely on export-led growth and free market policies are now suffering the most due to the drop in external demand caused by the crisis. They should be allowed special flexibility, so they can fully take into account their human rights obligations as they develop trade policies that can deal with the crisis and forestall export-related vulnerabilities in the future. The export profile and strategy chosen by a country, and its balance between exports and domestic market needs, should be carefully guided by its human rights obligations, in particular the need to ensure non-discrimination and progressive realization of rights.

Debt levels are also set to rise in developing countries. Not only will the crisis worsen their trade and financial situations, making more borrowing necessary, but also an effective crisis response that does not resort to deficit spending to expedite recovery is likely to undermine minimum core levels of well-being. However the human rights consequences and impacts for the future of borrowing cannot be ignored. Part of the increase in debt is due to the proliferation of rapid lines of credit by multilateral financial institutions including the World Bank, purportedly to help developing countries cope with the crisis. These lines of credit are disbursing vast amounts of money with little or no opportunity for citizen control and public accountability, with real risks of completely bypassing social and environmental safeguards. Part of the increase in debt levels comes as a result of countries having to refinance debt in stressed private capital markets where funds have become scarce, as developing countries try in vain to compete with industrialized countries in order to fix their troubled banking sectors and implement stimulus plans.

While in the short term these lines of credit may be necessary to allow governments to stabilize spending, human rights principles are critical to determine: (1) the strictly necessary borrowing that needs to be undertaken, (2) the demands that should be met through concessional finance rather than borrowing, and (3) the accountability and transparency principles that will ensure new lending is done in a responsible way, with appropriate social control, so as to prevent the generation of more illegitimate debts that future generations will be forced to pay.

Some forecast that the budgetary cuts provoked by the crisis, and the shift of funds to fiscal stimulus packages, will lead donor countries to cut back on their development aid. With the enjoyment of human rights of so many people at stake due to the financial crisis, donor governments must not regress on their obligations to international assistance by cutting development aid in any way.

Human rights-oriented economic stimulus packages

The outline of a human rights approach to the crisis would not be complete without reference to the very particular role that human rights standards should play in domestic economic stimulus packages. Particularly relevant in this regard are the aforementioned principles of non-discrimination, transparency, accountability and participation.

Economic stimulus packages must not in any way discriminate. Governments should evaluate the distributional consequences of the packages across society to ensure that equitable benefits are experienced across lines of gender, ethnicity, sexual orientation and class. Extra measures may need to be taken to promote substantive equality for those historically marginalized and especially vulnerable. Gender-sensitive policies, for example, require women's participation in the design and implementation of stimulus packages. Decisions throughout the life of the stimulus must also be open to question and based on participation and transparency in order to strengthen public accountability.

One particular area of priority for governments in their fiscal stimulus packages should be the stabilization and strengthening of social protection systems for all, especially the most vulnerable. The right to social security is recognized in the Universal Declaration of Human Rights and in numerous international human rights treaties, and all states have an obligation to immediately establish a basic social protection system and progressively expand it over time according to their available resources. The strengthening of such systems both fulfils the short-term duty to protect people from an economic downturn and contributes to the longer-term economic priority of investing in people.

Yet at present not all countries have the ability to invoke economic stimulus packages in order to avoid regressive measures in the fulfilment of rights and to boost their national economies. While guaranteeing that such packages meet basic human rights standards at home, governments should likewise uphold their obligation to international cooperation by filling the finance gap in the global South.

It is important that, in an effort to stabilize employment and livelihoods, stimulus packages do not expand demand along patterns of consumption that are out-dated and untenable in both rich and poor countries alike. The continuation of a high-carbon economy, by depleting the Earth's resources and increasing greenhouse gas emissions, will only compound the challenges that many countries already face in their attempts to uphold human rights standards.

Concluding remarks

We should expect a gloomy legacy to the ongoing financial crisis, more so than to any other crisis that the current generation has seen. But alongside this, there is a legacy of important ideas that can no longer be dismissed and that should be at the heart of the restructuring of the global economic system. The undeniable relevance to financial and economic policy choices of the human rights commitments that the international community has endorsed since 1948 is one of them. Humanity would be well advised not to forget at what cost the modern human rights instruments were forged. ■

Gender Equality and the Financial Crisis

Equality between women and men has to be a key element in the development of anti- crisis measures and policies, since the financial crisis is starting to take hold in sectors dominated by female workers and rates of violence against women are increasing. A gendered analysis is required in order to understand the depth and scope of the crisis, as well as to design appropriate responses. However, in addition to the challenges, the economic crisis is also presenting opportunities for women's empowerment and leadership, as has been seen already in countries in which women have emerged as leaders.

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Gender inequality is not a new phenomenon; however, the current economic crisis has exacerbated gender inequalities throughout the world. As the global recession persists, bailouts and equity loans are being negotiated between governments and private industry; public services are increasingly being privatized to "protect" government coffers; and corporate taxes are being cut to benefit corporations and the wealthy. In all of this, it is increasingly clear that women stand to be profoundly disadvantaged by the global recession and national responses to the crisis.

The UN reports that while men's job losses initially increased faster than women's, men's job loss rate is now slowing down, while that for women keeps going up. The global unemployment rate for women could reach as high as 7.4% compared to 7.0% for men.[1] While the financial crisis first hit the US and Europe in the mostly male-dominated financial and manufacturing sectors, its effects are starting to take hold in sectors dominated by women, namely the service industry and retail trade.

Women in the developing world are particularly disadvantaged due to the financial crisis. Their weaker control over property and resources, over-representation in piece-rate or vulnerable employment, lower earnings and lower levels of social protection make them, and their children, more vulnerable to the financial crisis. As a result, women are in a much weaker social and economic position than men in terms of their ability to cope with the recession. Women may have to work longer hours and take on extra forms of employment while maintaining primary household care responsibilities.

The Women's Working Group on Financing for Development has noted that the financial crisis offers a critical opportunity to change the global financial architecture to adhere to rights-based and equitable principles. The group calls for an alternative to the G-20 decision to replenish the International Monetary Fund. Such a move would only perpetuate failed neoliberal economic policies; reinforce past structural inequalities; and increase the indebtedness of developing countries. This scenario continues the antiquated and unjust approach of a few rich nations working on behalf of many nations of varying circumstances. The Women's Working Group calls for solutions and remedies for the financial crisis coming from a broad, consultative, inclusive process, not a process housed in the IMF, but in the United Nations, where women's human rights are enshrined and where each member state has a voice at the table.[2]

Government approaches to addressing the economic and financial crisis are not, for the most part, based on human rights or equality principles. Many countries in the global North have negotiated huge bailouts using public monies to prop up major industries. Many are also investing in infrastructure projects, focused primarily on male-dominated trades (construction, transport, etc.) rather than investing in soft infrastructure where women traditionally are the principal beneficiaries (health care, child care, income supports, etc.). Unemployment insurance programmes, where they exist, generally cover only full-time workers and rarely take into account the part-time workforce in which women are traditionally over-represented. Reports of violence against women are increasing; lacking economic and social security, women have a more difficult time escaping violent situations.

The just-released US Department of State report on human trafficking[3] notes that the global economic crisis is contributing to labour and sex trafficking, as increasing unemployment and poverty make people more vulnerable to traffickers and there is a growing demand for cheap goods and services. The report predicts that the economic crisis will push more businesses underground in order to avoid taxes and labour protection laws while hiring non-union labour, which will increase the use of forced, cheap and child labour by cash-strapped multinational companies.

According to Amnesty International, the economic crisis is aggravating existing human rights problems and some very important issues are not getting the attention and resources they need, including poverty, reproductive rights and violence against women. Governments are investing in setting the market straight again, but the market is not going to address human rights problems. In the past governments used security as a means to undermine human rights, now the economic crisis has produced another imperative for governments, and they are again ignoring human rights.

The reactions to the economic crisis involve cutbacks in financing for gender equality mechanisms and the implementation of gender equality legislation, which will jeopardize gender equality legislation and inevitably reinforce existing gender stereotypes. Related to this is the decreased financial support for women's organizations which are an essential part of the global women's movement.

Some regional trends in the gendered impact of the economic crisis were identified at a European Commission conference on "Equality between Men and Women in Times of Change" (15-16 June 2009). The problems identified are similar to the global trends: in Europe, women are overrepresented in insecure, part-time and short-term jobs, in large part due to their disproportionate household and care-giving responsibilities. Despite the EU standards on gender equality in employment, the problems of unequal pay and need to balance work with family life remain. Although the crisis has affected both women and men in Europe, it has affected them differently.

1 See: ILO. *Global Employment Trends for Women.* Geneva: International Labour Office, 2009.

2 The Women's Working Group on Financing for development is coordinated by Development Alternatives with Women for a New Era (DAWN) and includes the following networks/organizations: African Women's Development and Communication Network (FEMNET), Arab NGO Network for Development (ANND), Association for Women's Rights in Development (AWID), Feminist Task Force-Global Call to Action against Poverty (FTF-GCAP), Global Policy Forum (GPF), International Council for Adult Education (ICAE), International Gender and Trade Network (IGTN), International Trade Union Confederation (ITUC), Network for Women's Rights in Ghana (NETRIGHT), Red de Educación Popular entre Mujeres para America Latina y el Caribe (REPEM), Third World Network-Africa (TWN-Africa), Women's Environment and Development Organization (WEDO), and Women in Development Europe (WIDE).

3 US State Department. *Trafficking in Persons Report.* Washington, DC, 2009. Available from: <www.state.gov/g/tip/rls/tiprpt/2009>.

> “The financial crisis has definitely affected Benin. Today many households can only afford just one meal a day. Forced marriages have increased, as a way for families to sell their girls and to cope with the crisis. It has set back advances made to stop violence against women. Gender-based impacts of the crisis are on the rise, for example, girls' enrollment in schools and their presence in the formal job market is decreasing. Women are the first to lose their jobs, and are often left to care for their families without any social assistance.”
>
> Sonon Blanche *(Social Watch Benín)*

> “The Bulgarian Government only admitted that Bulgaria was being affected by the crisis in February of this year. As of now, 44,000 people have lost their jobs due to the crisis, 96% of them being women. Many of the affected industries – such as the garment, shoe, food service, and the public administration – are feminized. The crisis is also having an impact in violence against women. Usually there is an average of 17-19 cases per year presented to the court in my city; this year we have seen 42 cases so far. In many cases men are abandoning their women and children when she have been fired, so these families now have to survive on EUR 50 or less per month they receive as unemployment insurance. Many of the women interviewed had been sexually harassed in the work place, and had suffered problems finding work in the formal sector.”
>
> Milena Kadieva *(Gender Research Foundation, Bulgaria)*

Among other things, the conference concluded that there is a need for additional measures to encourage women to participate in the labour market; equality between women and men must be a key element in the development of anti-crisis measures and policies; the participation of women in private sector leadership positions should be encouraged; businesses must adopt family-friendly policies; and it is essential to invest in women's education and training. Furthermore, the importance of gender equality laws and mechanisms in time of crisis was outlined.

Strengthening women's rights during the crisis

An important initiative which was recently announced by the ILO Director-General Juan Somavia is the creation of an emergency global jobs pact designed to promote a coordinated policy response to the global jobs crisis and to the increase in unemployment, working poor and those in vulnerable employment.[4] This response is aimed at avoiding global social recession and mitigating its effects on people. The pact will help both the extraordinary stimulus measures together with other government policies better address the needs of people who need protection and work, in order to accelerate combined economic and employment recovery.

Amnesty International recently launched a *Demand Dignity* campaign to fight for rights threatened by the economic crisis, and for those neglected in the response to it. The fundamental issue is empowering people living in poverty. The campaign focuses on strengthening their voice along with government transparency and accountability, so that they can hold governments accountable for commitments to gender equality and women's rights, and can participate in decisions that affect their lives. Special emphasis is put on women's rights and the participation of women in decisions related to their rights.

Besides these initiatives, special attention is to be payed to the challenges and opportunities that the global crisis presents for women's empowerment and leadership. We are witnessing positive examples of women emerging as high level leaders as a result of the global economic and financial crisis, most notably in the case of the new Prime Minister of Iceland and the new President of Lithuania, both of whom were elected in large part due to voter frustration with the failed economic policies that contributed to the impact of the crisis in those countries.

According to the Women's Working Group for Financing for Development, the rights-based response to the crisis requires, *inter alia,* immediate reform of the global financial architecture to effectively manage liquidity shortages and balance of payments imbalances, and ensure that policy responses do not shift the burden of family welfare and service provision to the care economy. The Women's Working Group advocates setting in place national, regional and international measures and processes that respect national policy space, and are consistent with internationally agreed standards and commitments, including those regarding women's rights and gender equality. Trade policies and agreements should enable countries to move away from the imbalances of the WTO regime and the failed Doha round. Moreover, these measures should be accompanied by the cancellation of the illegitimate debts of developing countries and the creation of a debt workout mechanism with the participation of debtor governments, women's rights groups and other civil society organizations.

At the UN High Level Conference on the Global Financial and Economic Crisis and Its Impact on Development (24-26 June 2009), the Women's Working Group reminded UN Member States that women cannot wait, and that this is the time to act on fundamental reform of the global financial architecture.[5] Despite the unanimous call to action by civil society organizations, the conference outcome document did not meet expectations. In order to safeguard a fragile consensus, Member States have shown only weak commitment to reforming the financial architecture, while the central role of the UN (the so-called “G-192”), in economic governance nearly vanished.

Women's rights advocates welcomed language in the document that recognizes women as facing “greater income insecurity and increased burdens of family care” (para. 3) and the recognition that women and children had been particularly impoverished by the crisis (para. 7). The document further recognized that responses to the crisis need to have a gender perspective (para. 10), mitigation measures should take into account gender equality, among others (para. 21), and leadership appointments in the International Financial Institutions (IFIs) should take gender balance into account (para. 49). The big disappointment was the lack of any strong commitment to follow-up. The consistent reference to a “United Nations Development System” throughout the text represents a narrowing of the UN role to a limited arena of humanitarian assistance and development cooperation. The conclusion of civil society groups was that the outcome document represented a clear attempt to keep the G-192 out of the global economic governance system.

Looking forward, however, the Women's Working Group has stressed that women will continue to demand economic justice and gender justice within the UN arena, despite the continued resistance of the IFIs and the G-20 to put people, instead of profit, at the centre of development. Despite proven failure of their neoliberal policy prescriptions and irresponsible financial governance system, the IMF and the World Bank continue to promote their flawed policies and impose conditionalities on developing countries, acting not as special agencies of the UN, but as if the UN were their special agency. In the UN system, in which all Member States should be equal, some—now widened to 20—are more equal than the remaining 172. The Women's Working Group statement states its strong opposition to this practice, and demands that all the Member States have equal votes, equal rights and equal obligations at the decision-making table.

4 ILO projections of working poverty across the world indicate that 200 million workers are at risk of joining the ranks of people living on less than USD 2 per day between 2007 and 2009. See: ILO. *Global Employment Trends Update*, May 2009.

5 Women's Working Group on Financing for Development (WWG-FfD). “Time to Act: Women Cannot Wait. A call for rights based responses to the global financial and economic crisis,” June 2009.

GENDERED IMPACTS OF THE CRISIS IN EASTERN EUROPE

Global trends in the impact of the global crisis on women are characteristic also of countries in Eastern Europe, as seen in the national reports included in this volume. In the Czech Republic, for example, the reforms in public finances, such as lower taxation for the richest and increasing Value Added Tax (VAT) on basic articles, have put the largest share of the burden on the most deprived, women included. The same happens with the introduction of fees for services and the attempts to decrease social insurance taxes, especially for the richest taxpayers. Even before the crisis, unequal pay and discrimination based on gender and age continued to be important issues. Additional gender equality problems in the Czech Republic are due to the Government's conservative policy and lack of support for childcare institutions. Discrimination against female immigrants, particularly from Asia, has also been exacerbated as a result of the crisis.

In Hungary, one of the Eastern European countries most affected by the crisis, the new Government has agreed to a number of measures, including cutting pensions, public sector bonuses, maternity support, mortgage subsidies, energy subsidies and public transport subsidies as a condition of the IMF rescue package to address the impact of the economic crisis. All of these will negatively impact women and increase their care-giving burden, as will some of the additional measures being planned, including reductions in childcare support and childcare benefits, as well as assistance to young couples with children.

In Poland, the decrease in family incomes resulting from the economic crisis risks the pauperization of whole social groups, particularly among the lower and middle classes. It is very likely that this will in turn have a more significant impact on women, since they are traditionally responsible for the family's well being. According to some analysts, the crisis is also likely to amplify the grey zone in the Polish economy, as many, especially small entrepreneurs, try to minimize labour costs and avoid taxation and other costs associated with formal employment. Consequently, it seems very likely that the growth of the grey economy will affect women more than men, as they are more often engaged in low-paid jobs, especially in the private service sector (e.g., in retail). Other gender equality issues are: the shrinking of the highly feminized garment sector and the limited labour market mobility due to higher housing rental costs, especially in small towns in economically depressed areas.

In Bulgaria, NGOs and trade unions would not agree with what they saw as a Government policy shift towards accepting the need to reduce social expenditures in times of crisis. These expenditures were already scarce at the beginning of the currency board arrangement and any further reduction could rupture the country's social peace. Unemployment is increasing (it should be noted that the unregistered unemployed equal – or even exceed –the registered) and will affect mainly young people that lack an employment record, low-skilled workers, elderly workers, people with disabilities and women.

In Serbia, trade unions have accepted the Government's proposal to postpone the implementation of the General Collective Bargaining Contract, and to delay some of the employers' financial obligations towards workers, including paying worker benefits, "to assist the private sector to get out of the economic crisis". Workers' rights are openly violated under the excuse of maintaining economic stability, while big companies and tycoons are free to refrain from paying taxes, salaries and other benefits. It was recently announced that maintenance of the new stand-by arrangement with the IMF, worth USD 3.96 billion, will lead to cuts in pensions, education and health care, all of which will further deteriorate women's social position. And in Slovakia, despite initial predictions that the country would not be affected, official estimates of job losses topped 30,000 in April 2009. In these conditions, discrimination against women in the labour market persists.

As a rule, in all the countries of the CEE/CES region, women constitute the majority of temporary, seasonal, and contract labourers as well as low-skilled workers, who are unlikely to be covered by formal unemployment insurance or social protection schemes. As the July 2009 *Development & Transition* report warns, the crisis seems likely to affect women in such areas as employment and social safety nets, unpaid care work, education, migration and gender based violence. For example, in Kazakhstan, limited access to the financial resources necessary for formal business activities pushes women into self-employment and small-scale commercial activities in the informal sector. Women's vulnerability could easily deepen as the crisis unfolds. The scale of female labour migration is often under-reported, and with it the impact on families dependent on their wages for survival. On the other hand, women may find themselves in an even more vulnerable position when they return home, rejected by their communities and families and perceived as prostitutes.[1] ■

1 Sperl, L. "The Crisis and its consequences for women", in *Development & Transition*, No.13, 2009.

GENDERED IMPACTS OF THE CRISIS IN SUB-SAHARAN AFRICA

While in the industrialized countries companies have been bailed out, in the South, the crisis has led to the intensification of privatization and to relaxing the collection of revenues from foreign investors. In many Sub-Saharan African countries, companies have taken advantage of the situation by further freezing wage increases and redundancies and even closing down operations in the name of reducing overhead costs. For instance, in Zambia in order to address the effects of the global financial crisis, the Government first and foremost removed windfall taxes on mining, in a bid to prevent investors in the mining sector from closing their operations. All of these measures have narrowed revenue collection. Consequently Governments in the South have continued to cut down on the provision of social services such as education and health.

Women continue to be the first to lose their jobs and are increasingly finding themselves engaged in petty informal trading of vegetables and tomatoes as a coping mechanism.

What is more worrying is the absence of women's voices in the resolution to the crisis. Male-biased decisions continue to be taken to resolve the crisis, in order to serve men's interests first. There is therefore a need to increase women's participation in decision making, in order for their issues to be included in national measures to address the global economic and financial crisis. ■

Civil society organizations, including women's organizations and networks, call for a rights-based approach to development. A review of the implementation of this approach by UN agencies shows that it can be effective in eradicating poverty, developing democracy and human rights, and supporting vulnerable groups, particularly women, to participate in decision-making.[6] The application of this concept contributes to the realization of states parties' commitments derived from the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and the Beijing Platform for Action.

However, there is a need to improve this approach in order to address effectively the needs of women and to improve gender equality relations. There are a number of shortcomings that derive from excessive generality, weak implementation mechanisms, and insufficient application of the human rights concept. The rights-based approach to development is grounded in the principles of participation, responsibility, non-discrimination, equality, special attention to vulnerable groups, empowerment, linkage to human rights standards, progressive realization, non-regression, and rule of law. However, this approach to development does not target the dismantling of the social, economic and political relations that are based on discrimination and unequal distribution of wealth, power and resources. The human rights framework is not sufficient by itself to change the neoliberal ideology that significantly undermines the realization of human rights and women's rights, as the majority of human rights standards are not binding and there is to date no binding mechanism established to oblige states to put their commitments into practice.

A gender analysis shows that such an approach requires developing good analytical tools for understanding the inequalities inherent both in the neoliberal market economy and in gender relations. Feminist economists have analysed gender inequalities in macroeconomic policy-making and have developed such tools as gender-specific indicators, gender-responsive budgeting and gender-sensitive statistics for use along with a rights-based approach to strengthen women's empowerment in the process of development and demand corporate responsibility of international financial institutions. ■

6 Inter-Agency Standing Committee, *Growing the Sheltering Tree,* Protecting Rights through Humanitarian Action, Programmes & Practices Gathered from the Field, UNICEF; Moser, C., Norton, A. (2001) *To Claim Our Rights: Livelihood Security, Human Rights and Sustainable Development,* Overseas Development Institute, London OECD, 2006. *Integrating Human Rights into Development: Donors approaches, experiences and challenges.* OECD OHCHR, *Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies,* UN, 10 September, 2002.

The global food price crisis

In developing countries the poor spend upwards of 50% of their income on food – the poorest spend 80% or more. The increase in food prices has increased not just poverty, but also hunger. Some elements that have influenced the rise in agricultural commodity prices are, among others: scarce water supplies, production costs, droughts and climate change. We need a new food system, a system that respects political, social, cultural, and environmental rights as well as the economic importance of agriculture. Governments need to integrate respect for the universal human right to food in all economic policy planning.

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Starting in 2005 and peaking in July 2008, many agricultural commodity prices on world markets reached their highest levels in 30 years. In some cases the prices set new records. From March 2007 to March 2008, the price of rice went up 74%, and most of that in just a few weeks during March 2008. The price of wheat more than doubled, rising 130% during the same one-year period, March 2007 – March 2008.[1]

Then, as oil prices collapsed (from peaks of over USD150 a barrel in June 2008 back to USD 40 a few months later), agricultural commodity prices also fell on world markets. Nonetheless, as FAO and others continue to remind us, food prices have hardly fallen in many developing countries, and they remain higher than they were two or three years ago. In 10 countries the latest prices are the highest on record. FAO reports the persistent high prices are most evident in sub-Saharan Africa, where every country considered is facing rice prices far above those of 12 months before. Prices of maize, millet and sorghum are higher in 89% of African countries compared to a year earlier. Other regions, the article notes, are also affected, especially rice prices in Asia and maize and wheat in Central and South America.

The poor spend upwards of 50% of their income on food, while the poorest spend 80% or more. This makes the recent food prices increases unaffordable. The result is not just increased poverty (no money to spend on health care, education, a business venture or anything else), but also increased hunger, which means decreased productivity; stunted physical and mental development of foetuses, babies and children; and, ultimately, death. None of these deaths are inevitable. Consider that in 1966, one in three people faced chronic hunger. Almost 35% of the global population went hungry, day after day. By 2005, the number was closer to one in seven, at around 15%. This dramatic reduction in the incidence of hunger occurred as world population was growing rapidly – the net effect was to save billions of people from lives compromised by poor health and reduced mental capacity.

Chronic hunger is something we – governments, societies, community organizations, and citizens – can eliminate.

Why did it happen?

Price reflects a relationship between supply and demand, complicated by currency values and speculation on what the future holds. There are supply, demand and institutional factors at work.

Supply shortfalls are a normal part of agriculture. Typically, a supply shortfall triggers increased production through higher prices as more farmers are drawn to plant the crop that is fetching the higher prices. There is generally a lag (crops take time to mature) and often the supply response overwhelms the potential demand, so that there is a common pattern in agriculture whereby price spikes usher in periods of high supply and relative price depression, which last much longer than the price rise. This phenomenon is linked to what economists call 'inelastic demand': people must eat to survive, but once fed, look to spend their money elsewhere. The richer the people are, the smaller the share of their income they spend on food. This is also known as Engels' Law, named for the famous 19th century economist who was the first to write about this behaviour.

In the 21st century, some things are a bit different. Not least, there is a new and theoretically unlimited source of demand for agricultural commodities coming from the biofuels sector, together with mounting stress on the quantity and quality of soil and water available and the uncertainty about how climate change will affect growing conditions. There is disturbing evidence to suggest the past 50 years of steadily improving agricultural productivity might be coming to an end.

These are structural changes that have dramatic implications for public policy to ensure food security and future agricultural production. If the food crisis is about short-term or reversible problems (e.g., a bad law, a need to emergency cash flows, a need to subsidize fertilizers) then governments will do very different things, than if the crisis is understood to be about more profound problems in food and agriculture systems.

The following is a quick review of the causes given for the sudden and dramatic increase in agricultural commodity prices. There is ongoing debate about how important each of these elements was and continues to be.

First, supply:

Water

Irrigated agriculture accounts for almost 70% of world water use. Irrigated agriculture produces 40% of global food on 20% of the world's agricultural land. It is highly productive but the amount of water used is often unsustainable. An estimated 1.4 billion people live in areas with scarce water supplies. A diet rich in meat and dairy products, common in most developed countries and increasingly common in much of the global South, puts a lot more stress on the world's water supply than a diet based on vegetable protein.

Stocks

World food stocks have halved since 2002. The world is now estimated to have roughly two months reserve, which is the minimum cushion recommended by the FAO in case of supply disruption. Low reserves mean small changes in supply have a big effect on prices. Stocks-to-use ratios for grains have not been this low since 1972-1973; wheat reserves in particular have never been this low. Governments and private firms trusted that low stocks at home could be compensated for by access to a global market under liberalized trade agreements, so falling reserves did not immediately trigger higher prices, as they would once have done. When bad weather hit several of the major global suppliers simultaneously, and several years running, no one was prepared with an adequate cushion and prices started to climb—belatedly but fast.

There is some discussion as to whether low stock levels were all that important. For instance, David Dawe at FAO suggests much of the drop was the result of China alone, which decided to run down its very considerable stocks to a more manageable level.[2] Yet it is possible to argue that the more China (which is home to more than 15% of the world's population) depends on world markets, the more important a strong reserve becomes, because China alone needs so much food to maintain domestic food security. Dawe also points out that stocks of some crops, such as wheat, have been on a downward trend for decades. Here, too, though the question

1 The price increases were far more dramatic in nominal US dollars than in other currencies. Since 2002, world maize prices have risen 143% in nominal dollars, but only 37% in real (i.e., constant) Euros. The many developing countries that buy their food imports in a currency linked to the US dollar have seen prices jump much more than those that are more independent, or whose currencies are linked to the Euro instead.

2 Dawe, David. "The Unimportance of 'Low' World Grain Stocks for Recent World Price Increases", ESA Working Paper No. 09-01, Geneva, February 2009.

> "Sixty nine per cent of Sudanese are living under the line of poverty, especially women working in the agricultural sector. In recent years, health services have improved, but the poor are still suffering, due to the increase in food prices. The Sudanese civil society reclaims more financing for development, but from a multidimensional – not just economic – perspective. Development must be strategic, involving the participation of women at the grassroots level."
>
> *Niemat Kuku (Gender Research and Training Center, Sudan)*

arises, how low is too low? Wheat remains fundamental to food security. Is there a point where there will simply be too little in stock for wheat to be reliably available in world markets should one or more big exporters face poor harvests?

Production costs

Fertilizer, oil, pesticides and seed prices rose very steeply between 2007 and 2008. Fertilizer prices have risen more than any other commodity group (including oil) since 2007 and since 2000 (i.e., in both the short and long term). Oil price increases were responsible for much of the food price inflation in developed countries and hurt poor countries, too. Higher input costs make it more expensive to produce food and reduce net farm incomes in rural areas that depend on external inputs for their agriculture.

Drought

Droughts appear to be more frequent and more widespread today than at any time in recent history, exacerbated by desertification and deforestation, poor urban planning, and the overuse of groundwater supplies. In 2007, most of the major wheat exporters, including Australia, Argentina and the US suffered weather-related crop problems. The result was less supply in world markets.

Climate change

Climate change is affecting rainfall and temperatures, both vital to agricultural productivity. Even a 1ºC-2°C change (a threshold most experts expect us to exceed) will reduce food production in tropical and sub-tropical regions. Experts predict 75-250 million people in Africa will be affected by climate change, with agricultural production in some rain-fed regions losing half their potential by 2020. In Central, South and Southeast Asia, falling river levels will reduce irrigation and therefore output. The UN's Food and Agriculture Organisation estimates 65 countries – home to roughly half the world's people – will see cereal production fall due to climate change.[3]

3 UN Food and Agricultural Organization (FAO). Falling prices in perspective, 2009. Available from: <www.fao.org/docrep/011/ai474e/ai474e13.htm>.

Then, demand:

Population

Each year, another 78 million people are added to the earth's total population. Growth is tapering off, but we are expected to reach approximately 9 billion people before the earth's population stabilizes in 2050.

Diet

More importantly, what people eat is changing. Each year, more people eat like rich Westerners. In other words, they eat too many calories, especially fat and sugar; and, they eat foods raised, processed and transported using too much water and energy. In developed countries, an estimated one half of food is wasted, much of it thrown out in the household, by supermarkets or in restaurants whose portions are too large.[4] Western diets create degraded ecosystems and result in bad health. The change in what the rich eat makes the diet of the poor more expensive by reducing the land available for traditional staples, such as cassava, millet, wheat, and local vegetables.

Biofuels

Biofuels (also called agrofuels) are liquid fuels made from plant matter. Most commercial biofuel today is made from sugarcane, corn, canola, palm oil or soy oil. Considerable acreage has also been given to japtropha plantations, which is a plant rich in oil that can be used to make biodiesel. Since 2006, both demand and supply of biofuels have grown exponentially. Biofuels are thought to have consumed over 7% of the global oil seed supply and about 4.5% of the global cereal crop in 2007. Estimates of how this demand has affected world food prices ranges from 10% to more than 70%. The results depend on assumptions. Nonetheless, the expectation of continued growth in biofuel demand, supported by ambitious targets for use in the European Union and the United States, has triggered higher speculative prices in futures markets and expanded production of biofuel feedstocks, including on environmentally sensitive land, such as peat bogs in Indonesia and the Cerrado of Brazil.

4 The Swedish International Water Institute estimates that the developing world also wastes half the food it grows, because it is left in the fields, is poorly stored, or cannot be transported for lack of decent roads and other transport infrastructure.

Finally, a third element to consider is markets, which mediate the relationship between supply and demand. The governance of markets has changed considerably in the past 20 years. New trade, investment, and commodity exchange regulations have played their part in the food price crisis.

Speculation

Most agricultural commodities are traded on international exchanges. Until recently, commodity exchanges (most of which are based in the US or UK) were governed by laws that limited the participation of actors that did not intend to buy or sell physical commodities, but were only interested in price speculation. The laws thereby controlled the level of speculative activity. The laws were gradually changed starting is the late 1980s. In the grain exchange, for example, speculators had been limited to 11 million bushels of grains. In 2008, the two largest index funds had a combined position of more than 1.5 billion bushels. As regulations were relaxed, investment from speculators grew very fast, from USD13 billion in 2003 to USD 260 billion in March 2008. Commodity market prices directly affect how much food governments can afford to import and whether people get enough to eat.

Investment

Governments worldwide have liberalized investment laws considerably since the advent of structural adjustment programmes and the proliferation of regional and bilateral trade agreements. Many countries have reduced or eliminated laws that prohibited foreign ownership of land; others have reduced demands on foreign companies to reinvest profits in the host country, reducing the potential benefit of the investment for the host country economy. Recently, there has been a pronounced increase in the lease or purchase of land abroad to grow food or fuel for re-export to the investing country or, where private firms are involved, for export to wherever demand dictates. For example, a London-based firm (Central African Mining and Exploration Company) has leased 30,000 hectares in Mozambique to grow sugarcane. In Kenya, the Government has signed a deal with Qatar to lease 40 000 hectares to grow fresh fruit and vegetables for export to Qatar. These deals increase pressure on land, water and infrastructure, and risk crowding out food production for local markets.

Trade

Global and regional trade agreements have changed the way world prices interact with domestic food markets. As trade barriers are reduced, world prices are more and more directly connected to national prices – they are not necessarily (or even often) the same, but they have a greater impact on domestic prices. Global markets are often promoted as providing access to a global supply pool. The unexamined aspect of this integration, however, is the creation of a global competition among consumers. Without protection, poor consumers inevitably lose the fight, allowing globalization to pull more and more land into producing fuel and animal feed rather than food.

Structural causes

It is worth looking further at some of the issues that underlie the crisis. For example, there is widespread agreement on the need to invest on increased productive capacity. The proportion of Official Development Assistance flowing to support agriculture in developing countries dropped from 11.5% in the 1980s to about 3% in recent years. Domestic investment fell, too, especially in developing countries. This trend needs to be reversed and there are promising signs that that is happening. But then the question remains: investment in what kind of productive technologies and systems? The U.S. Government, the Gates Foundation and a number of think tanks and private firms are pushing biotechnology as the way to increase output in developing countries. The slogan they have coined is: 'A New Green Revolution for Africa.' Yet the green revolution has already been tried in Africa. It failed. If the problem is seen as only one of technology and inputs, then the new efforts are doomed to fail as well.

The World Bank, among others, has been encouraging countries to liberalize fertilizer markets and even to subsidize (though national and donor resources) access to fertilizer and pesticides. This is not a model for sustainability. The policy also makes small producers dependent on purchased (and often imported) inputs, increasing their dependence on a cash economy and reducing their market power.

There are alternatives. For example, the potential for agro-ecology is enormous, and increasingly well-documented as well. In 1988, floods affected an area northwest of Dhaka in Bangladesh called Tangail. The Bangladeshi NGO Unnayan Bikalper Nitinirdharoni Gobeshona (UBINIG) [Policy Research for Development Alternatives], already working with weavers in the district, offered their help. UBINIG staff met women who complained that the pesticides used in agriculture were damaging their health and that of their children, and killing the uncultivated leafy greens and fish that they relied on for food. The villagers started work on a project to develop an agricultural production system that did not use chemical inputs. The project has grown and is now called "Nayakrishi Andolon," which means New Agriculture Movement in Bengali. The movement involves over 170,000 farm households in fifteen different districts across Bangladesh. Some local governments have now declared their jurisdictions pesticide-free.[5]

The International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD), a four-year project that involved over 400 experts and that 58 governments to date have ratified, says, "AKST (agricultural knowledge, science and technology) must address the needs of small-scale farms in diverse ecosystems and to create realistic opportunities for their development where the potential for improved area productivity is low and where climate change may have its most adverse consequences."[6]

Oil and biofuels

Understanding the importance of oil as a central component of industrial agriculture helps to understand the deeper structural causes of the food crisis. In effect, the Green Revolution used plant breeding and technology to augment photosynthesis – the solar powered agricultural system that has fed humanity, and every other living thing on the planet, for all time – with fossil fuels. The Green Revolution relied on seeds bred to respond to higher levels of inorganic fertilizer and water. And it achieved extraordinary results, with significantly increased yields per plant. An earlier technological revolution had already replaced human and animal labour on farms with oil-driven machines. With the Green Revolution, fossil fuels also started to provide fertilizers, pesticides and electricity for irrigation pumps.

One implication of the growth in oil as a vital ingredient of food production is that agriculture has become a major source of greenhouse gas emissions. Another is that agriculture has become dependent on a finite resource. A third is that on-farm economics have been transformed with the replacement of inputs generated on farm (energy, seeds, fertilizers, pest control) with inputs that must be purchased. For many farmers, North and South, the purchased inputs are imported, making their price less predictable.

Recent numbers from the United States show increases in farm costs in 2007 and 2008 were the largest ever year-over-year increases on record: USD 20.5 billion in 2007 and USD 36.2 billion in 2008. They are expected to fall to USD 22.7 billion in 2009, but is still 9% higher than in 2007.[7] Fuel, feed and fertilizer prices all contributed to the significantly higher costs.

There is a still a debate raging about the role of biofuels in the food crisis. No one denies that biofuels demand played a role in higher food prices, but how much and to what effect is still contentious. Higher prices for most farmers are a necessity. At the same time, the interests of poor consumers, including small farmers who are often net consumers of food, must be protected. But higher prices for farmers are only a part of the answer. The challenge is how to ensure a more equitable division of the value of commodities among farmers, processors and retailers. The challenge for policy-makers is to redress the disproportionate market power of food corporations.

Investments in land abroad

The food crisis has triggered a worrying phenomenon: an explosion of interest among investors in land purchases or leases abroad. The press has dubbed the phenomenon a land grab. The Barcelona-based NGO, GRAIN, listed in October 2008 some 180 proposed deals in their on-line review of the issue entitled, *Seized! The 2008 land grab for food and financial security*. International Food Policy Research Institute (IFPRI)'s report on the issue, published in April 2009, estimates 20 million hectares of land have been sold since 2006 in some fifty deals, mainly in Africa.[8]

The two big drivers are food security concerns and demand for biofuels. Net-food importing countries, such as Saudi Arabia and South Korea, do not trust that world markets are a sufficient guarantee of supply. Meanwhile, the mandates and targets for minimum incorporation of biofuels into energy policy, particularly in the EU and the United States, but also in countries around the world, has created a big interest among private investors in growing biofuel feedstocks (including soybeans, palm oil, jatropha for biodiesel; and, sugar cane and maize for bioethanol).

The deals are troubling from a number of angles. The power relationships are asymmetrical, with big firms and (mostly) richer countries dealing with small and often highly impoverished countries, many with weak institutions of governance.[9] The host countries include Sudan, Pakistan, Ethiopia, Madagascar, and Zimbabwe. Some of the countries targeted for investment receive food aid from the World Food Programme, including Cambodia, Niger, Tanzania, Ethiopia, and Burma.[10]

The right to food

The General Comment on the Right to Food says: "the roots of the problem of hunger and malnutrition are not lack of food but lack of access to available food".[11] As a recent Institute for Agriculture and Trade Policy (IATP) report says, "The United States is food secure, but the Government fails to protect its people's right to food. The US Department of Agriculture reports that some 11% of US households (and 18% of US children) lack access to adequate food at some point in the year. That statistic represents 12.6 million people. Yet, even after exports, the domestic supply of food in the US could feed everyone in the country twice over."[12]

The report goes on to contrast the United States with Nepal, one of the world's poorest countries, "Nepal is … taking steps to realize the right to food.

5 See Mazhar, F. et al. *Food Sovereignty and Uncultivated Biodiversity in South Asia*, Academic Foundation: New Delhi; International Development Research Centre: Ottawa, 2007 pp. 3-4. Available from: <www.idrc.ca/openebooks/337-9/>.

6 International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD). 'Executive Summary, Synthesis Report', 2008. Available from: <www.agassessment.org/docs/SR_Exec_Sum_280508_English.pdf>.

7 See: <www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm>. Accessed on 7 May 2009. Numbers updated regularly.

8 Van Braun and Meinzen-Dick. Van Braun, J. and Meinzen-Dick, R. "Land Grabbing by Foreign Investors in Developing Countries: Risks and Opportunities", *IFPRI Policy Brief*, 13 April 2009.

9 Cotula, L., Dyer, N. and Vermeulen, S. *Bioenergy And Land Tenure: The Implications Of Biofuels For Land Tenure And Land Policy*. International Institute for Environment and Development (IIED) and FAO: London and Rome, 2008.

10 World Food Programme Operations List. Available from: <www.wfp.org/operations/list.

11 Cites in Smaller, C. and Murphy, S. "Bridging the Divide: A Human Rights Vision for Global Food Trade", 2008. Available from: <www.tradeobservatory.org/library.cfm?RefID=104458>.

12 Cotula, L., Dyer, N. and Vermeulen, S. (*op. cit*).

A new Government, formed after the end of a decade of civil war, included the right to food sovereignty in their interim constitution. On 25 September 2008, the Supreme Court of Nepal, recognizing this right, ordered the Government of Nepal to immediately supply food to 32 food-short districts."

What is the international community doing?

In April 2008, UN Secretary-General Ban Ki-moon created a High-Level Task Force on the Food Crisis (HLTF). The stated purpose was to "promote a unified response to the challenge of achieving global food security."[13] The task force was meant to coordinate the UN and Bretton Woods agencies to create a collective response to the food crisis. The task force includes some 15 UN agencies, offices and programmes, as well as the World Bank, IMF and WTO. It lacks resources and it is not yet clear what role it can play.

The HLTF did produce the Comprehensive Framework for Action (CFA) in July 2008.[14] The document reflects the strengths and weaknesses of its complicated composition: it does a good job of setting down the multiple causes that contributed to the crisis, and also makes some important recommendations. On the other hand, it also promotes macroeconomic policies that undermine its own recommendations.[15] For example, it highlights the importance of investing in small-scale farmers. Indeed, if there is one *acquis* from the food crisis, starting with the World Bank's *World Development Report* of 2008, it is the acceptance in multilateral discourse of the importance of a political voice for small farmers. The CFA underlined this point. Yet it went on to urge governments to complete the Doha Round of multilateral trade negotiations, and supported more Aid for Trade funding. The Doha Agenda has virtually nothing to offer countries facing a food price crisis.[16] The agenda is the product of another time, however recent, and looks increasingly out of place in the changed reality of tight commodity supplies, ambivalence about trade among major food exporters, and a serious credit crunch that is contributing to what the WTO expects will be the biggest contraction in global trade volumes since the Second World War.[17]

French President Nicolas Sarkozy came up with another idea, that of a 'Global Partnership for Agriculture and Food Security.' First aired during the June 2008 FAO summit on the food crisis, the idea was taken up by the G8 members in subsequen months and given a boost by the Government of Spain, which circulated a document called 'The Madrid Process: Towards an Inclusive Global Partnership on Agriculture and Food Security' just before the High Level Meeting on Food Security for All in Madrid in January 2009. This outlined a multi-stakeholder effort to increase the efficiency of the fight against hunger at both local and global levels.

The Global Partnership initiative has potential, but its direction remains unclear. The initial proposal by Sarkozy envisioned a far-reaching policy-oriented initiative which, in addition to generating new funding, would provide a space for governments to design a global strategy for food security based on guidance by an authoritative group of international experts. Discussions about this have tended to focus on increasing donor coordination while sidelining the policy discussions. There is also disagreement about whether it would be taken forward primarily by the G8 or within the UN. To date, no corresponding calendar or indication of available financial support to facilitate the process have been identified.

What more could be done?

The failure to eradicate hunger is the result of political choices. We know how to practice more sustainable agriculture. We know how to better regulate markets. We know that food security must be built from a strong local base. New agricultural and food systems should promote environmental integrity, democratic sovereignty, extra-territorial responsibility; they should give priority to local needs; and they should protect equity as well as efficiency in market exchanges.[18]

There is no simple, single path to ending the food crisis and transforming the agricultural sector to protect people from hunger. Short, medium and long-term measures are all needed. Actions need to include a wide range of stakeholders. They need to look at a number of sectors, including agriculture, energy, finance, trade, the environment, and research and development. For quick results, controlling the pressure generated by the demand for biofuels (e.g., by ending biofuel targets or insisting on far tighter criteria where they receive public support), more and better humanitarian aid that gives priority to investment in local and regional productive capacity, regulating speculative demand in agricultural commodities futures markets, reviewing domestic restrictions on agricultural trade, and increasing agricultural production are all important possible actions.

The second set of actions, which will take longer to take effect, is just as important. These must lead the way towards the transformation of industrial agricultural to a fairer, more ecologically sustainable, more locally-controlled model. These slower-acting measures include investment in infrastructure and productive capacity that respects local production and processing, investment in research and extension, a focus on local food culture and consumption patterns, strengthening institutions (including legal procedures and political accountability), a reassessment of agricultural trade policy, much stronger regulation of market power (especially of transnational corporations active in the food system), the establishment of publicly accountable grain reserves, and investment in renewable energy. Ending the colossal waste of food is also critically important. In the South the waste arises because of poor storage, roads and other infrastructure. In the North, it is because of a food system that has excess built in to every phase of the production, processing and distribution of food. In either case, it can and must be curbed.

The food crisis is about more than short-term, reversible problems. Governments need to simultaneously put in place safety nets for the hungry, invest in sustainable agricultural production, and start to tackle the question of access. Access is the heart of the matter from a right to food perspective, and the heart of the real food crisis that plagues our world. ■

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13 See: <www.un.org/issues/food/taskforce/.

14 Available from: <www.ransa2009.org/docs/Comprehensive_framework_for_action_ransa2009.pdf>.

15 For a critical perspective on the CFA, see also Foodfirst Information & Action Network (2008).

16 See Institute for Agricultural and Trade Policy (IATP) "Can Aid Fix Trade? Assessing the WTO's Aid for Trade Agenda", 22 September 2006. Available at: <www.iatp.org/tradeobservatory/genevaupdate.cfm?messageID=120812>; "Seven Reasons Why the Doha Round Will Not Solve the Food Crisis", May 2008. Available at: <www.iatp.org/iatp/publications.cfm?refid=102666>. Also Trócaire. Briefing Paper: Implementing Aid for Trade (AfT) to Reduce Poverty, March 2009. Available from: <www.trocaire.org/uploads/pdfs/policy/implementingaidfortrade.pdf>; and Caliari, A. "Civil Society Perspectives on the Aid for Trade Debate," in Njinkeu, D. and Cameron, H. (eds.), *Aid for Trade and Development*, Cambridge University Press: New York, 2007.

17 World Trade Organization (WTO). "WTO sees 9% global trade decline in 2009 as recession strike', WTO Press release, 23 March 2009. Available at: <www.wto.org/english/news_e/pres09_e/pr554_e.htm>.

18 See: De la Torre Ugarte, D. and Murphy, S., "The Global Food Crisis: Creating an Opportunity for Fairer and More Sustainable Food and Agriculture Systems Worldwide." Ecofair Trade Dialogue Discussion Papers, 11, 2008. Misereor & the Heinrich Böll Stiftung: Germany.

Justice to cool the planet

The current global recession may end up being a blessing in disguise for the world, since less growth implies less stress on the environment and emissions need to be slowed down. It offers a golden opportunity to deliver on social and environmental justice. Only a fairer deal will lead to sustainability, and a bail-out to eradicate world poverty, rehabilitate the environment and stabilize the climate is mandatory for this. It will not be possible, however, until the rich change the way they produce and consume and learn to live within sustainable limits. At the same time, developing countries should avoid the path taken by the industrial ones and shift to clean production and consumption right away.

PRRM/Social Watch Philippines
Isagani R. Serrano

The human signature on current climate change is much clearer now. How to undo what has already been done and avoid catastrophe are what the UN Framework Convention on Climate Change (UNFCCC)[1] and its derivative the Kyoto Protocol[2] and accords are all about. However although action needs to be taken, the standoff between developed and developing countries continues with no clear end in sight. Meanwhile even the best scientists seem to be underestimating how fast the climate is really changing. For example, while the *Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (IPCC) projected that the Arctic Ocean would retain some ice year-round until about 2050,[3] it was shown shortly afterwards that this greatly underestimated the extent of sea-ice decline, and the ocean is expected to lose its summer sea ice much sooner.[4]

It is clear something has got to give here, before the threshold is passed where climate change is irreversible. Yet neither side will give way. Not the rich countries because they think that they are being pressured to meet difficult and demanding targets before the poorer countries do anything. And not the poorer countries either because they think they are being asked to adhere to the same targets as rich countries before they have had a chance to catch up.

Game over?

In the 1880s, after we started burning fossil fuels and had built today's industrial society, the concentration of carbon dioxide (CO_2) in the atmosphere was 280 parts per million (ppm). By the 1950s, it had already reached 315 ppm. When NASA scientist James Hansen first sounded the alarm on climate change in the late 1980s, he established 350 ppm as the highest affordable level "if humanity wishes to preserve a planet similar to that on which civilization developed and to which life on Earth is adapted".[5]

However we are past that point already. It is 380 ppm now and counting, with CO_2 in the air said to be increasing by about two ppm each year. In fact, there is no consensus yet on the level of safety. Some say 450 ppm. Others say it should be much lower. At the Poznan Conference of the Parties in December 2008, the former Vice-President of the United States, Al Gore, unsuccessfully tried to reach consensus around 350 ppm. Rajendra Pachauri, chairman of the UNFCCC/IPCC has said that, without basic reforms by 2012 we may find the climate system spinning out of control and that global CO_2 emissions must start to decline by 2050.[6]

The IPCC avoids prescription, however, and limits itself to offering policy makers a portfolio of scenarios. Since 1990 it has drawn up 40 such scenarios, built on four major storylines. These scenarios are categorized according to whether the future is focused on economic (denoted A) or environmental (denoted B) development and whether it is oriented on the global (number 1) or regional (number 2) level. So A1 is economic/global, A2 economic/regional, B1 environmental/global and B2 environmental/regional. The A1 scenario is further divided into three different scenarios: fossil fuel intensive (A1F1); balanced between fossil and non-fossil (A1B); and a transition to non-fossil fuels (A1T). Business-as-usual (BAU), the scenario that assumes doing nothing on Greenhouse Gas (GHG) emission reduction, is of course out of the question.

Meanwhile, the signs are mounting that the worst-case scenario may come earlier than imagined. Extreme events such as storms, floods and droughts have devastating impacts on water resources, food security, agriculture, ecosystems, biodiversity and human health. In August 2003 there was a heat wave in Europe that killed nearly 15,000 people in France and 35,000 in nine other European countries. There were recently California and Australian forest infernos alongside unprecedented floods elsewhere. Such events have been anticipated in all IPCC assessments; however they are now common everywhere and happen when least expected. The prolonged droughts in major food-producing countries could cause a 20%–40% decline in food production in 2009. Diseases against which progress was being made, such as TB, malaria and dengue fever, are having a resurgence in many places. Deforestation, which accounts for about 17% of GHG emissions, has recently been exacerbated by the rising demand for biofuels. Primary forests were lost at the rate of 6 million hectares a year between 2000 and 2005, and biodiversity declined steadily along with them.

Justice in climate

A more even-handed world stands a better chance of surviving and adapting to climate change. Setting limits to growth (regardless of whether feared thresholds may have been crossed), and establishing equity between and within nations and communities, between women and men, present and future generations, should make the world more resilient.

The principle of climate justice derives directly from the UNFCCC, whose article 3.1 establishes that countries should act "on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities". This is complemented by two other principles in the Rio Declaration on Environment and Development and Agenda 21 that resulted from the Earth Summit in 1992: precaution and polluters pay. The first says that if you are not sure about the benefit and consequences of what you are going to do, do not do it. The second is self-explanatory. Climate justice is also explicitly stated or implied in many other UN declarations and agreements.

Although climate change spares no one, rich or poor, it has a greater impact on the poor even though they have less to answer for. Developing, or so-called Non-Annex I, countries contributed far less to GHG emissions than developed or Annex I countries, but they are destined to suffer more. The Least Developed Countries (LDCs), who contributed the least in pollution, will suffer the most. Many small island developing states may one day just disappear from the map.

Sharing the effort to stabilize GHG concentrations in the atmosphere at whatever emission

1 United Nations. *United Nations Framework Convention on Climate Change*. 1992. Entered into force 1994. Available from: <unfccc.int/resource/docs/convkp/conveng.pdf>.

2 United Nations. "Kyoto Protocol to the United Nations Framework Convention on Climate Change." 1998. Available from: <unfccc.int/resource/docs/convkp/kpeng.pdf>.

3 IPCC. "Climate Change 2007: Synthesis Report." *Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Geneva: International Panel on Climate Change.

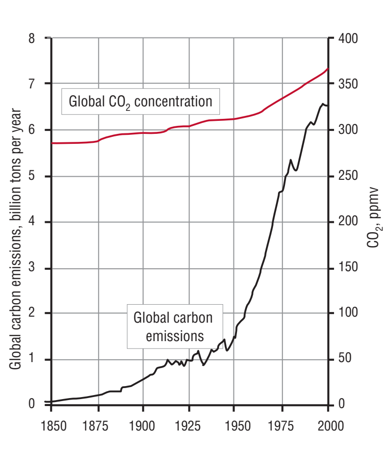
4 Lovett, R. "Arctic Ice Melting Much Faster Than Predicted." *National Geographic News*, 1 May 2007. Available from: < news.nationalgeographic.com/news/2007/05/070501-arctic-ice.html>.

5 Hansen, J. Testimony to the US Congress, 23 June 1988.

6 McKibben, B. "Think Again: Climate Change." *Foreign Policy*, January/February 2009. Available from: <www.foreignpolicy.com/story/cms.php?story_id=4585>.

> “In Colombia, there are about 84 indigenous tribes with 64 distinct languages, who live in the border regions of Colombia with Venezuela, Peru, and Brazil, precisely where the most precious reserves of natural resources are located. We fight for the defense of our territory and the preservation of our culture. Due to this fight, since the 1970s, more than 1,400 of our leaders have been killed. Right now, many indigenous regions are militarized and where they aren’t militarized, there are paramilitary forces present. The Government is trying to displace our communities so they can negotiate with transnational companies to exploit the natural resources, such as timber and oil, in these areas. Indigenous peoples in Colombia are opposed to free trade agreements, because these treaties cause greater displacement of our communities and instead of opening markets, only increase the frontier of US power.”
>
> Jesús Avirama *(Regional Indigenous Council of Cauca, Colombia)*

CHART 1. Annual global emissions of carbon from fossil fuels and cement production, 1850–1999, and concentration of CO_2 in the atmosphere, parts per million volume (ppmv), 1850–2000



Source: P. Tans, Climate Monitoring and Diagnostics Laboratory, National Oceanic and Atmospheric Administration, USA.

stabilization scenarios may be decided – 350 ppm, 450 ppm, 550 ppm, 650 ppm – must be based on the differentiated share of responsibilities for what has happened and continues to happen, and on the different levels of development. Countries and peoples of the world can be divided into three groups: over-consumers or high emitters; under-consumers or under-emitters; and sustainers or those living within sustainable limits. This classification corresponds respectively to (a) industrial countries – all of the Organisation for Economic Cooperation and Development (OECD); (b) least developed countries, including most of Africa; and (c) advanced developing countries such as Brazil, China, India and some other East and Southeast Asian countries.

In every country, rich or poor, however, there will be some who do not neatly fit these categories: a rich Filipino, for example, has a similar lifestyle to and therefore the same CO_2 emission level as – his rich American counterpart. The 600 or so million of non-poor, middle class and rich Chinese and Indians would be a mix of sustainers and high consumers. The excluded under-consumers or under-emitters would be the over 2 billion people who are poorly fed, poorly educated, jobless, voiceless, lacking access to health care, water and sanitation, and living in degraded environments. They must have primacy in the right to development and should be the main beneficiaries of resource transfers between and within countries.

To avert catastrophe the deal is fair and simple: the rich in both rich and poor countries must give up much more so that the poor and all of us may live sustainable lives.

Mitigation, the heart of justice

There are many proposals on the table regarding the “fair share” principle, for example, the green development rights, common but differentiated convergence, contraction and convergence by 2050, etc. They are all basically about climate stabilization.

High-emission countries must commit to drastic, deep and binding cuts on their GHG emissions from their 1990 levels and help developing countries with “soft” money and clean technology. The contraction required from them is huge whatever the agreed emission stabilization scenario. This ranges between a 25%–50% cut or more between 2020 and 2050. The reduction covers all six gases of the Kyoto Protocol: CO_2, methane (CH_4), nitrous oxide (N_2O), hydroflourocarbons (HFC), perflourocarbon (PFC) and sulphur hexafluoride (SF_6) – which are translated into CO_2 tons equivalent (CO_2teq) in each country’s GHG inventory.

Developing countries have a right to development, but this right should not be taken as a license to pollute the environment. The right to development under the climate justice principle is not only about growing the economy; more importantly, it is about the satisfaction of basic needs leading to a decent level of security and well-being for all. The authors of the *Greenhouse Development Rights Framework* suggest an income of USD 9,000 per person per year as the level at which all countries could converge.[7] This would mean that developing countries, all of them falling below that line, should be entitled to transfers (ODA, technology, etc.) and allowed to increase their emissions as they shoot for that income goal.

What is the equivalent carbon footprint of USD 9,000 GDP per capita? Probably about 9 tons of CO_2 per person. Even if rich countries agreed to come down to that level and poor countries succeeded in reaching it, and even if our lives run on a mix of fossil fuels and renewable energy, imagine how much energy and carbon that would mean, especially considering world population projections of 7.6 billion for 2020 and 9.1 billion for 2050.

Against that income level the targets set under the Millennium Development Goals (MDGs) look inadequate even if met by 2015 (something that at current pace is not going to happen). Developing countries must avoid the unsustainable path taken by industrial countries. The earlier they shift to production and consumption of clean energy the better for the planet and all of us. With sustainable agriculture and fisheries, conservation of water and forest resources, development of renewable energy and a reduction in poverty and inequality, they stand a chance of adapting to climate change. A truly green revolution in both agriculture and fisheries and avoiding deforestation can contribute to carbon capture and reducing the carbon footprint.

Non-Annex 1 countries are spared from binding mitigation commitments but they can help, for instance, by levying a progressive carbon tax on their own rich over-consumers and by moving early on towards soft energy and low-carbon paths to development. Keeping to its carrying capacity[8] should be every nation’s goal. Stabilizing the population at sustainable levels should be a particular concern for countries such as the Philippines, which is projected to grow to over 100 million in 2020 and to nearly 150 million by 2050.

High-emission countries insist that the deck is stacked in favour of the more advanced developing countries, where emission levels are rising fast. At the 13th Conference of the Parties in Bali, Indonesia, in 2007 they suggested that binding emission reduction targets should equally apply to the likes of China and India. This is a tricky and problematic issue and says a lot about the complexities of “negotiating” justice. It is true that China’s emissions are rising fast because of its high growth levels and reliance on dirty coal. But the current carbon concentration in the atmosphere has been the result of a continuous build up over many generations, and China or India had relatively smaller contributions to this (although their carbon imprint, because of their current high growth, will show up later).

Moreover, China’s emission level on average is still way below that of the US on a per person share. China is using up the world’s raw materials, but it is also accepting mountains of waste that other countries do not want to keep in their own backyards. It is recycling the world’s waste and undertaking

7 Baer, P., Athanasiou, T., Kartha, S. and Kemp-Benedict, E. *The Greenhouse Development Rights Framework: The Right to Development in a Climate Constrained World.* 2nd Edition. Berlin: Heinrich Böll Foundation, 2008. Available from: <www.ecoequity.org/docs/TheGDRsFramework.pdf>.

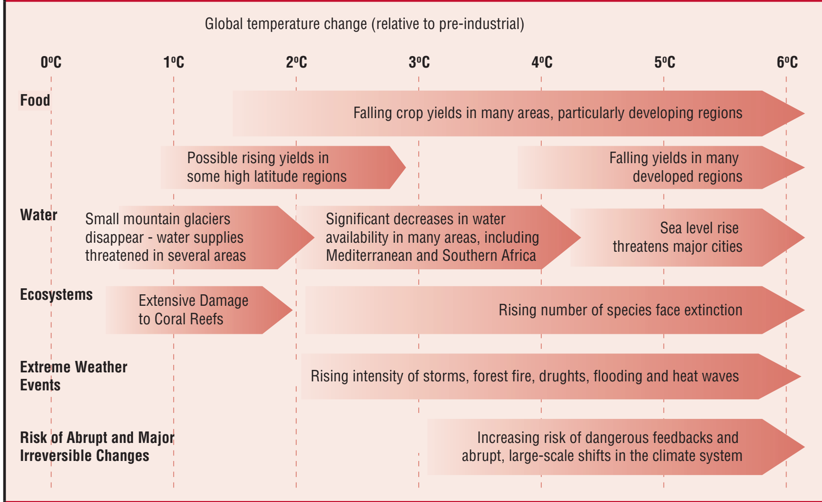
8 The number of individuals who can be supported in a given area without natural resource limits and without degrading the natural social, cultural and economic environment for present and future generations. See <www.carryingcapacity.org/>.

sustainable agriculture and massive tree planting. In fact, China probably has the highest carrying capacity anywhere on the planet – taking care of one of every six members of humanity in a comparatively small space. However one might question who is paying for the fact that China produces cheaply for all of us. Another question is why Beijing cannot shift at once to clean production and produce more durable goods. If China can help bail out the global economy with its surplus money, why not spend it in cleaning up its own mess and shift to a low-carbon path of development?

US carbon emissions, a quarter of the world's total, remain at very high levels. Its per capita CO_2 emission level has seen little or no reduction at all since 1990. *The World Development Report 2006: Equity and Development* put it at 19.8 tons/person that year.[9] Europe, Japan and other industrialized nations may have succeeded in cutting down but their efforts still fall short of the Kyoto Protocol's minimal standard. Overall, annual global CO_2 emissions have not let up since 1990. To some this a sign of prosperity, meaning an indication that economies are continuing to grow. To others it is ominous, as it brings us closer to the point of no return. Contraction and convergence efforts must result in preventing an average global temperature rise of more than 2 degree Centigrade by 2050 – the threshold we are advised to respect or die. This is not much time, obviously.

> “The current crisis is global, so policies to end it must also be global but linked with local movements. We believe that stimulus packages should be invested in things like green infrastructure and social infrastructure, which would allow for the creation of green jobs, an acknowledgement of the disproportionate impacts of the crisis for women workers, and the recovery of the care economy. These kind of policies are spelled out in the ILO Global Jobs Pact. The UN is the only place for the countries bearing the brunt of the crisis to have a representative voice. The labor movement is working within the framework of the UN and trying to bring in the Decent Work and Green Jobs Agenda. It is not just a question of increasing development aid and being a bit more generous – as some industrialized countries would like to assert. There is a need for social transformation. Multilateral institutions need to be systemically reformed and we need specific mechanisms to ensure that we have enduring solutions to the financial and economic crisis.”
>
> Gemma Adaba *(International Trade Union Confederation)*

CHART 2. Projected impacts of climate change.



Source: UNEP/GRID-Arendal (2008). “Projected Impact of Climate Change.” *UNEP/GRID-Arendal Maps and Graphics Library.*[12]

Adapt or perish

Poor countries cannot afford to wait for dramatic mitigation efforts to happen. They might perish before they get justice. With or without assistance, they have to find ways to adjust to climate change before it is too late.

Defined in the IPCC's *Third Assessment Report,* but already inherent in the agency's original mandate from 1988, adaptation refers to adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects or impacts.[10] It refers to changes in processes, practices or structures to moderate or offset potential damages or to take advantage of opportunities associated with changes in climate. It involves adjustments to reduce the vulnerability of communities and regions to climate change and variability.

The *User's Guidebook on the Adaptation Policy Framework* (APF) of the UNDP-Global Environmental Facility defines adaptation as “a process by which strategies to moderate and cope with the consequences of climate change – including climate variability – are enhanced, developed and implemented”.[11] The APF includes seven components: defining project scope; assessing current vulnerability; characterizing future risks; developing an adaptation strategy; continuing the adaptation process; engaging stakeholders; and enhancing adaptive capacity. Decisions about how to use this framework will depend on a country's prior work, needs, goals and resources.[12]

According to the IPCC, the requirements that need to be met for a country to have a high adaptive capacity include: a stable and prosperous economy; a high degree of access to technology at all levels; well-delineated roles and responsibilities for implementation of adaptation strategies; systems in place for the national, regional and local dissemination of climate change and adaptation information; and an equitable distribution of access to resources. This basically excludes non–Annex I countries.

Growing concern about adaptation has been addressed by decisions of the Conference of the Parties (COP). The Marrakesh Accords that came out of COP-7 delineated instruments and mechanisms for supporting adaptation, including the creation of three new funds: (a) The Special Climate Change Fund under the UNFCCC for supporting the “implementation of adaptation activities where sufficient information is available”; (b) the LDC Fund dedicated to the preparation and implementation of national adaptation programmes of action (NAPAs), which “will communicate priority activities addressing the urgent and immediate needs and concerns of the LDCs relating to adaptation to the adverse effects of climate change”; and, (c) the Adaptation Fund set up under the Kyoto Protocol and getting advice from the Global Environmental Facility on its operations.

Sustainable agriculture and fisheries, sustainable forestry and watershed management, and ecological waste management are adaptation paths that can help cool the planet. Ensuring food security calls for a radical change in the way farming is done, a view that has long been advocated by farmers' movements worldwide. This got a strong boost from the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD)

9 World Bank. World Development Report 2006: Equity and Development. Washington, DC.

10 IPCC. “Climate Change 2001: Impacts, Adaptation, and Vulnerability.” Contribution of Working Group II to the *Third Assessment Report of the Intergovernmental Panel on Climate Change.* Cambridge: Cambridge University Press.

11 Dougherty, B. and Spanger-Siegfried, E. *User's Guidebook on the Adaptation Policy Framework.* Boston: Stockholm Environment Institute US and United Nations Development Programme (UNDP), 2005.

12 Available from: <maps.grida.no/go/graphic/projected-impact-of-climate-change>.

> “In El Salvador, we have been facing for years now the impact of climate change, suffering floods and droughts, hurricanes, the drying of major rivers, the collapse of communities. Each year the material costs are high, and so is the loss of human lives and the emigration of our people, especially the youth. We must work for a new era in which development is measured by the well-being of humanity and that of Mother Earth, and not just by material wealth.”
>
> Marta Benavides *(GCAP Feminist Task Force, El Salvador)*

> “While industrialized Northern countries are mainly responsible for greenhouse gas emissions causing climate change especially in per capita terms, countries of the South, and the poor and women in particular, will bear a bigger burden of the adverse environmental effects of climate change and its socio-economic impacts. Some of these effects are the displacement of people living in low-lying coastal areas; the loss of sources of livelihood; food insecurity; and reduced access to water. From an ecological debt perspective, rich, industrialized countries do not only have the responsibility of drastically cutting greenhouse gas emissions down, but they also have an ethical and moral obligation to provide compensatory and reparative finance to developing countries to fund climate change mitigation and adaptation efforts.”
>
> Athena Peralta *(World Council of Churches)*

at a conference held in April 2008 in Johannesburg, South Africa. The IAASTD admitted to the shortcomings of the Green Revolution technology and recognized the critical role of indigenous knowledge and sustainable agriculture in attaining food security. It released a report indicating that modern agriculture will have to change radically from the dominant corporate model if the world is to avoid social breakdown and environmental collapse.[13]

The report – opposed by Australia, Canada and the US – also criticized genetic modification (GM) and the conversion of farmlands to biofuel production. It said that the so-called GM technology was not the way to feed the world's poor, and that growing agrofuels to feed cars on land that should be used to feed people will surely worsen world hunger and an already very fragile human security situation.[14]

Although adaptation has emerged as a key policy question in negotiations on climate change, the issue has not yet been addressed forcefully in policy development planning at all levels. Building adaptive capacity, or meeting MDG targets, is very different from growing the economy and working for development as usual. It is about delivering social and environmental justice – a necessary condition for securing the path to sustainability.

Justice in finance and technology transfers

The UNFCCC states that rich countries are duty-bound to make transfers to developing countries, but nobody should be a beggar. If poor peasants shifted to organic farming or municipal fishers managed their coastal resources properly, they would be doing it not only for themselves but for all of us. If a poor country takes care of its biodiversity, it is doing a great service not only to itself but also to humanity. These efforts deserve to be compensated or reciprocated somehow through, for example, a carbon tax on the rich, untied ODA, unconditional debt relief, fairer trade terms, technology or other forms of resource transfers.

Financing climate stabilization requires huge amounts of money. Oxfam International[15] has said that the cost of adaptation for developing countries will be at least USD 50 billion a year, in addition to the current ODA level, which already includes funding commitment for the MDGs. However in his presentation of the Fourth Assessment Report in Bali, IPCC chair Pachauri said that “the cost of mitigation is really not all that much” as it is estimated annually to be less than 1% of global GDP. Rich countries are bailing out the big banks that caused the current global financial mess. It is only fair for developing countries to ask for an equivalent bail-out for the eradication of world poverty, rehabilitation of the environment and stabilization of the climate system.

Although Annex 1 parties agree that climate change is the most serious threat to sustainable development, their actions up to now have been simply disappointing. Decisions that truly matter for eradicating poverty and redressing global disparities take too long, often ending up in insufficient or even negative net transfers with heavy strings attached. Moreover, the rich themselves must begin to dramatically change the way they see the world and how they produce and consume. In other words, they must give up on their unsustainable lifestyle.

Slow down, cool the earth

What scenario can cool an overheating planet and spare us from disaster – 350 ppm, 450 ppm? Whichever is the answer, the action should be the same: we all must slow down. Strictly speaking, scenarios are not predictions; they are a range of possibilities that can lead to different alternative futures. As the future is inherently unpredictable, there is no certainty on what will come out of the action of so many. However scenarios are useful because one of the causes of unpredictability and uncertainty is human action – or the possibility of it – to change the course of events. The future is shaped by what we believe it will be and by what we do to make it happen.

Oddly, the current global recession may turn out to be a blessing in disguise. Perhaps the deeper it cuts and the longer it lasts, the better it will be for all of us. Less growth implies less emissions and less stress on the environment. Cleaner production and universal reduction in per capita consumption means less carbon footprint and – maybe –healthier living. Perhaps all these things will happen regardless of what comes out of the climate negotiations in Copenhagen and beyond.

Is there any time to save ourselves? Maybe yes, maybe no. In any case, let it not be said that our generation did not do enough for justice. ■

13 IAASTD. *Agriculture at the Crossroads: Global Report.* Washington, DC: Island Press. 2008

14 Vidal, J. “Change in Farming Can Feed World – Report.” *The Guardian*, 16 April 2008.

15 Oxfam International. “Adapting to Climate Change: What's Needed in Poor Countries and Who Should Pay.” *Oxfam Briefing Paper 104*, May 2007. Available from: <www.oxfam.org/sites/www.oxfam.org/files/adapting%20to%20climate%20change.pdf>.

ENERGY CHALLENGES FOR EUROPE

Elena Triffonova
Bulgarian-European Partnership Association

The European Union (EU) is a huge consumer of energy. In 2006 the 25 member states[1] consumed 1,722.8 million tonnes of oil equivalent (mtoe). Nearly two-thirds came from hydrocarbons: 706.3 million tonnes of oil (14.9 million barrels per day) and 420.6 mtoe (476.4 billion cubic meters) of natural gas. The remaining 34.6% came from coal, nuclear and renewable sources.[2] Some forecasts suggest that by 2030 EU energy consumption will have increased by 15%.[3]

However, the EU does not have an integrated energy market. The fragmentation of this sector dates back to the 1970s, when member states responded individually to the oil crisis. Some of them, such as Germany, built up strategic gas reserves and invested in infrastructure development; others, such as the UK, proceeded to explore their own reserves.

Russia is the world's largest gas producer, and it currently supplies around 30% of the EU's total gas needs.[4] European countries can be divided into three groups, with different levels of dependence on Russian gas imports:[5]

1. Countries with very low dependence – about 15%: Belgium, Ireland, Luxembourg, the Netherlands, Portugal, Spain, Sweden, Switzerland and the UK.

2. Countries with moderate dependence – 20–40%: France, Italy, and Germany.

3. Countries that are highly dependent – more than 50%: Austria, Czech Republic, Greece, Hungary, Poland, Rumania and Slovenia. Some countries – Bulgaria, Croatia, Finland, Latvia, Lithuania, Serbia and Slovakia – rely on Russia for all their gas imports.

The gas dispute between Russia and Ukraine in early January 2009 thus directly affected a total of 17 European countries. In a speech in mid-2009, European Commission President José Manuel Barroso noted the particular vulnerability of several countries,[6] including Bulgaria and Slovakia.

In Bulgaria, the State is the single buyer of energy. During the last decade it signed a number of exclusive contracts with the Russian consortium Gazprom, and as a result the country increased its 90% dependency on Russian gas. On the other hand, since 1956 the Bulgarian Government has favoured the use of nuclear power. Initially a research reactor, the IRT-2000, was constructed and then in 1966 an agreement was signed with the Soviet Union for commercial units to provide the basis for the country's power programme. As a condition for EU entry, Bulgaria has shut two nuclear reactors. The two remaining reactors generate about 35% of the country's electricity.[7] The consumption of electricity has grown since 1980 and Bulgaria is also a major power exporter. In 2006, the National Electricity Company (NEK) produced 46 billion kilowatt hours and exported 7.8 of these to Greece, Macedonia, Serbia and Turkey.[8]

In the case of Slovakia, although its market for electric power generation and distribution is small compared to other Central European countries, projections indicate that its power system will need to be broadened to meet growing demand. The generation of electricity is primarily dependent on hydroelectric and nuclear resources, though this is somewhat balanced by thermal power stations (coal, natural gas and oil). The Slovak gas market is characterized by a high level of dependence on Russian supply and the dominance of a predominantly state-owned and vertically integrated company.

Slovakia plays a significant role in the European gas network as it is an important transit country for transporting natural gas to countries in Central and Western Europe. In general, one of the challenges in the energy relations between Russia and the EU is the transport of gas through third countries. Although Europe attributes its 'vulnerability' to Russia, part of the problem – as was the case with Belarus in early 2007 and with Ukraine in early 2006 and 2009 – lies in transit countries.

The January 2009 energy crisis highlights the lack of an integrated EU energy policy, even though the need for a policy has been approved by the European Commission and various proposals have been put forward. The lack of such a policy is reflected in the fact that energy from Russia does not flow in equal amounts to the entire region. In addition, the problem of mutual dependence is particularly complex. It is not hard to understand why the European Commission has been unable to coordinate a common vision, nor why some countries, including France, Germany and Italy, have been trying to develop their own relationships of energy dependence. National governments have to decide on the balance between dependence and diversification and on alternatives for the future.

During the last decade the lobby for the renewable energy industry has been gaining leverage in the EU. One of the proposals in the 2007 Energy Policy for Europe was to incorporate a minimum of 10% of biofuels in total transport fuel by 2020, to be accompanied by the introduction of a sustainability scheme for biofuels. The existing regulation fixes the target at 5.75% in 2010.[9] A binding 20% target for the overall share of renewable energy by 2020 has also been proposed, the effort to be shared in an appropriate way between member states.

The main goals to be achieved by implementing a common European strategy to promote biofuels are: 1) to increase energy security, as the increasing price of oil is rapidly affecting the cost of energy and reducing European citizens' purchasing power; and 2) to reduce the emission of greenhouse gases (GHG), the main determinant of climate change. Rises in temperature and changes in precipitation seasons might affect water resources as well as agricultural production.

The future of alternative energy resources raises the question of nutrition and the future of the EU Common Agricultural Policy. Diversification in energy supplies and investment in alternative energy sources are more affordable among old EU member states. There is limited renewable energy potential for newcomers to the EU, amid demands to scale back coal power plants due to environmental reasons and resistance to the development of nuclear power.

In order to tackle the political divisiveness of the EU-Russia gas relationship, and the specific risks to the security of gas supply of states in central and eastern Europe, the EU should make gas market integration the priority of its strategic energy policy.[10] Steps also need to be taken towards the enhancement of energy security development, including energy efficiency, renewable energy sources and demand-side management. ■

1 Bulgaria and Romania joined in 2007, for the current total of 27 members.

2 Data from BP, "BP Statistical Review of World Energy," June 2007, pp. 11–12, 27–28, and 41.

3 European Commission, Directorate-General for Energy and Transport, *European Energy and Transport: Trends to 2030— Update 2005*, 2006.

4 Gas relations date back to 1968, when the Soviet Union first supplied gas to Austria.

5 The present classification is taken from "*Russia and Europe: Mutual Dependence in the Energy Sector",* by Antonio Sánchez Andrés , 2007.

6 Barroso, J. M. "Statement of President Barroso at European Council Press Conference." 19 June 2009.

7 Data from the National Electrical Company (NEK). See: <www.nek.bg/cgi?d=1000>.

8 World Nuclear Association. "Nuclear Power in Bulgaria", 2009.

9 European Parliament and the Council of the EU. "Directive 2003/30/EC on the Promotion of the Use of Biofuels or Other Renewable Fuels for Transport." Official Journal of the European Union, 17 May 2003.

10 Noël, P. "Beyond Dependence: How to Deal with Russian Gas." *Policy Briefs*, European Council on Foreign Relations (ECFR), November 2008.

Holding transnational corporations accountable for human rights obligations: the role of civil society

Civil society organizations are employing a variety of methods to hold corporations accountable for meeting their human and labour rights obligations. These initiatives and mechanisms aim to protect and promote fundamental human and labour rights, with varying degrees of effectiveness. Although they represent an initial attempt to address weaknesses inherent in the unilateral, voluntary model of Corporate Social Responsibility, the only truly effective solution would be to change the paradigms of both the human rights framework for corporations and the economic model in general.

Jana Silverman
Social Watch
Alvaro Orsatti
Trade Union Confederation of the Americas

The financial and economic crisis sweeping the globe is not simply another cyclical downturn endemic to the capitalist system. It represents a spectacular collapse of the neo-liberal economic model. Implementation of this model, which prescribed financial-sector deregulation, trade liberalization, and privatization of state functions and enterprises, led not only to destabilization of the world's markets but to the creation of an acute global imbalance of power between workers, private enterprises, and states.

During the heyday of neo-liberalism, many companies took advantage of improved communications and transportation infrastructure, lax national regulations, and the auctioning off of lucrative State assets to transform themselves into gigantic transnational conglomerates with a substantial presence around the world, and achieved record profits in the process. Their economic muscle gave them immense political clout among developing countries eager for foreign direct investment. These countries attempted to make their territories more "attractive" to multinationals by strengthening legislation protecting investments and weakening labour and environmental laws. Thus, in addition to its economic consequences, the proliferation of investments by multinational enterprises in developing countries over the last decades has had profound social and environmental impacts, to the point where some multinationals have been complicit in gross violations of fundamental human, social, labour and environmental rights.

Transnational corporations and human rights obligations

Business enterprises, particularly transnational companies, are typically private, non-governmental entities subject only to national laws in either the country where the company has its headquarters or in the host countries where the company has investments. Even though these companies may have significant presence in multiple countries, they are not technically considered to have international legal status, which is limited to states and certain intergovernmental organizations such as the European Union and the UN. This means that by and large they have not been subject to the rights and obligations of international law, including international human rights law.

This interpretation is gradually being revised in practice, however. Some contemporary scholars advocate granting transnational business enterprises neo-feudal or corporative rights.[1] Some international treaties – in particular bilateral and multilateral trade and investment agreements – give transnational enterprises specific rights that can be enforced in either the host country's courts or in international arbitration tribunals.[2] For example, the Chapter 11 provisions under the North American Free Trade Agreement allow investors to bring claims directly against participating States for presumed violations of the investment provisions in the treaty. Similarly, many bilateral investment treaties include mechanisms that allow companies to bring cases against signatory States in arbitration tribunals, such as the International Centre for the Settlement of Investment Disputes, on expropriations, losses incurred due to civil disturbances, and restrictions on the repatriation of capital and other matters.[3] The implications of these clauses are profound. Since 1995, more than 370 bilateral and multilateral trade agreements have been signed and more than 1,500 bilateral investment treaties have been concluded, involving virtually all of the world's major economies.[4] These agreements confer supra-national rights on corporations, without granting corresponding rights to the people who may be adversely affected by their actions.

Today, the obligations of non-state actors such as business enterprises to protect and promote human rights are becoming more explicit in both theory and practice. For instance, the Preamble of the Universal Declaration of Human Rights calls for "every individual and every organ of society" to uphold and promote the principles contained in the Declaration. According to legal scholars, that obligation includes all persons and all legal entities such as companies.[5] Other international standards in the realm of "soft law" that directly impose human rights obligations on companies include the International Labour Organization Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy (formulated in 1977) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (adopted in 1976 and revised in 2000).

In addition, a growing number of corporations are designing and implementing specific human rights policies. More than 240 enterprises have formulated their own guidelines, according to the Business and Human Rights Resource Center,[6] and more than 5200 companies are listed as active members of the UN Global Compact,[7] a multi-stakeholder initiative that commits businesses to respect universal principals relating to human rights, labour rights, environmental issues and anti-corruption practices.

Civil society and corporate social responsibility

The changing relationship between businesses and human rights is intimately linked to the rise of corporate social responsibility, defined by the European Commission as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders on a voluntary basis".[8] Although some companies have implemented philanthropic programmes to benefit their employees, local communities and society in general since at least the 1950s, the current notion is different. It promotes the incorporation of human, social and environmental rights as an integral part of corporate strategies, not to comply with any moral or ethical imperative but simply as a good business practice that can minimise risks and enhance company performance.

1 See Teitelbaum, Alejandro. *Al margen de la ley: Sociedades transnacionales y derechos humanos,* Bogota: ILSA, 2007. p. 31.

2 *Ibid.*

3 Damrosch, Lori ed. *International Law,* St. Paul, USA: West Publishing, 2001. pp. 809-12.

4 Adlung, Rudolph and Molinuevo, Martín. *Bilateralism in Services Trade: Is There Fire Behind the (BIT) Smoke?* Geneva: World Trade Organization, 2008. pp. 1-2.

5 Avery, Christopher, Short, Annabel, & Tzeutschler Regaignon, Gregory "Why all companies should address human rights", 2006. Available from: <www.cca-institute.org/pdf/averybusiness%26humanrights.pdf>.

6 See: <www.business-humanrights.org/Documents/Policies>.

7 See:<www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html>.

8 European Commission. "What is CSR ?", 2009. Available from: <ec.europa.eu/enterprise/csr/index_en.htm>.

> The impacts of the crisis are evident in the massive lay-offs taking place in foreign banks such as the BBVA, Santander, and HSBC. Our rights as workers have been taken away. Debtors are also feeling the impacts, it's already happening. They are being evicted because for different reasons they cannot pay anymore. What is worse, especial military forces of the state are being used to carry out the evictions; those forces are there for the security of all, not to throw poor people in the streets because they cannot pay.
>
> Janio Romero *(union leader of the Unión Nacional de Empleados Bancarios, Colombia)*

This shift in the concept and practice of corporate social responsibility did not arise out of a spontaneous change of heart in the business community. It resulted from the work of journalists and civil society organizations that have exposed gross rights violations committed directly or indirectly by corporate actors, leading to public outcry and a push for stronger social controls on companies. Early initiatives led by civil society to hold companies accountable for rights abuses included the groundbreaking campaigns in the early 1990s related to labour malpractices committed by Nike in Indonesia and other Southeast Asian countries and the complicity of Royal Dutch Shell in the execution of Ken Saro Wiwa and other human rights activists in Nigeria. More recent campaigns have included targeting Coca-Cola for alleged involvement of its bottlers in Colombia in the assassination of trade union leaders.

The typical reaction of companies under scrutiny in such cases has been to try to mitigate damage to their operations and image by establishing principles and practices such as "codes of conduct" and "sustainability reporting" to prevent similar occurrences in the future. Many other companies that have remained relatively unscathed by these types of campaigns have adopted similar measures. For example, more than 1000 companies issued in-depth reports on their social and environmental performance in 2008, applying the "Global Reporting Initiative" guidelines.[9]

Despite the diversity of initiatives that have sprung up in recent years, nearly all have been unilateral and voluntary, lacking binding mechanisms that can be used to invoke real and not just moral sanctions in cases of corporate complicity in rights abuses. For this reason, a wide segment of civil society, including unions, human rights organizations and environmental groups, has tended to regard corporate responsibility initiatives with scepticism, seeing them as mechanisms to improve the public image of companies that do not address the substantive issues that the social and environmental practices of businesses generate. That said, many civil society groups have been using the social responsibility concept to develop more transparent, effective mechanisms to hold companies accountable for human, labour and environmental rights obligations, as spelled out in international norms and national laws.

Some of the fundamental challenges that civil society organizations face when trying to seek remedies for human rights violations aided or abetted by multinational corporations are a lack of legal remedies in host country jurisdictions with lax national laws, inefficient justice systems, lack of political will to prosecute investors, or a combination of these obstacles. However, since 1992 a number of civil lawsuits have been filed against transnational corporations under a little-used provision in US law called the Alien Tort Claims Act (ATCA), which was invoked and reaffirmed in the 1980s in a case involving individuals,[10] and the subsequent passage of the Torture Victim Protection Act.[11] Based on the precept of universal jurisdiction for crimes involving the "law of nations", this legislation entitles US courts to rule on cases involving gross violations of human rights regardless of the location and nationality of the perpetrators and their victims. Between 1993 and 2006, NGOs such as the International Labor Rights Fund, Earthrights International, and the Center for Constitutional Rights filed 36 lawsuits against multinational companies in US District Courts under ATCA, bringing to light alleged corporate complicity in human rights abuses.

To date, however, no companies have been found guilty under ACTA. Of the 36 cases presented, 20 were dismissed,[12] some on the grounds that the crimes committed did not fall within the scope of the law (which only applies to violations of "specific, universal and obligatory" norms such as those against torture, genocide, crimes against humanity, and summary executions), others for reasons related to an applicable statute of limitations or a failure to provide sufficient evidence linking the company to the crime committed. Several companies that were brought to trial under ATCA, such as Drummond Mining and Chevron, were found not guilty by juries. The remaining cases were either settled out of court by the companies or are still pending.

On the positive side, the out-of-court settlements in cases such as the lawsuit against Shell for the murder of Nigerian activists mentioned above have been exemplary, with the company agreeing to a USD 15.5 million payment to the victims.[13] Overall, although ATCA has not yet created a strong deterrent effect among corporations potentially implicated in human rights abuses, the important precedents it has set for the use of innovative legal mechanisms based on extraterritorial jurisdiction could pave the way for the creation of new forums such as an "International Criminal Court" that would provide legally binding remedies for victims of grave human rights violations committed by business enterprises.

Trade unions and corporate social responsibility instruments

The experience of trade unions in the use of corporate social responsibility instruments is based on a strategy that was previously defined in the international arena by the International Trade Union Confederation (ITUC). This strategy asserts that companies have an "internal responsibility" for their workers that should be regulated and enforceable. Mechanisms for accomplishing this include the Tripartite Declaration of the ILO and the OECD Guidelines for Multinational Enterprises and bilateral global framework agreements (GFAs) negotiated between Global Unions and multinational corporations.

It is estimated that the Global Unions have signed close to 70 general framework agreements; although no centralized, up-to-date register exists.[14] These agreements are based on the companies' "internal social responsibility", and clearly linked to ILO norms. The metalworkers federation (IMF), service-sector workers federation (UNI), chemical and oil workers federation (ICEM) and construction workers federation (BWI) are especially active in

9 Available from: <www.globalreporting.org/NewsEventsPress/PressResources/PressRelease_14_July_2006_1000GRIReports.htm>.

10 Filartiga v. Pena-Irala, 630 F.2d 876 (2nd cir. 1980)

11 See: <www.derechos.org/nizkor/econ/TVPA.html> and <www.derechos.org/nizkor/econ/ACTA.html>.

12 Baue, Bill. "Win or Lose in Court" in *Business Ethics,* Summer 2006, p. 12.

13 Kahn, Chris. "Settlement Reached in Human Rights Cases against Royal Dutch Shell", 2009. Available from : <www.globalpolicy.org/international-justice/alien-tort-claims-act-6-30/47879.html>.

See: <www.global-unions.org/spip.php?rubrique70>.

14 See: <www.global-unions.org/spip.php?rubrique70>.

negotiating these agreements, accounting for 80 per cent of the total. The Global Unions participate in other kinds of work with businesses and institutes co-sponsored with business organizations, such as the one involving the International Federation of Journalists, and multi-stakeholder forums, such as one related to coffee production in which the International Union of Farmworkers participates. Other framework agreements have been organized on a sub-regional basis.

Once GFAs are signed, they can be used in various ways. Companies tend to use them as evidence of their commitment to corporate responsibiity, as their signing and implementation are voluntary. This perspective is being challenged by the union movement and by European academics, with the goal of constructing a strategy to make the contents of framework agreements legally binding. In the meantime, union denunciations of corporate practices violating clauses of a framework agreement have sometimes compelled multinational companies to change their policies; for example, by agreeing that unions can be established in their foreign subsidiaries.

The OECD Guidelines have been adopted by its 30 member countries as well as nine observer countries, including Argentina, Brazil, Chile and Peru in Latin America. This instrument includes an explicit complaints mechanism that can be activated when a violation of the spirit and letter of a Guideline clause is identified. The thematic scope of the Guidelines is quite broad. In addition to labour rights, clauses cover the environment, consumer rights, science and technology, and competition. Complaints are directed to "national contact points" that governments are obligated to create. The Guidelines call for voluntary compliance by companies, which means that they can ignore the mediation efforts of governments with respect to the complaints presented by an interested party. However, once the process is completed, the national contact point can publicly reveal the negative actions of the company and publicize critical opinions. As a result, resort to the Guidelines complaints mechanism tends to have consequences similar to the rulings of the Commission of Experts on the Application of Conventions and Recommendations of the ILO. Although employers frequently assert that this mechanism goes beyond their concept of CSR, it has been widely acknowledged not just by civil society organizations but also by governments of countries that belong to the OECD.

To date, approximately 200 complaints have been brought to national contact points, of which 80 per cent were lodged by trade unions. According to the Trade Union Advisory Committee (TUAC), complainants achieved satisfactory results around half the time. At the end of 2008, 24 union-based complaints were presented in Latin America, and 10 others were brought by NGOs. The proportion of complainants that had a positive result was similar to those at the global level.

> "I began working with a major Spanish advertising and film producing company, which opened a division here in Argentina in 2007. When the crisis broke in earnest, everything started to get complicated. Work decreased a lot, and we spent up to a month without filming. In January they told me that they had to fire me. I received the severance pay and started looking for work. Since then up until today, I haven't been able to find any decent job. What little work exists is practically slave labour: 8 or 9 hours, with very poor salaries. I have almost spent all my savings and I live alone in a rented flat, so I need to get something urgently. What else am I going to do?"
>
> *Young woman from Buenos Aires*

The Trade Union Confederation of the Americas (TUCA), created in March 2008 and headquartered in Sao Paulo, has developed an explicit strategy regarding corporate social responsibility, based on that of the ITUC. It is working with the Global Union federations and the TUAC on issues related to global framework agreements and the OECD Guidelines, particularly to assist union organizations in testing the complaints mechanisms of these instruments. It has also extended an invitation to OECD Watch to coordinate work related to the Guidelines. Additionally, it has organized campaigns to counter the concept of social responsibility promoted by the Inter-American Development Bank. TUCA, in collaboration with the Global Union federations and the Friedrich Ebert Foundation in Latin America as well as with like-minded NGOs, has created a Working Group on Transnational Companies to further develop concepts and strategies relating to trade union perspectives.

The need for a paradigm shift

Although not all of the mechanisms profiled above have been equally effective in protecting and promoting the fundamental human and labor rights that companies are obligated to uphold, they at least begin to address the weaknesses inherent in the unilateral, voluntary model of corporate social responsibility. Although it can be argued that the generation of business initiatives linked to this model has helped to introduce human rights issues into corporate culture, from the point of view of civil society, these measures are no substitute for enforceable human rights laws on the national level that are consistent with international norms and accompanied by strong, independent judiciary systems that provide concrete remedies for victims. Unfortunately, many governments choose not to take forceful action to hold companies accountable for violations of their human rights obligations, as they are fearful of losing foreign investment to countries that enforce rights less stringently. This creates a deplorable "race to the bottom" regarding the promotion and protection of human rights and labor standards, among countries as well as companies.

This tendency notwithstanding, human rights protection need not be a zero-sum game. The solution is to change the paradigms of both the human rights framework for corporations and of the economic model in general. A comprehensive international treaty formulated within the UN human rights system could clarify the human rights obligations of businesses, which have been obscured by the literally hundreds of CSR initiatives that have sprung up over the last two decades, and establish binding mechanisms that can provide remedies for victims in cases where it is impossible to prosecute victimizing companies in domestic jurisdictions. A conceptual framework proposed in 2008 by John Ruggie, Special Representative to the UN Secretary on Business and Human Rights, based on the governmental obligation to protect rights, business responsibility to respect rights, and the need for victim access to effective remedies in cases where abuses have occurred, is a step forward. However, this framework needs effective mechanisms to instrumentalize it.

In addition, a wider transformation is necessary to reverse the negative impact of the neo-liberal economic model that has been imposed upon developing countries in recent years. The role of the state as an active shaper and regulator of economic and social policy must be revived, along with endogenous paths to development based on strengthening internal markets and national productive capacity. This would break the cycle of dependence on investments by unscrupulous multinationals. The current economic and financial crisis has raised real questions about the "benevolence" of the private sector and highlighted the flaws inherent in the neoliberal model. This provides a historic opportunity to establish a social compact between businesses, workers, consumers and the state that can generate a new economic model based on human rights and sustainable development. We should not squander this opportunity. ■

The global economic crisis and the least developed countries: citizen's concerns

The Least Developed Countres (LDCs) are in the forefront of those bearing the brunt of the global economic crisis. In LDC countries the economic crisis translates into food, fuel, climate, debt, development and political crises. A fundamental transformation of the global financial architecture is needed: for many people living in poverty in LDCs, the current model of economic growth has brought little benefit, if any. The global economic crisis must be used as an opportunity to bring about real transformation in the global system so that everyone on this planet is offered better opportunities to lead meaningful and secure lives.

Arjun Karki
LDC Watch

As defined by the United Nations, there are 49 Least Developed Countries (LDCs) in the world,[1] which are home to about 750 million people. The ever-increasing wave of neoliberal globalization has continuously threatened the life and livelihood of the people living in these LDCs. In general, the LDC economy is characterized by an increasing debt burden, economic shocks, hunger, and human rights violations, including gender injustice, conflicts, weak governance, and inherent environmental vulnerabilities.

The current global economic crisis has not only shaken the foundations of the largest economies, stock markets and the most influential financial institutions around the globe, but also has put the already fragile small economies of the LDCs into peril, pushing millions of poor women, men and children into poverty and hardship. While the economic crisis resulted from the fallibility of the rich, industrialized and developed countries, the LDCs are in the forefront of those bearing the brunt of it. In LDC countries, the economic crisis has also fed into the current food, fuel, climate, debt, development and political crises.

Food crisis

Unprecedented food crises, triggered by soaring food prices and leading to "food riots", have shaken over 30 LDCs, where workers and peasants have become unable to afford food items basic for survival. Protests over grain prices in Haiti, Cameroon, Senegal, the Ivory Coast, Mozambique, Ethiopia, Madagascar, Mauritania and other parts of Africa and a hungry children's march in Yemen are some examples.[2] According to the Food and Agriculture Organisation (FAO), 22 countries are particularly vulnerable to the recent food price increases, because they are not only very poor but also are highly dependent on food imports. In 2008-2009 Eritrea has produced only about 30% of its food requirements. UNICEF warned that higher global food prices could be affecting up to 2 million Eritreans, more than half the population. UN agencies have projected that the 1.3 million people living below the poverty line would suffer most. The FAO has warned that increasing prices have "triggered a food crisis" in 36 countries. Again, according to the United Nations World Food Programme (WFP), 12 out of the 16 "hunger hotspot countries" are in the LDCs (Afghanistan, Djibouti, Ethiopia, Guinea, Haiti, Liberia, Mauritania, Nepal, Senegal, Somalia, Uganda, Yemen).[3]

Because the majority of poor people in LDCs spend 70%-80% of their income on food, they are very hard hit by the sharp increases in domestic food prices. The consequences of the food crisis, which the head of WFP has called 'a silent tsunami', include widespread misery and malnutrition for millions of people. The food crisis shows that the existing agro-industrial and market-led approach to food security has totally failed to feed hungry people living in LDCs. A variety of other factors, such as the promotion of corporate farming and the introduction of extreme dependence on external food supplies, lack of productive investments in local agricultural systems, global warming, trade imbalances and trade liberalization are also to blame for food insecurity in developing countries. These factors have led to the present crisis, forcing a billion people to go hungry, drastically reducing biodiversity, and nearly ruining the ecosystem.

Food has been declared a basic human right in a series of World Food Summits and international agreements, including the Universal Declaration of Human Rights (UDHR), the Preamble of the FAO Constitution, and the International Covenant on Economic, Social and Cultural Rights. For nearly two decades, the international community at high-level meetings attended by heads of state and government has repeatedly reaffirmed its commitment to eradicating malnutrition and assuring food security for all. The Rome Declaration on World Food Security in 1992, the World Food Summit Plan of Action adopted in 1996 and affirmed at the five-year review conference in 2002 pledged concerted efforts towards eradicating hunger as an essential first step and set a target of halving the number of hungry people by 2015.[4] The Millennium Summit (2000) and a series of follow-up meetings have reaffirmed commitments to achieving food security and good nutrition for all. Despite the repeated commitments by the world's leaders on the urgent need to reduce hunger and malnutrition, progress in achieving the targets and indicators under the Millennium Development Goals (MDGs) has been extremely disappointing, notwithstanding the great strides that have been made in a number of individual countries. To

1 Criteria for LDCs: In its latest triennial review of the list of LDCs in 2006, the United Nations Committee for Development Policy (CDP) used the following three criteria for the identification of the LDCs.

(i) A low-income criterion, based on a three-year average estimate of the gross national income (GNI) per capita (under USD 745 for inclusion, above USD 900 for graduation);

(ii) A human capital status criterion, involving a composite Human Assets Index (HAI) based on: (a) nutrition: percentage of population undernourished; (b) health: mortality rate for children aged 5 years or under; (c) education: the gross secondary school enrolment ratio; and (d) adult literacy rate; and

(iii) An economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on indicators of: (a) population size; (b) remoteness; (c) merchandise export concentration; (d) share of agriculture, forestry and fisheries in gross domestic product; (e) homelessness owing to natural disasters; (f) instability of agricultural production; and (g) instability of exports of goods and services.

To be added to the list, a country must satisfy all three criteria. In addition, since the fundamental meaning of the LDC category, i.e. the recognition of structural handicaps, excludes large economies, the population must not exceed 75 million. To be eligible for graduation, a country must reach threshold levels for graduation for at least two of the three criteria, or its GNI per capita must exceed at least twice the threshold level, and the likelihood that the level of GNI per capita is sustainable must be deemed high. See: <www.un.org/ohrlls>.

With regard to the 2006 triennial review, the CDP recommended that Papua New Guinea be included in, and Samoa be graduated from, the list of LDCs. Equatorial Guinea, Kiribati, Tuvalu and Vanuatu were found eligible for graduation for the first time. The General Assembly in its recent resolutions (59/209, 59/210 and 60/33) decided on the graduation of Cape Verde at the end of 2007 and Maldives in January 2011. At the end of 2007, Cape Verde became the only second country to graduate from the LDC group since its establishment in 1974. Botswana left the group in 1994.

2 Martin Khor, "Global Trends," *The Star Online*, 14 April 2008; see "LDC Watch: Food Crisis: Defending food sovereignty in LDCs," 2008. Available from: <www.ldcwatch.org>.

3 See WFP, "Cash roll-out to help hunger hot spots," Rome, 12 August 2008. Available at: <wfp.org/english/?ModuleID=137&Key=2899>; "UN System Response to the World Food Security Crisis (as of September 2008)"; available from: <www.un.org/esa/sustdev/publications/trends_Africa2008/indx.htm>.

4 See FAO, "International Conference on Nutrition," Rome, 1992; FAO, "World Food Summit Plan of Action, 1996; FAO, World Food Summit: Five Years Later," 2002. Available from: <www.fao.org/worldfoodsummit/english/index.html>.

> "In Kenia we began to see impacts of the crisis late in 2008: reduced tourism followed by unemployment. Many Kenyans also rely on remittances from the U.S., which fell sharply. Due to the crisis, more families can not afford to send their children to school, and foreign investors are moving projects out of the country. Much of the land is going fallow and there were water shortages during the past year. All these factors, combined with the high levels of income inequality and corruption that were already present, are a recipe for disaster for Kenya's people and economy."
>
> *Edward Oyugi (SODNET, Kenya)*

date, the human right to food has been continually denied; food is considered more as an item for trade than as an essential good for survival.

Climate crisis

The concerns of LDCs about food, water and energy security are deepened by the climate crisis that challenges the goals of inclusive and environmentally sustainable economic growth. The LDCs, already plagued by poverty, natural disasters, conflicts and geo-physical constraints, are now at risk of further devastating impacts of climate change, including increased desertification, rising sea levels, increased rainfall and risk of flooding and hurricanes, which will perpetuate the cycles of poverty, food and fuel crises, conflict, inequality, indebtedness and underdevelopment. Even though the people living in the LDCs are the hardest hit by increased climate change, their concerns are rarely heard and addressed in the official negotiation processes at any level. It is therefore important to raise the voice of the climate change victims from the LDCs in the upcoming climate negotiations, including UN Climate Change Conference in Copenhagen in December 2009 (CoP 15), where it is hoped that agreement can be reached on the principles for a new treaty to replace the Kyoto Protocol.

Official Development Assistance (ODA)

Official Development Assistance (ODA) flows in the LDCs are also predicted to decline as governments in developed countries use resources to provide stimulus to their own economies and continue to bail out the financial institutions that have been at the centre of the economic crisis. Since most LDCs continue to be highly indebted, the prospect of reduced aid flows has put pressure on LDC governments to maintain a balance between investing for development and paying back loans, resulting in less resources being directed to development needs. As a result, the LDCs are increasingly facing difficulty in fulfilling the basic economic needs as well as the social and cultural rights of their people.

Remittances and foreign employment

Remittances to the LDCs from people working in other countries are also declining, as migrant workers lose their jobs due to the economic recession in the countries that provided employment. The IMF predicts a drop of between 4% and 8% in 2009. Remittances are particularly important for countries such as Haiti, Lesotho, and Nepal – where they amount to more than 15% of gross national income (GNI). Similarly, the export-oriented industries in LDCs such as garments are scaling down or even stopping production due to the economic downfall.

Declines in remittances have also been felt in Pacific LDCs such as Samoa, Tuvalu and Kiribati due to the effects of slowdown in the labour markets and high unemployment in the source nations, particularly in the USA, New Zealand and Australia. The already high rates of unemployment in the LDCs are likely to rise further in near future, with a subsequent increase in socio-economic conflicts and political unrest. For LDCs that have invested in the establishment of offshore financial markets as a source of government revenue, such as Tuvalu and Kiribati, the value of the investment trust funds they set up is expected to decline as world stock markets remain highly unsettled.

In Senegal, one of the LDCs in Africa, remittances account for up to 10% of GDP. In 2008, they were estimated at close to EUR 1 billion, which is more than 11% of that year's GDP. The decline in remittances reduces household consumption in many regions along with the level of public works and construction projects. This, together with cuts in government services, has resulted in more hardship and drudgery for women and children, particularly in terms of health, education, livelihood and food security.

Exports

In Afghanistan, major export items such as carpets and lambskin are now being badly hit by the financial crisis. Exports of carpets fell 25% and exports of the silky lambskin known as Karakul fell by 20%, according to the Afghanistan Investment Support Agency (export promotion agency). The livelihoods of more than 50% of the people in the Northern provinces depend on the carpet sector. The lambskin industry has already been badly affected by a year of drought; now the financial burden on farmers is increasing with falling demand for this commodity at the international level.

In Ethiopia, it is reported that this year's import revenue has declined by USD 803 billion. The Trade and Industry Ministry claimed the current world economic crisis has affected the export market for Ethiopian produce, especially coffee and oil seeds. In many cases, the major producers are the small holding farmers that will directly be affected.

The way forward

The above situation, which is pushing millions of people in the LDCs towards increased poverty and vulnerability, demands immediate and urgent action. In order to overcome the global economic crisis and create an enabling environment for development in the LDCs, it is crucial that the international community and the LDC governments come together to combat the impacts of economic crisis in the LDCs.

This will only be achieved with a fundamental transformation of the global financial architecture. The dramatic failure of the current system not only exposes its inadequacies, but also shines a spotlight on the failure of current approaches to development. For many people living in poverty in LDCs, the current model of economic growth has brought little benefit, if any. In seeking solutions to the problems created as a result of the economic crisis, the following actions are crucial.

- **Opening developed country markets to LDC exports without any conditionality** is necessary to promote fair trade and support the LDC economies to regenerate and grow. Only 79% of LDC exports enjoy duty-free access to developed country markets as per the 2008 UN MDG Gap taskforce report. Duty-free treatment to 97% of tariff lines of LDC exports (arms and oil excluded), as committed by the 2005 WTO Ministerial Declaration, must be honoured.
- There is an urgent need to **transform and restructure the governance of the International Financial Institutions (IFIs) in order to promote public accountability and transparency**, which must take place in accordance to the needs of the LDCs. Additionally, democratic participation of all countries in the negotiation with the IFIs and monetary institutions, with the UN at the centre, is critical to ensuring a more equitable, democratic and sustainable financial system.
- In order to cope with the economic crisis in the LDCs, all **debts must be cancelled immediately, unconditionally and irreversibly**. To facilitate this process, there is an urgent need

to establish a comprehensive process mechanism, which is internationally applicable, transparent and impartial.

- Similarly, **equitable mobilization of both domestic and international financial resources** is essential in order to achieve sustainable development in the LDCs, particularly focusing on access to basic economic and social infrastructure and social protection. Implementation of the 2001 OECD-DAC recommendations to untie aid to LDCs must not be delayed.[5]
- It is urgent to **increase aid flows to the LDCs in order to enable them to cope with the economic crisis and promote development**. Despite the 2002 Monterrey Consensus on Financing for Development, which urged developed countries to make 'concrete efforts towards meeting the target of 0.7% of gross national product (GNP) as ODA to developing countries', and 0.15% to 0.20% of GNP of developed countries to LDCs by 2010 as agreed in the Beijing Platform for Action, several countries seem to have ignored these targets.
- The LDCs need **a special stimulus package in the form of grants** to combat the impacts of the economic crisis. Failure to introduce such a package will result in a high risk of increased atrocities and gross violations of human rights in the LDCs. In this context, the recommendations advanced by the Commission of Experts set up by the President of the UN General Assembly (known as the 'Stiglitz Commission') on reforming the international monetary and financial system are welcome. Additionally, there is a need to create a global reserve system and a global economic coordination council under the UN as part of the fundamental reform of the international financial architecture. Similarly, international commitments must be put into action with immediate effect in order to address the underlying causes of the global economic crisis, and achieve internationally agreed development goals, including the Brussels Programme of Action (BPoA), the MDGs and the Accra Agenda for Action (AAA) on Aid Effectiveness in the LDCs. It is pertinent to highlight and draw the attention of international community to the fact that failure to achieve MDGs in the LDCs will result in their overall failure.

Conclusion

The globalized world we live in demands new global approaches. If we are to achieve the goals to which we all claim to aspire, we need to make sure that, as we work to mitigate the devastating consequences of this global economic crisis, we use it as an opportunity to bring about real transformation in the global system so that everyone on this planet gets better opportunities to lead meaningful and secure lives. Success will depend on how we address the needs of those amongst us, particularly those living in LDCs, who are facing the greatest challenges. ■

5 The 2001 DAC Recommendation to untie ODA to LDCs was amended on 15 March 2006, and more recently in July 2008, extending the Recommendation to include non-LDC HIPCs. See: <www.oecd.org/dac/untiedaid>.

Mounting development challenges posed by the world economic crisis: policy options in the Arab region

The global economic crisis comes at a time when countries and citizens in the Arab region have been trying to adjust to wildly fluctuating food and fuel prices. In addition, the region is increasingly affected by climate change, with increasing desertification, rising coastal waters and scarcity of fresh water. The confluence of these crises exposes explosive vulnerabilities across the region, at the centre of which are poverty and unemployment. This calls for intervention from different stakeholders; and responses to the economic crisis should take into account the need to tackle the other crises as well. Arab governments should strengthen co-ordination, enable citizens to participate in setting development priorities, and orient social policies to reduce poverty in a sustainable and equitable way.

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The global economic and financial crisis comes at a time when countries and citizens have been trying to adjust to wildly fluctuating food and fuel prices. Like other parts of the world, the Arab region is experiencing shrinking economic activity, higher rates of poverty and unemployment, growing demands on social services, further economic insecurity and increasing violations of economic and social rights.

Past economic crises have had disproportionate impacts on the poor, and this one will be no different in that regard. This means further stress on communities that have already been suffering due to climate change and fluctuations in food and energy prices. Arab countries are particularly vulnerable to the fallout from the global crisis since recent gains in human development indicators are fragile and not built on long-term Government policies that would help safeguard their sustainability. Moreover, conflict and political instability are widespread and likely to worsen due to the economic downturn.

Key development challenges facing the region

Rising numbers of people living in poverty

The Arab region witnessed a noticeable reduction in poverty levels from the 1980s to the early 1990s. During the mid 1990s, however, the proportion of people living in poverty – at the most basic USD 1 and USD 2 per day benchmarks – rose and essentially remained stagnant into the 21st century, with only a very gradual decline. Since the population of the region has been steadily growing, the total number of people living in extreme poverty has actually increased.

Moreover, if the poverty threshold is raised a little – for example from USD 1 to USD 2 a day or from USD 2 to USD 3 or 4 a day – the numbers rise substantially. Indeed, raising the poverty line from USD 2 a day to USD 3 a day more than doubles the total number of people living in poverty from 45 million to 92 million. In Egypt, over 70% of the population lives on USD 3 a day or less; this proportion rises to over four out of five if the line is raised to USD 4 a day.[2]

Measurements related to higher poverty lines do matter, particularly at a time when families across the region have recently had to absorb much higher costs for basic goods, including both food and fuel, which account for a large proportion of their expenditures. UN sources note that, as a result of the food crisis, around 31 million people in the Arab region are hungry (about 10 % of the total population). This reflects an increase of 6 million hungry people compared to 1992, including record numbers in Sudan and Yemen,[3] precisely during a period in which overall human development indicators showed continuing improvements. Indeed, the food prices crisis has exposed the vulnerabilities in a region that imports more than 50% of food consumed.

Arab governments implemented a variety of measures in response to the food crisis, often including direct provision of basic foods or increasing subsidies for them. These measures – together with controls on exports – have done little to ensure that prices will not rise considerably in the future or that, more fundamentally, supplies of basic foods will be sufficient. Core issues such as increasing food production, supporting small farmers in selling their products and accessing markets, ensuring poor consumers have access to affordable food and addressing the imbalances in the global trade system and agreements on agriculture have not been adequately addressed.

Persistent and rising inequalities

The high degree of inequalities between countries, as well as sustained inequalities within many countries, is another notable feature of the region that has to be taken into consideration. The increase in wealth in recent years has not translated into equity and, as the privileged have not shared, a good part of the region's population is currently living in poverty or in poverty's treshold. Moreover, countries in conflict such as Iraq, Lebanon, the Occupied Palestinian Territories and Sudan have not experienced the consistent growth trends witnessed by many of the other countries in the region.

Chronic unemployment

One of the reasons for the persistent proportion of people living in poverty in the region is chronic unemployment. In fact, even during those years in which economies were growing and individual incomes also seemed to be on the rise, unemployment was high and increasing. Other factors make this one of the major concerns in light of the global crisis, including: (1) the high birth rate and relatively young populations of the region, which means that many new graduates and school leavers enter the labour force with diminishing prospects for work; and (2) the concentration of economic activity in sectors with low job creation capacities, such as real estate and finance.[4]

At a time of falling output across the globe, the gap between available jobs and numbers in the labour force is likely to increase sharply. The return of nationals who had been working abroad as economic migrants will further swell labour markets, with cutbacks in economic activity in the Gulf Cooperation Council (GCC) countries having serious repercussions in poorer countries.[5] It is therefore important that Governments and other institutions on which poor and vulnerable communities rely – such as families over-

1 This article is a shortened version of a policy document developed by the two organizations on the occasion of the UN High Level Conference on the Economic and Financial Crisis and its Impact on Development.

2 Iqbal, F. Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa. Washington, DC: The World Bank. 2006.

3 According to Jacques Diouf, Director General of the UN Food and Agriculture Organization (FAO), speaking at the High Level Conference preparatory private sector and civil society forum, 19 June 2009.

4 International Labour Organization (ILO). *Global Employment Trend Brief*. Geneva: International Labour Office. 2007. The report indicates very high labour force growth in the Arab region, averaging 3.7% annually between 2000 and 2005. In 2005–2007, unemployment exceeded 13%, while youth unemployment rates in the Middle East and North Africa (MENA) were the highest around the globe and estimated by the ILO at 25.7% in 2003 (ranging between 46% in Algeria and 6.3% in the United Arab Emirates). These official aggregate data are likely to both under-estimate the rate of general unemployment and also mask the higher rates in poorer countries such as Egypt, where 20% would mean well over 10 million unemployed citizens looking for work.

5 Khan, A., Abimourched, R. and Ciobanu, R. O. "The Global Economic Crisis and the Impact on Migrant Workers." ILO Global Job Crisis Observatory, 2009. Available from: <www.ilo.org/public/english/support/lib/financialcrisis/featurestories/story11.htm>.

> “We should form an international watchdog coalition to monitor what is going on with the stimulus packages, and be able to have rapid responses if governments do not use this money properly. Rights based approaches to trade and finance must be constructed in order to end the crisis, above all by reconstructing safety nets in the North and South. We don’t want to just “tweak” the economic model in order to fix it, but instead to reconstruct it completely. In order to advocate for this, political moments such as the UN Conference and the World Social Forum must be taken advantage of, in order to bring people and social movements together at this critical time.”
>
> Tanya Dawkins *(Global-Local Links Project, Miami)*

seas, aid donors and banks – are able to fill gaps when individual incomes are under such pressure.

Governments’ economic policy tools and sources of revenue

Economies in the Arab region have been growing based on rentier and semi-rentier models. They include oil producing countries, where the bulk of GDP and government revenue comes from exports of oil products, and non-oil producing countries, heavily dependent on different kinds of income, mainly remittances, foreign aid and bilateral and multilateral loans.[6]

Since the mid 1980s, Arab governments have enhanced economic reforms triggered by the decline in income due to fluctuating oil prices and related shrinking remittances. Reform measures have also been externally driven, focusing on programmes prescribed by institutions such as the IMF and the World Bank that focused on pro-cyclical policy recommendations, cutbacks in government spending, privatization, as well as liberalization of trade, interest policy and exchange rates.[7] At the same time, social policies were increasingly marginalized.

In undertaking policy choices and designing measures, governments in non-oil producing countries have increasingly given weight to aid flows, foreign direct investment (FDI), trade liberalization and remittances, while oil producing countries continued to focus on rent from oil exports.[8] However they have seen increasing budget deficits, and current account deficits in 2008 amounted to 1% of GDP in Egypt, 2.7% in Syria, 13.5% in Lebanon, and 18% in Jordan.[9] The IMF reported a 1–2.6% current account deficit for the Maghreb countries in 2008, which is expected to worsen by 2012. With export opportunities shrinking, budget deficits are expected to increase – especially due to decreasing demand in the European market, which absorbed the highest proportion of exports from the Arab region, and limitations on demand by Gulf countries that absorbed exports from other labour-abundant Arab countries. In addition, revenues from taxes are expected to fall as a result of the crisis, with further falls expected in wages, remittances and government transfers. The resulting diminution in public and private resources puts recent development gains at serious risk, leading to a possible rise in the incidence and depth of poverty and unemployment, unless targeted measures and decisive actions are undertaken.

The crisis has exposed the fluctuating nature of aid and remittances as well as the limited returns from trade liberalization. These policy options cannot be considered factors of a stable nature on which long-term sustained growth policy is built. Such policy tools should be considered complementary to a more stable policy that needs to be developed in the region, with significant orientation towards giving primacy to supporting intra-regional production cycles and intra-regional trade as well as domestic consumption and production.

Aid and foreign direct investment (FDI)

For some Arab countries, aid has become a significant proportion of GDP, particularly in countries affected by conflict such as Iraq, Lebanon and the Occupied Palestinian Territories, though amounts fluctuate greatly. The net official development assistance (ODA) given to 22 Arab countries by all donors reached USD 17.1 billion in 2006. This was almost 20% of the total ODA donated by donors to developing countries.[10]

However, this increase has been concentrated in a few countries and tends to reflect the geopolitical and military events in the region and the underlying strategies of the main international actors. Indeed the less developed countries in the region (including Comoros, Djibouti, Mauritania, Somalia and Yemen) received only 25.3% of the ODA received between 2000 and 2006. On the other hand, 46% of the assistance in that period went to Iraq. Overall, Iraq, the Occupied Palestinian Territories and Sudan received 63% of the total assistance.[11] It is evident that there is a clear gap between the orientation of assistance flowing to the region and human development priorities.[12]

With regard to overall FDI, the Arab share during the decade between 1990 and 2000 was only 2.1% (1% between 1990 and 1999). It then increased dramatically from USD 6 billion between 1995 and 1999 to more than USD 24 billion in 2006.[13] Around 34% of countries’ FDI comes from other Arab countries. Between 1996 and 2006, the share of FDI as a percentage of GDP rose from 1% to 1.7% for the whole region (excluding Iraq). In resource-poor and labour-abundant countries, it rose significantly from 2.4% to 8%; in resource-rich, labour-abundant countries it went from 0.2% to 0.9%; and in resource-rich, labour-importing countries it decreased from 0.7% to 0.3%.

These inflows – concentrated in Egypt, Jordan, Lebanon, Morocco and Tunisia, as well as the United Arab Emirates – are being fuelled by the completion of major privatization deals and increased investments in the energy sector. For example, FDI in Egypt increased to USD 6.1 billion in 2006 due to a telecommunications license and privatization in the banking sector. This suggests that FDI flows were not designed according to human development priorities and did not prioritise social added value.

It is reasonable to assume that both ODA and FDI may not be delivered according to previous projections due to the global tightening in budgets. This will mean less investment per person at a time when falling incomes from hydrocarbons and taxes have already resulted in tight budgets. It will also put greater pressure on budgets in poorly resourced and

6 Allisa, S. “The Challenge of Economic Reform in Arab World: Toward More Productive Economies.” Carnegie Endowment for International Peace, May 2007. Available from: <www.carnegieendowment.org/publications/index.cfm?fa=view&id=19147>.

7 Al-Jourchi, S. “Economic and Social Rights: Preliminary Review of International and Regional Initiatives”. Prepared for the Arab NGO Network for Development, 2008.

8 The World Bank has indicated in several of its reports that the GDP growth in resource-poor and labour-abundant Arab countries has been driven by strong flows of tourism revenues, remittances and increasing FDI.

9 Saif, I. and Choucair, F.“Arab Countries Stumble in the Face of Growing Economic Crisis”. Carnegie Endowment for International Peace, May 2009. Available from: <www.carnegieendowment.org/files/economic_crisis_wc_english.pdf>.

10 Mahjoub, A. “Official Development Assistance in Arab Countries.” Prepared for the Arab NGO Network for Development in preparation for the Financing for Development Review Conference (Doha, 2008).

11 Another large recipient of aid in the region is Egypt; between 2000 and 2006 it received 10% of the ODA to Arab countries from the Development Assistance Committee.

12 *Ibid.*

13 This section is based on numbers in World Bank. *Economic Developments and Prospects: Job Creation in an Era of High Growth*. Washington, DC: World Bank, 2007.

labour-abundant countries that currently depend on FDI for more than 8% of their GDP.

Trade

Trade liberalization has been one of the major policy recommendations promoted and adopted within the region as a tool for further growth and attraction of FDI. Arab countries have been very active in expanding and deepening trade agreements among themselves and have significantly opened their economies to trade, investment and capital flows with countries in other regions. Yet, despite the many reforms, total trade in 2005 in Arab countries represented only 4% of world trade. Furthermore, despite massive hydrocarbon exports and trade liberalization, the region accounts for only 5.5% of global exports, of which 90% is oil.[14]

On the regional front, despite the launch of the Pan-Arab Free Trade Area (PAFTA) in 1997 and the removal of tariffs for the movement of goods between 19 out of 22 Arab countries so far, intra-Arab trade today ranges between 10% and 13% of their overall trade volumes. This is a slight increase from the 9% achieved in 1997. The lack of agreement regarding rules of origin for products that are important from an intra-regional trade perspective is one of the major obstacles PAFTA currently faces.

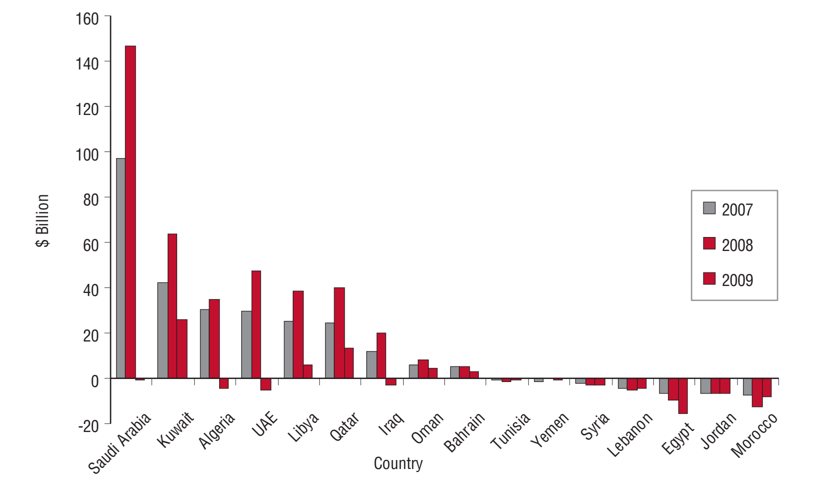
As regional and bilateral trade agreements proliferate,[15] trade policy tariffs have been significantly reduced in almost all the region's countries, with most non-tariff barriers eliminated or significantly reduced. Overall, the region ranks second among developing regions on tariff reforms carried out since 2000, trailing behind only Europe and Central Asia.

All Arab countries – both oil-exporting and not – will see a shock to trade accounts as a result of the crisis. While the former have been hit by oil price fluctuations and the fall in demand, the latter will see their exports to Europe and countries of the Gulf decreasing due to shrinking demand, and all of them will be forced to limit imports. Together with the higher relative costs of most needed imports such as foodstuffs, the impact on the region's trade balance will be dramatic.

Remittances

At more than USD 30 billion, remittances constitute a greater inflow than aid to the Arab region, having

CHART 1. Trade balances in Arab Region 2007-09



Source: based on IMF data.

a huge impact on families and communities. A substantial proportion of low-income households are dependent on them. Resource-poor and labour-abundant countries – including Djibouti, Egypt, Jordan, Lebanon, Morocco, the Occupied Palestinian Territories and Tunisia – saw remittances increase from USD 8 billion in 1996–99 to USD 13.9 billion in 2006.[16] Similarly in resource-rich, labour-abundant countries such as Algeria and Syria, remittances increased from USD 1 billion to USD 2.5 billion and USD 0.5 to USD 0.9 billion respectively over the same period.[17] In 2007, remittance inflows made up around 9% of GDP in Morocco, 5% in Tunisia and 2.2% in Algeria.[18]

The World Bank predicts that remittances, having risen almost 8% in the previous year, will fall in 2009. The size of the fall is hard to gauge, although the worst-case scenario modelled last year predicts a 5% drop in 2009 compared to 2008 and a further fall for 2010.

Social policies

The Arab countries suffer a consistent deficiency in terms of social policies. This is in part a reflection of the lack of satisfactory levels of participation in the process of developing policy responses or rescue schemes by different stakeholders, including civil society organizations. In addition, it reflects the limited capacities official institutions have in developing comprehensive economic and social policies. Affordable, quality social services are lacking, as is access to these services, and the scope of social protection measures that are available for various social groups is limited.[19]

Social policy problems in the labour market relate to making available quality social services that are affordable. Another problem is the scope of social protection measures that are available for the different social groups. Comprehensive social policies are necessary to cushion against possible social unrest, especially as governmental responses fall short in curtailing the negative impacts of the crisis. Such policies need to extend beyond the regular social safety nets that existed before the crisis, which were often limited to food subsidies, energy subsidies, cash transfers and support for microfinance schemes. Comprehensive social policies also need to encompass the informal sector, which already employs a large segment of the population in the Arab countries and is expected to expand further in light of the crisis.

A persistent lack of coordination and comprehensive policy-making

The diverse capacities and nature of the Arab countries' economies imply that the responses to the crisis will vary, as well as the timeframes. No cooperation or common responses have been undertaken at the regional level. Overall, there has been no sense of urgency, and a comprehensive vision that pays careful attention to social policies has been lacking.

14 Arab Monetary Fund. *Joint Arab Economic Report 2006*. Available (in Arabic only) from: <www.amf.org.ae>.

15 Currently, six Arab countries are in the accession process to the WTO. While there are obvious advantages to membership in terms of multilateral market access and rules-based protection, terms of accession currently under negotiation undermine development prospects. Most acceding countries are being asked for greater liberalization and implementation commitments than original WTO members had to make.

16 World Bank. *op. cit.*

17 *Ibid.*

18 Saif and Choucair. *op. cit.*

19 Even in a country such as Tunisia, where the social security fund is considered a model one, the Government is facing problems responding to the needs of the newly unemployed as a result of the crisis (Saif and Choucair 2009).

The GCC countries' responses came more quickly and were more extensive. At the sub-regional level, they agreed to coordinate their fiscal, monetary and financial policies and set in place measures to help ease inter-bank lending rates and add new regulations to their stock markets. At the national level, they relaxed monetary policy and led expansionary fiscal policies in a few sectors. In other countries of the region, responses were sluggish; many governments insisted, at the early stages of the crisis, that their countries were isolated from its impacts. As their fiscal policies gave little room for manoeuvre, these countries were cautious about taking any expansionary policy decisions, and their interventions lacked planning and focused on short-term stabilization.

Moving forward: policy considerations to face the crises

It is evident that Arab governments need to prioritize long-term structural changes while addressing short-term needs in light of the crisis. In doing so, they can add value by (1) working together and capitalizing on their regional capacities and cooperation in facing the crisis; (2) providing the poor and vulnerable communities with greater protection of their economic and social rights; and (3) providing spaces for the active participation of different social partners, including civil society and women's groups, in drawing up economic and governance frameworks.

This should be an opportunity for Arab governments to review the assumptions behind policy-making processes related to social and economic reform, including revising relations between economy, finance and production and consumption patterns. This requires giving priority to building sustainable development and prioritizing social equity, decent work, gender equality and environmental sustainability. It includes as well supporting stable long-term growth in the productive sectors and developing comprehensive policies to address poverty eradication. Employment creation should be central to short-term and long-term policies, with an emphasis on decent work opportunities in sustainable productive sectors.

As the economic crisis is intertwined with the food and climate crises, responses must address all of them. In the run-up to the Copenhagen negotiations of December 2009, Arab governments should to take an effective, more proactive role coordinated with other developing countries. New ways of production and consumption, and trading in an environmentally sustainable way, should be at the core of discussions for reforming the development system.

On social policies

Social priorities, including strengthening automatic macroeconomic stabilizers and social insurance systems, should be determined through the participation and representation of multiple stakeholders, including civil society organizations. Social insurance systems should encourage individuals to work or be recognized for their role in households, families and communities. Furthermore, properly targeted social policy packages should be employed to limit the impacts of rising unemployment and the related incidence and depth of poverty in many communities.

On trade

There is need for assessment and, where necessary, revision of the outcomes from the liberalization undertaken as part of World Trade Organization (WTO) memberships and regional and bilateral free trade agreements. Trade policies should be undertaken within the context of comprehensive development strategies, built on assessments of their sustainability and human rights impacts. Governments should ensure that any continuation of the WTO Doha round guarantees true special and differential treatment for developing countries, including greater access to markets in developed countries by reducing subsidies.

Furthermore, the Arab governments should consider steps to review trade and investment agreements that limit policy space and may be impeding their ability to effectively respond to the crisis, especially in the area of capital flows and the liberalization of financial services.

Intra-regional trade and economic cooperation in general should be conducted on the basis of special and differential treatment and choice by countries; limitations and barriers to enhancing inter-Arab trade and economic cooperation resulting from the overlapping membership of Arab countries in multiple regional economic blocks should be addressed. This includes urgently needed coordination and harmonization of economic integration policies.

On Aid and FDI

Governments should set in place clear policies that allow for directing aid and FDI to areas and sectors that directly contribute to poverty eradication, increased employment opportunities, gender equality and human development priorities.

Furthermore, regional financial resources need to be mobilized towards sustainable development, particularly access to quality basic economic and social infrastructure. Accordingly, Arab countries should work to augment liquidity through regional channels. Regional cooperation arrangements can be particularly effective because of a greater recognition of cross-border externalities and greater sensitivities to the distinctive conditions in neighbouring countries.

On addressing falling government revenues

Arab governments could increase their stable sources of revenues through enhancing a fair, effective and progressive means of taxation. This needs to be complemented by efficient, effective, transparent and accountable public finance management systems and practices through participatory mechanisms. Tax avoidance should be addressed through supporting greater transparency in tax payments, a country-by-country reporting standard for multinational corporations, and a truly multilateral agreement on the automatic exchange of tax information.

On regional cooperation

As the crisis is global in nature, no single country can face its ramifications alone; hence a more collective effort should be pursued in the region, at both governmental and private levels. Re-thinking regional cooperation as a solution to the crisis can give a powerful impulse to building an alternative development project that is more sustainable and equitable. Such cooperation would enable an enhanced coordination of labour policies, amongst other priorities. Within this context, there is need to establish time-bound implementation mechanisms for decisions undertaken at the Arab Economic, Social and Development Summit.[20]

In light of such orientation, there is a need to revise and reform the mandates and mechanisms of existing regional institutions, including the regional development banks. Such reform should serve towards achieving stronger links between finance and the needs of the real economy.

In conclusion, governments in the Arab region should strengthen their co-ordination, enable citizens to participate in setting development priorities, and orient their social policies to reducing poverty in a sustainable and equitable way. The current convergence of crises presents an opportunity to revise outmoded policies and instigate action that will prevent the current crisis from becoming a human catastrophe in the region.

20 This includes implementation of agreed projects, such as the emergency programme on food security and programmes on common railways, water security, a common electricity project, limiting unemployment, implementing the Millennium Development Goals (MDGs) in the least developed countries in the region, and education and health care.

Europe's response to the global financial and economic crisis

To be a global player in the response to the crisis, Europe should advocate and work towards an inclusive partnership with all countries, not only the most powerful ones. It should ensure that the measures it puts in place seek to address the needs of all, particularly those most vulnerable to the effects of the crisis, both within Europe and in developing countries. These are the challenges of the new European Parliament and Commission whose mandate coincides with the period between now and 2015, the date for achieving the Millennium Development Goals.

Mirjam van Reisen
Europe External Policy Advisors (EEPA)
Simon Stocker, Louisa Vogiazides
Eurostep

Since the outset of the financial and economic crisis, the European Union has consistently presented itself as a key player in the global response to the crisis and in any reshaping of the global financial architecture. European leaders cite the EU's achievements of the past 50 years, and its commitment to social justice and solidarity to justify its leading position on the world stage. As Britain's Prime Minister Gordon Brown argued in the European Parliament on 24 March 2009, the EU is "uniquely placed" to take a lead in the effort to "build a truly global society sustainable for all, secure for all and fair to all". These words are echoed by other leaders, all of whom accept that the global financial crisis has social and human impacts in all parts of the world, not least in developing countries. Their responses, they say, will fully recognize the needs and realities of developing countries. What this means in practice is already being seen in the way that the EU and its Member State Governments are addressing the crisis and its impact. Despite the clear signs of the systemic failings of current approaches to promoting equitable and sustainable development, there is little sign so far of any commitment to seeking any real change.

Europe's position towards the global financial architecture

Europe's leaders readily recognize that there have been failures in the global financial system. It appears, however, that the measures they envisage to address these failures fall far short of a radical transformation of the system. While not all of the EU's leaders are part of the G-20, there is broad acceptance of the G-20's leadership in responding to the crisis. The measures adopted at the G-20 London Summit in April 2009 reflect the EU approach to addressing the economic crisis and reforming the global financial system in order to prevent future crises. These include the recommendation of USD 1.1 trillion in additional funds for the International Financial Institutions (IFIs), of which just a small proportion (USD 50 billion) was designated to "safeguard development in low-income countries." The USD 1.1 trillion comprises USD 750 billion to the IMF, USD 100 billion to the World Bank and USD 250 billion to shore up global trade. Europe's leaders, along with others in the G-20, agreed to inject some USD 5 trillion into their economies by the end of 2010 in order to boost their economies and safeguard employment.

The EU position certainly includes a commitment to strengthening financial supervision and regulation, with various levels of support going towards improved monitoring of credit rating agencies, the establishment of regulatory standards to end tax heavens and banking secrecy, the need for new accounting norms for placing bonuses under guardianship.

While some of these measures are welcome – as long as they are sufficiently comprehensive – they do not reflect a commitment to transforming the global financial architecture. On the contrary, they reflect a determination to maintain current structures and approaches intact, and restore stability through better management of current global economic and financial models. It is a response which seeks to ensure that control of any changes rests with the world's principal economic actors – which includes Europe. Since the G-20 membership is comprised of countries which have substantially gained from the current global system, there is little real incentive for fundamental transformation. And, since the global financial architecture has not only failed to tackle inequalities, but often increased them, there can be little confidence that maintaining the current model will bring the result that Gordon Brown and other European leaders claim.

A truly global and effective response to the crisis should not only involve the most powerful states and large emerging economies, but the global community as a whole, including all developing countries. As argued by the Commission of experts on reforms of the international monetary and financial system, chaired by the economist Joseph Stiglitz, "the welfare of developed and developing countries is mutually interdependent in an increasing integrated economy." Therefore, "without a truly inclusive response, recognizing the importance of all countries in the reform process, global economic stability cannot be restored, and economic growth, as well as poverty reduction worldwide will be threatened." [1]

Europe's lack of willingness to effectively include developing countries in the global effort to address the crisis is reflected in its commitment to the G-20 process rather than to other international fora, notably the United Nations. In general, Europe's approach has been to confine the role of the UN to addressing the impact of the crisis on developing countries. For European governments the G-20 is the forum in which any changes to the global system will best reflect their interests. The UN Conference on the World and Economic Crisis and its Impact on Development was a conference that most of them did not want.

This preference can also be seen in the lack of any real commitment by European leaders to increase the representation of developing countries in the structures of the IFIs. Despite their agreement, in the framework of the G-20, to allocate USD 750 billion to the IMF to help countries affected by the crisis, this has not been accompanied by a strong commitment to transform the governance system of the IFIs and address their democratic deficit. The G-20 Communiqué called for the reform of the IFI "mandates, scope and governance to reflect changes in the world economy and the new challenges of globalization", adding that "emerging and developing economies, including the poorest, should have a greater voice and representation". Its members reiterated their commitment to implement the package of voice reforms agreed by the IMF board in April 2008, and agreed that "the heads and senior leadership" of the IFIs should be appointed through an "open, transparent, and merit-based selection process". This is however, far from a commitment to changing the institution towards stronger representation and involvement of developing countries in decision-making.

The majority of public comments and proposals for IMF governance reform are raised by governments from regions of the world that have little real representation. European leaders have been arguing in favour of the status quo. Belgian Finance Minister Didier Reynders told a Reuters interviewer that "for the moment the representation around the table is attractive. European countries are having to finance the Fund very strongly, so we have to take into account the size of each country's participation in the Fund." In other words the principle that voting rights should reflect financial contributions should be retained. Changes in governance should only reflect changes in global wealth – if the emerging economies

1 The Commission of experts on reforms of the international monetary and financial system (2009). *Recommendations 19 March 2009*. Available from: <www.un.org/ga/president/63/letters/recommendationExperts200309.pdf>.

contribute financially they can have a say. The poor will remain excluded.

The European position on IMF governance as well as the role of the UN clearly indicates a desire to maintain the architecture of the global financial system almost intact. Governments are certainly using the opportunity to implement changes that strengthen their own economies' respective positions in the financial system, such those regarding tax havens and banking secrecy, which at the same time allow them to avoid more comprehensive change.

Social impacts of the crisis in Europe

Since its creation in 1957, the European Economic Community (EEC) has brought greater prosperity and improved living conditions to the majority of its citizens. Founded with the integration of the economies of Member States as a central objective, it has progressively evolved into a common European market, involving free flow of goods, services and people.[2]

Parallel to the growth of the market economy, the EEC sought to decrease economic inequalities among regions through subsidies and other forms of aid, promoting social justice and solidarity. European countries generally share a common vision of how to improve the welfare of their citizens; this vision, which has come to be known as the 'European Social Model' implies the promotion of full employment, decent work, equality of opportunities, universal social protection and social inclusion.

In recent years, increasing financial deregulation and privatization has put the European Social Model under threat. In this new paradigm the welfare of citizens is increasingly provided by the market rather than the State, resulting in a progressive retreat of the state from several social and economic spheres. Although the market economy has successfully contributed to improved living conditions for the majority of European citizens, it has also brought problems. This is well illustrated by the deregulation and privatization of the pension systems. To address the increased strains in the public pension system, many European states resorted to privatization and liberalization. Citizens were encouraged to rely more on private pension funds, which, in turn, depend on the vicissitudes of the market. Before the crisis, pension funds were doing well, as the value of their assets steadily increased. Collectively pension funds have become substantial players in the equity market. However, the current economic and financial crisis has substantially reduced the value of many pension funds, jeopardizing the future pensions of many Europeans.

The economic recession resulting from the crisis further threatens Europe's approach to social welfare. The EU has forecast a 4% recession in 2009 in the Euro zone and estimates indicate that 8.5 million people in the EU will lose their jobs in 2009-10. This translates into an unemployment rate of 11.5% in 2010, its highest level since the Second World War. The crisis also has a significant impact on public budgets. Public deficits in the Euro zone are expected to reach 5.3% in 2009 and 6.5% in 2010.[3]

What is Europe's response? From the outset of the crisis the European Commission and its Member States have taken a variety of measures to counter the effects of the economic downturn, largely through recovery plans and rescue packages. The bulk of these have focused on the financial sector. In April 2009 the EU indicated that the cost of measures approved by the Commission to support financial institutions amounts to an estimated EUR 3 trillion. This figure encompasses the overall amount of guarantees (up to EUR 2,3 trillion), recapitalization schemes (EUR 300 billion) and rescue and restructuring support for individual banks and financial institutions (about EUR 400 billion).[4]

The logic of support to the financial sector is that state guarantees and recapitalizations will allow banks to make more loans available, thus stimulating an increase in investment, which is expected to create and maintain jobs. It is by no means clear, however, that devoting such large amounts of public resources to support the banking system will serve the needs of the majority of citizens. There are many reasons for scepticism. First, banks are being funded and supported by contributions from taxpayers, who are themselves less secure due to the economic downturn. Second, most of the measures seek to increase the availability of credit, through the provision of EUR 2,3 trillion of state guarantees. With the same objective, the European Central Bank has lowered its interest rate to a historically low level of less than 1%. Yet loose credit policy helped create the conditions for the financial breakdown in the first place. It is ironic that taxpayers, many of whom are suffering heavily from the crisis, are providing money to failing institutions, and to many of the senior managers within them, that contributed to the collapse of the system.

The growing unemployment crisis argues that more emphasis be given to addressing the social impacts of the crisis. Measures to integrate those who are excluded from the labour market, invest in social and health services and improve social protection systems are needed. Yet the scale of the state-funded stimulus packages and the substantially increased public budget deficits of European governments severely reduce the ability to fund social welfare schemes and investments in social services, not just in the short term but for the foreseeable future.

One casualty of the crisis was an extraordinary European Council Meeting on employment that would have involved labour ministers of all EU Member States, replaced by a meeting of the so-called "social troika" (Czech Republic, Sweden and Spain), the EC and social partners. This "downgrading" of the employment summit was not seen as a positive message to those losing their jobs as a direct consequence of the crisis. As John Monks, President of the European Trade Union Confederation, stated, the renunciation "gives the impression that European policy-makers are not sufficiently concerned about unemployment."[5]

The crisis has triggered unexpected reactions among European policy makers. Those who were promoting unfettered free market policies before the crisis are now actively seeking to secure State bailouts. Competition Commissioner Neelie Kroes, known as a fervent promoter of free market policies, said that "the past six months have shown that State aid control plays a key role in tackling the challenges of the economic crisis in a coordinated way across Europe (…). The responsibility now lies with the financial sector to clean up their balance sheets and restructure to ensure a viable future".[6] In this framework, state intervention is no longer considered an obstacle to development and economic growth. On the contrary, it is largely agreed that States have the responsibility to address the current recession through active intervention in the market. This paradigm shift suggests that when benefits and growth are secure, the State is encouraged to retreat, while in recessions, State intervention is encouraged as the necessary solution. In other words, profits remain private and losses are socialized. This is in clear contradiction to the principles of social justice and solidarity based on the idea that profits and losses should be shared equally.

At another level, the crisis may have triggered increased "Europeanism". An EC poll from mid-January to mid-February 2009 indicates that nearly two-thirds of the EU population believed that Europeans would be better protected if Member States adopted a coordinated approach, while only 39% believed that existing coordination was sufficient.[7] This suggests broad agreement that cooperation at EU level is necessary to tackle the financial crisis.

Recent electoral results in Iceland suggest that feelings of greater Europeanism are not limited to EU citizens. After the country was nearly bankrupted, Icelanders elected by a wide margin a president who favours joining the EU. Commission President Barroso argues that acting alone, countries like Ireland, Britain, France or Germany have much fewer instruments to cope with the crisis than if they act together:

2 The EEC was created in 1957 to bring about economic integration (including a single market) among Belgium, France, Germany, Italy, Luxembourg and the Netherlands. It was enlarged later to include six additional states and, from 1967, its institutions also governed the European Coal and Steel Community (ECSC) and European Atomic Energy Community (EAEC or Euratom) under the term European Communities. When the European Union (EU) was created in 1993, the EEC was transformed into the European Community, one of the EU's three pillars, with EEC institutions continuing as those of the EU.

3 European Commission. *Economic forecasts Spring 2009*. Available from: <ec.europa.eu/economy_finance/publications/publication15048_en.pdf>.

4 European Commission (2009). *State Aid Scoreboard – Spring 2009* update. Available from: <ec.europa.eu/competition/state_aid/studies_reports/2009_spring_en.pdf>.

5 Anon. "Exit le sommet sur l'emploi". *Le Soir.* 21-22 March 2009, p. 17.

6 European Commission. *State aid: latest Scoreboard reviews Member States' action to fight economic crisis. 2009.* Available from: <europa.eu/rapid/pressReleasesAction.do?reference=IP/09/554&format=HTML&aged=0&language=EN&guiLanguage=en>.

7 European Parliament. *European Parliament Eurobarometer hears calls for coordinated EU action in fight against financial crisis. 2009.* Available from: <www.europarl.europa.eu/news/expert/infopress_page/042-54004-110-04-17-907-20090420IPR54003-20-04-2009-2009-false/default_en.htm>.

"I think that if there is some impact of the crisis on the attitude towards the Lisbon Treaty it would probably be in favour of the Lisbon Treaty".[8]

Europe's role in promoting development

The EU is also claiming leadership in efforts to mitigate the social effects of the crisis in developing countries. As EC President Barroso argued, "Europe has taken the lead in ensuring that the G-20 lays foundations for a fair and sustainable recovery for all, including developing countries".[9] However there is an asymmetry between EC measures to address the effects of the crisis internally and those to help developing countries to do so, as shown by the funds injected into European economies compared to funds available to help developing countries. This asymmetry is also seen in its support to the IMF, which has imposed strong conditionalities on loans to poor countries, preventing them from implementing counter-cyclical economic policies to address the crisis.

As export revenues, foreign investment flows and remittances fall sharply, developing countries are hard hit by the global financial and economic crisis. The World Bank estimates that developing countries may face a financing gap of USD 270 to USD 700 billion and as many as 53 million people are likely to fall into poverty in 2009.[10] Bank president Robert Zoellick, speaking in London on the eve of the G-20 meeting, said that an estimated "200,000 to 400,000 babies will die this year because of the drop in growth".[11] The UN estimates that funding necessary to mitigate the effects of the crisis might be as much as USD 1 trillion. Yet many developing countries have limited fiscal space to react to the crisis, making external support critical.

Although Europe recognizes that developing countries will face a crippling financing gap, its commitments to official development assistance (ODA) remains insufficient. With almost EUR 50 billion disbursed in 2008, aid volumes are meagre compared to resources injected into European economies to safeguard banks and boost growth. In April 2009, EU governments had committed EUR 3 trillion to support financial institutions through guarantees or cash injections. If this level of finance can be made available so quickly to support financial institutions, it is difficult to understand why European governments are unable to increase their aid budgets.

In May 2009, EU Member States confirmed their intention to meet their collective promise to allocate 0.56% of EU GNP in 2010 and 0.70% of EU GNI in 2015 in ODA.[12] Yet Italy, Ireland, Latvia and Estonia have already slashed their aid budgets as an outcome of the crisis.

> "When we look at the welfare state and social protection systems the capacity of the EU Member States to address the rising demand for social security varies greatly. Thus in some cases we have increased social and unemployment benefits, extension of coverage for unemployment as well as social benefits, tax rebates or exemptions for specific groups including pensioners. On the other hand, other States are cutting back benefits. Hungary is reducing subsidies and private sector wages, as well as cancelling pension expenditure plans, and Finland is also expecting a reduction in social service spending. To offset the effect on the labor market, some countries also try to pursue active employment policies by maintaining workers through flex time, but despite these efforts the effects are still very drastic."
>
> Verena Winkler *(Eurostep, Belgium)*

At the same time the EC has proposed speeding up aid delivery by "frontloading" a significant portion of financial transfers to developing countries, amounting to EUR 4.3 billion in 2009. This includes EUR 3 billion delivered in the form of budget support, EUR 800 million for the food facility and EUR 500 million through an ad hoc FLEX mechanism designed to help the most vulnerable countries. However, this would not consist of new finance, suggesting that if agreed, there would be less funding available in future years. In addition, Member States who will have to provide the resources are already resisting.

Parallel to their aid commitments, European countries have contributed some USD 100 billion to the USD 1.1 trillion extra money for the IFIs. The USD 50 billion provided to safeguard development in low-income countries does not appear to be accompanied by any greater flexibility in fiscal and monetary policies to access IMF loans. Despite the recent "modernization" of IMF conditionality policies, the same old recipes of tight fiscal discipline and cuts in government spending seem to apply. In that context the ability to invest in the social sector remains low.[13] Once again there is a clear contradiction between the counter-cyclical policies applied within Europe and the fiscal constraint imposed on developing countries.[14] If Europeans think that expansionary financial and monetary policies are the way out of the crisis, why do they promote the exact opposite policies in poorer countries?

The crisis, a means to further Europe's interest?

Another impact of the crisis on Europe's relation with developing countries appears to be the acceleration of controversial measures such as budget support and the conclusion of Economic Partnership Agreements (EPAs).

Budget support

Recognizing that poorer economies are in urgent need of external finance as a result of the crisis, the EC 'frontloading' proposals envisage increased use of budget support, including some EUR 500 million from the 10th European Development Fund to support African, Caribbean and Pacific (ACP) countries hardest hit by the crisis. The EC also indicated it would review ongoing budget support operations in most vulnerable countries in order to assess possibilities for frontloading disbursements. The Commission's argument in favour of budget support is that it is a quick impact instrument allowing long-term predictable financing for government expenditure including in social sectors such as education and health.

However, budget support raises a number of concerns. First, internal capacity and opportunity to monitor budgets and resource allocation, which is critical for democratic accountability, is lacking in most countries. The use of international accountancy firms to monitor implementation increases the tendency for budget support to increase governments' accountability externally, undermining internal "ownership" and democratic accountability through national parliaments. Second, the EC has identified a number of conditions that should be met before budget support is considered, including democracy and respect for human rights. However, studies of a number of budget support agreements find little evidence of any comprehensive assessment being made of these conditions being in place.[15] Finally, the EC includes budget support in its calculations to meet a legal requirement established on the insistence of the European Parliament to use 20% of its aid for basic health and education, even though the OECD/DAC, which manages the classification system of development aid, considers that budget support should be classified separately from allocations to the health and education sectors.

8 Smyth, J. "Crisis likely to favour Lisbon Yes – Barroso". *The Irish Times*, 8 May 2009. Available from: <www.irishtimes.com/newspaper/world/2009/0508/1224246132086.html>.

9 European Commission. *Commission first to act on G-20 with strategy to support developing countries*. 2009. Available from: <europa.eu/rapid/pressReleasesAction.do?reference=IP/09/550&format=HTML>.

10 World Bank News, 12 February 2009.

11 Eurodad. *Not much on offer for poor countries to counter the crisis*. 2009. Available from: <www.eurodad.org/whatsnew/articles.aspx?id=3599&LangType=1036>.

12 Council of the European Union, 18-19 May 2009, Press release. Available from: <www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/107921.pdf>

13 *Ibid.*

14 While transition countries such as Latvia and Romania are also obliged to seek IMF loans, they are in a better position to do so as the EC has raised a EUR 50 billion loan facility to help non-euro area European countries to cope with balance-of-payment facilities.

15 Alliance2015. "The EU's contribution to the Millennium Development Goals Poverty Eradication: From Rhetoric to Results?" Ed. EEPA, Brussels, September 2008.

EPAs

The establishment of Economic Partnership Agreements (EPAs), creating free trade regimes between the EU and ACP countries, is one of the major controversial elements of the Cotonou agreement. EPAs are intended to replace preferential trade agreements under the Lomé conventions which were held to be incompatible with WTO rules on barriers to trade. Originally EPAs were due to have been in place by the beginning of 2008, but in mid-2009 they remain a source of considerable contention.[16]

The EC has always portrayed EPAs as development agreements, a claim that their terms belie. First, they are likely to result in an important loss of custom tariffs for many ACP countries, for which the EU is often the main trade partner. Second, ACP countries often lack the infrastructure needed to compete in an open market economy. Aid for adjusting to EPAs or 'aid for trade' has been projected as an addition to the original financial envelope provided by the Commission, but analysis indicates that much of this will not be additional. Third, the inclusion of areas of trade on which there is no agreement, such as services and procurement, will open up areas of the economy of ACP countries to EU companies.

Despite these concerns, the EC argues that in the current crisis, EPAs will contribute to promoting economic growth and development in partner countries. João Aguiar Machado, one of the Commission's chief EPA negotiators, explains that the agreements would support development by creating a predictable trade environment which, in turn, would spur investment and create employment. In order to reassure distrusting ACP governments, Trade Commissioner Catherine Ashton recognized the need for greater flexibility in the negotiations and promised that the negotiation of full EPAs will reflect and respect the regional specificity of the parties to that agreement. However, in her speech to the Joint Parliamentary Assembly in Prague in April 2009, she expressed her wish that an agreement acceptable to all parties would be reached quickly and that all interim EPAs would be signed before the end of the current Commission in October 2009. With EPA negotiations having been deadlocked for so long, it seems that the urgency to address the effects of the financial and economic crisis is being used as an opportunity to accelerate the process and increase pressure on ACP governments to concede. ■

16 In June 2009, only the CARIFORUM countries (15 countries in the Caribbean) have signed a full EPA, and only Botswana, Cameroon, Ivory Cost, Lesotho and Swaziland have signed interim EPAs.

Panel on Indigenous Rights.

Peoples' Voices on the Crisis*

On 20 June 2009, at the Church of the Holy Trinity in New York, the "Peoples' Voices on the Crisis" initiative, brought together activists from over 30 civil society organizations, trade unions and grassroots groups on a local, national and international level to discuss the social and environmental consequences of the financial and economic crisis for working and unemployed women and men all over the world. At the event, advocates for social, economic, gender, labor and environmental rights offered testimonials on how the crisis is impacting local communities from Sudan to San Salvador to the South Bronx.

Miguel D´Escoto Brockmann at the Peoples' Voices event.

This forum was also an opportunity for civil society leaders to share ideas and experiences on how to construct a global movement with local roots that can push for a new economic system based on human rights and environmental sustainability.

"Peoples' Voices on the Crisis" was held in the context of the landmark UN Conference on the Financial and Economic Crisis and its Impacts on Development, which was the first truly multilateral forum to address the social impacts of the current financial meltdown. The keynote speaker of the "Peoples' Voices" event was Father Miguel D'Escoto Brockmann, President of the 63rd Session of the UN General Assembly, who welcomed civil society's support for the solutions to the crisis taking shape in the heart of the UN, and exhorted the participants to "inject a new spirit of responsibility and solidarity" with the people who are being disproportionately impacted by the crisis. The event concluded with a call by Social Watch Coordinator Roberto Bissio to advocate for reforms to the current global financial architecture that would help lift people out of poverty, instead of reinforcing current economic and social inequalities both within and across borders.

Disseminated throughout the Thematic Chapter of the Social Watch Report 2009 you have been reading key interventions from participants in this activity, together with some testimonials of the impact of the crisis in ordinary people the Social Watch network gathered in countries of the South. ■

* "Peoples' Voices on the Crisis" endorsing organizations: Social Watch, Eurostep, LDC Watch, Institute for Policy Studies, Global Policy Forum, Center of Concern, ESCR-Net, Institute for Agriculture and Trade Policy, Global-Local Links Project, Jubilee USA Network, Jubilee South, GCAP Feminist Task Force, Alliance for Responsible Trade, Women's Environment and Development Organization, International Council for Adult Education, UN Non-Governmental Liaison Service, Global Action on Aging, Latindadd, US Human Rights Network, CONGO Social Development Committee, Sub-Committee on the Eradication of Poverty, Hemispheric Social Alliance, Womens' Working Group on Financing for Development, Medical Mission Sisters International, World Federation of United Nations Associations, International Youth and Student Movement for the United Nations, Enlazando Alternativas, Transnational Institute, Our World Is Not For Sale Network.
Video clips from "Peoples' Voices on the Crisis" are available from the Social Watch YouTube channel: <www.youtube.com/SocWatch>.