

GLOBAL GOVERNANCE

a support for globalisation,
free trade and global institutions



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free trade and global institutions

THE SOCIAL DIMENSION
TRADE
DEVELOPMENT
FINANCIAL STABILITY
THE ENVIRONMENT

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In this document, the Confederation of Norwegian Business and Industry (NHO) describes some salient characteristics of trends related to globalisation. NHO supports the global market economy, free trade and democratisation throughout the world. According to NHO, these factors are fundamental for combating poverty. NHO supports strengthening today's global institutions in the areas of trade, social affairs, development policy and finance. At the same time, NHO would like to see the emergence of a stronger environmental pillar at the global level.

The global community faces immense challenges: The spread of dangerous diseases, limited access to clean water, the fight against pollution and greenhouse gases, the integration of developing countries into the global economy, the war on international terrorism and crime, the migration of refugees, the war on poverty, the burden of debt and the democratisation of totalitarian regimes.

NHO does not aspire to provide answers to all these global challenges within the confines of this document. The solution requires rigorous, concerted, long-term efforts, employing a wide variety of policy instruments at the national, regional and global levels.

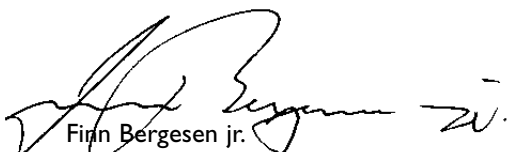
Industry can contribute to a better world in several ways, partly through its own activities and the positive ramifications of trade and the establishment of new businesses and investment, partly by being a partner in the authorities' development co-operation work, and partly by seeking to establish more and better global guidelines.

This document focuses on some of today's most important global institutions and their impact on the interests of business and industry.

We need a WTO (World Trade Organization) that is able to make global trade regulations. We need a World Bank whose vision is to eliminate world poverty. We need an IMF (International Monetary Fund) that can help optimise stability in world monetary and financial markets. We need an ILO (International Labour Organisation) that strives to establish and protect standards for democracy in the workplace and workers' rights the world over.

The previous government of Norway initiated a globalisation project. Several groups are currently making studies. The authorities have set up a dialogue forum on global challenges. There are plans for a White Paper on the challenges of globalisation. This NHO document is intended to contribute to the authorities' efforts in this field.

Oslo, 8 January 2002
Confederation of Norwegian Business and Industry



Finn Bergesen jr.
Director General

■ Stock-taking

The situation is getting better – not worse

Less poverty – but still tremendous inequality

- Between 1965 and 1998, the average citizen of the world almost doubled his annual income, from USD 2497 to USD 4839, adjusted for purchasing power and monetary value. Average income in developing countries almost doubled in real monetary value between 1975 and 1998, from USD 1300 to USD 2500 (1985-value, adjusted for purchasing power) (UNDP Report 2001). The most affluent 20 per cent of the world's populace increased its average income by 75 per cent, while the poorest 20 per cent increased its income by more than 100 per cent. Some 20 countries, including densely populated countries in Asia, are catching up to the most prosperous countries. This has resulted in a tendency towards global equalisation over the past 40 years. This trend was particularly pronounced in the 1990s. (NUPI, Melchior, Telle & Wiig, 2000). Notwithstanding, it is regrettable that a large number of developing countries, especially the poorest ones, have not yet benefited from globalisation. According to the World Bank, there are still 2.8 billion people living on less than USD 2 per day. Of the 1.2 billion living on less than USD 1 per day, 24 per cent live in sub-Saharan Africa and 44 per cent live in southern Asia, while the remaining 23 per cent live in eastern Asia and the Pacific Rim region. (World Bank, Report 2000/2001)
- According to the UNDP, world poverty abated more during the past 50 years than during all of the 500 years before that.
The Human Development Index, which measures various aspects of affluence such as income, education and life expectancy, has increased in the majority of countries, but most in the poor countries. East Asia and the Pacific Rim region have made strong progress in a number of areas, but Southern Asia and sub-Saharan Africa lag far behind other regions. Although Arab countries have made the most rapid advances, they still lag behind
- The number of **extremely poor people** (less than USD 1 per day) decreased from about 1.3 billion to roughly 1.2 billion between 1990 and 1998. Inasmuch as the world's population has expanded rapidly, the percentage of extremely poor people decreased from 29.3 per cent to 24.3 per cent, according to the World Bank.
- **The percentage of poor people can be reduced by half** by 2015, if only economic growth can be achieved, asserts the World Bank. Many of the world's poor people live in China and India. Hence, development is crucial in these countries. The economies of both countries have been de-regulated over the past 20 years. China's average growth rate has exceeded 8 per cent for the past 2 decades, and its GDP has more than quadrupled. 500 million Chinese have escaped the fetters of acute poverty. Meanwhile, inequality is on the rise in China. In India, the states most open to reform and de-regulation have seen the most rapid reduction in poverty.
- **Where prosperity has increased most rapidly, poverty has decreased most.** Six in 10 Asians were extremely poor in 1975, but the figure is less than 2 in 10 today (OECD, 1998, Open Markets Matter). From 1975 to 1999, per capita income quadrupled in East Asia and the Pacific Rim owing to an average economic growth rate of 6 per cent. This area is home to 31 per cent of the world's population. During the same period, the growth rate in Southern Asia (23 per cent of the population) was about 2 per cent, the

Reduced poverty

All in all, people live longer today, are in better health, have more education and earn more income. However, progress has varied considerably, and there are still very large regional differences (UNDP, Report 2001).

same as in the OECD (19 per cent of the population). China grew by 8 per cent annually throughout the period, while India saw 3.2 per cent annual growth. In the 1960s, South Korea was as poor as Bangladesh. Soon to reach the European level, South Korea is now the world's tenth largest economy. The growth rate in Arab countries and Latin America has been about 1 per cent per year during the period, while sub-Saharan Africa has seen a negative growth rate of -1 per cent per year.

- The average **life expectancy** in developing countries was 30 in the early 1900s. By 1960, it had increased to 46. By 1998, it had risen to 65. The average life expectancy is 78 years in the OECD area. The gap in life expectancy between industrialised and developing countries has narrowed from 1960 to today, increasing in developing countries from 60 per cent to more than 80 per cent of the life expectancy in affluent countries (UNDP). However, the average life expectancy has dropped to less than 50 years in several African countries hard hit by HIV/AIDS.
- **Infant mortality** has dropped sharply in developing countries, from 18 per cent in 1950 to roughly 6 per cent in 1995, according to UNDP. But the figure is still far too high, for example, 20 per cent of all the children born die before the age of 5 in the poorest countries.
- In 1970, 37 per cent of the population in developing countries suffered from **famine** – today the figure is just 18 per cent. The global population is larger than ever before, and the availability of food has never been better. The number of people suffering from famine has diminished on every continent except for Africa, where the number has increased, but the percentage of Africa's population has remained relatively constant (34-33 per cent).
- Global **food production** has doubled world-wide over the past 50 years and tripled in developing countries. **The prices** of wheat, maize and rice have diminished significantly. Global food prices have been reduced by half since the 1980s. The incidence of major famines has diminished. Famines have never occurred in democracies, only in totalitarian states.
- **Illiteracy** is declining. In the 1950s, 70 per cent of the inhabitants of developing countries were illiterate. Today, the percentage has dropped to 25-30 per cent. However, there are still some 850 million illiterate adults (of whom, more than 540 million women) in developing countries. (UNDP, Report 2001)

A more democratic world – but still a long way to go

- Democracy, general enfranchisement and freedom of expression have never been as firmly anchored as they are today. Just 100 years ago, there was no country that granted general voting rights for all, and women were forced to remain outside the political process. Just 100 years ago, one-third of the world's population was governed by colonial powers.
- Over the past 10 years, more than 100 developing and transitional countries abolished military or one-party regimes and instituted political elections. Democratic reform processes are gaining momentum and more countries respect human rights now than before. There has been a dramatic rise in the number of human rights conventions ratified over the past 10 years. (UNDP, Report 2001)
- About 120 countries with a population of about 3.5 billion (60 per cent of the world's population) are democratic and have a multi-party system with general voting rights. (Freedom House, 2001)
- About 80 countries with approximately 2.5 billion people, or roughly 40 per cent of the Earth's population, have completely democratic societies with civil rights that guarantee legal protection, freedom of expression and an active opposition. This percentage has never been greater. (Freedom House, 2001)
- Basic human rights are violated in many countries. Regimes like those in Afghanistan, Burma (Myanmar), Iraq, Libya, North Korea, the Sudan, Syria and Turkmenistan are among the worst. They are also among the countries least influenced by globalisation and least geared to the market economy. (Freedom House, 2001)
- The oppression of women is still a formidable problem in many countries. Women have no place in political processes; women are not allowed employment; women cannot decide who to marry or divorce; women are abused and women do not receive education. Globalisation ensures that cultural contact and the exchange of ideas go hand in hand with trade in goods and services. Women can pose demands and get a glimpse of how other women live. On a world-wide basis, more women are working today than ever before. Studies show that respect for women's rights is closely linked to their opportunity to find employment outside the home.
- From 1987 to 1997, more than 85 per cent of the wars in the world were civil wars. Fourteen were in Africa, 14 in Asia and 1 in Europe. Ninety per cent of the fatalities were civilians. In Cambodia, 1.7 million people were killed. In Rwanda, the number was 800,000. In addition to causing fatalities, wars destroy infrastructure and financial, social and political conditions in a country, subjecting individuals to severe psychological and social traumas (World Bank).
- The scope of poverty, disease, wars and conflicts in the world is unacceptable, not least on the continent of Africa and in central Asia. One major challenge is to contribute to economic growth, and thus help pave the way for favourable social, environmental and economic development in these areas as well.

A more democratic world

Violations of human rights

The oppression of women

Wars and conflicts

Developing countries' share of world trade climbed from about 20 per cent in the 1970s to roughly 33 per cent in 2001 (WTO).

■ Barriers to participation in the global economy

Participation in the global economy is not an option for all countries. There are still a number of barriers that prevent or make it difficult for many developing countries to benefit from the global economy.

Inadequate institutions

- Many countries have not yet managed to create a market economy and the institutions this entails. The institutions required for a market economy to work are weak or not in place at all in many developing countries. Such institutions are required to ensure legal protection for individuals and enterprises. Countries need to have an independent judicial system, to guarantee private ownership and law of contract, to combat corruption, to pursue a sound macroeconomic policy and to ensure a competitive market.

Insufficient capital

- Many developing countries lack capital. It is, however, decisive that the countries have a judicial system that guarantees private ownership and free law of contract, and an independent legal system that can protect property and contracts. It is also decisive that the countries have a companies' act and an equity/securities system. Once this is in place, countries can generate national capital and attract foreign capital. Today, many developing countries have numerous assets that are "dead capital" because the countries do not have legal regulations in place. A study (de Soto, 2000) estimated this "dead" capital to be worth USD 9.5 trillion.

Inadequate technology

- Many countries are excluded by a lack of technology. And the technology gap is likely to increase. Many countries left behind in terms of technology lack adequate educational systems. Accordingly, they also lack a skilled labour force that can attract investment and thus technology. The UN has taken an important initiative to promote the use of information and communications technology (ICT) in developing countries.

Inadequate market access

- Many developing countries encounter serious trade barriers for their industrial and agricultural products alike. A study performed by the World Bank indicates that average duties are four times as high for developing countries as for industrialised countries. According to UNCTAD, additional costs or the resultant losses for developing countries will amount to USD 7-800 billion by 2005. Each year, OECD countries spend USD 327 billion on agricultural protection measures. This is three times as high as all public aid to developing countries and is equivalent to two-thirds of Africa's aggregate annual GDP. It would not be right to say there is free trade between North and South today. Debt relief measures and foreign aid will have little effect as long as developing countries are denied better access to affluent markets. Many developing countries still have high trade barriers themselves. On a global basis, trade barriers are highest between developing countries, inhibiting economic integration that could promote mutual progress.

■ The advantages of globalisation

Countries that aspire to benefit from globalisation must strive to achieve an open economy and build up national institutions that can support a market economy.

From NHO's point of view, globalisation basically offers the following advantages:

- **More countries get involved in trade and production.**
This applies to low income countries in particular.
- **Globalisation promotes greater political and economic freedom in the world.** The world's most closed, undemocratic regimes are not particularly "globalised" .
- **Globalisation can help countries institute financial, legal and institutional reforms with a view to establishing a sustainable market economy.**
- **Free trade promotes economic growth and added value, reducing poverty and improving working conditions.**
- **Free trade helps ensure a more equitable division of labour between countries, based on their respective comparative advantages.**
- **Consumers will benefit from more freedom of choice by enjoying better, more reasonably priced products and services.**
- **Higher direct investment leads to more than just capital and jobs. Contacts, training, technological expertise and modern governance and management principles can also be invaluable contributions to a host country.**

Direct investment increased by a factor of 22 from 1982 to 2000, i.e. from USD 57 billion to USD 1271 billion (UNCTAD).

■ The challenges of globalisation

- Keener competition and more geographical freedom for businesses can precipitate major structural changes in industry and the economy, affecting employment and labour market restructuring in the various countries.
- More economic integration, featuring freer movement of capital, could cause financial and economic crises in one country to spread to other countries.
- In isolation, more cross-border trade would call for more transport, exacerbating environmental burdens.
- A globalisation process that does not include the poorest countries could intensify the differences between the richest and very poorest countries. More open trade and development co-operation may improve opportunities for the poorest countries, but their own ability and determination to achieve economic development are decisive.

■ Global institutions' objectives and responsibilities

The organised protest against globalisation actually began with the WTO ministerial conference in Seattle in December 1999. This has since become a well-known pattern at international summits under the auspices of the World Bank, the IMF, the EU or G-8. The protest movement itself relies on globalisation's best-known technology to organise: The Internet.

NHO does not share the fundamental criticism raised by representatives of the protest movement. NHO's point of departure is that we need today's international institutions. They were established by the governments of democratic countries. Although all countries are not democracies by western standards, it is essential that non-democratic countries also participate in global institutions. Such institutions are governed by their members and based on State-to-State co-operation. That being said, the institutions can be improved to meet the challenges of today and tomorrow by attaching more importance to transparency and dialogue with the civil society. The majority of the dialogues must, however, take place at the national level with the relevant national authorities.

There should be a division of responsibilities among the various institutions. When establishing global guidelines for trade or for promoting basic workers' rights, the former task is the purview of the WTO's terms of reference and competence, while the social dimension of the global agenda falls to the ILO, along with the World Health Organisation and other UN agencies. It is essential that responsibilities outside an institution's terms of reference or competence not be imposed on the institution, as it might lead to conflicting roles and inefficient solutions. On the other hand, there should be closer collaboration between global institutions since many issues are related. There should also be better national co-ordination between various ministries' international commitments.

Global integration means that international co-operation will gain importance in most areas of politics. Recent years have brought a rapidly spiralling pace of development in international collaboration in response to global challenges:

- A number of international environmental agreements have been established.
- Measures have been developed to combat tax havens and money laundering.
- In the financial markets, several organisations are designing measures to reduce the risk associated with short-term movements of capital, and to promote stricter regulation of offshore markets.
- The World Bank and the International Monetary Fund have modified their policies to focus more intently on poverty reduction.
- New debt relief measures have been instituted for poor countries.
- International regulations have been established to protect patents and technology.
- Co-operation has improved health and environmental regulations for international trade.
- On their own initiative, enterprises have acknowledged and instituted CSR measures (Corporate Social Responsibility)

The institutions must be:

- Legitimate and accountable
- Efficient and result-oriented
- Open and reliable
- Not suffer from inherent conflicts
– co-ordination is essential

No global organisation alone can solve all the challenges related to globalisation.

Recent years have seen a shift in the political tide in several areas. Compared with the politics that prevailed in the early 1990s, more emphasis is now attached to poverty reduction, fiscal regulation and the importance of institutions for economic development. The measures mentioned above were instituted by international organisations such as the WTO, OECD, IMF, World Bank and others.

Paradoxically, the organisations working to address the challenges of globalisation have become the foremost targets of the criticism against globalisation. It is mainly these institutions that make it possible to formulate a response to globalisation.

Established in 1919
175 member states
Budget: NOK 2.5 billion (2001)
Secretariat: 2500 employees
Headquarters in Geneva and 40 regional offices

"The most important goal for the ILO today is to ensure jobs for women and men under decent conditions such as freedom, equality and safety at work" (Juan Somavia, Director General, ILO).

■ The social policy pillar

ILO (International Labour Organisation) The UN's watchdog for working life

The International Labour Organisation is mainly responsible for promoting social justice, human rights and fundamental workers' rights among its members. It consists of tripartite consultation between governments, trade unions and employers, all working together to draw up binding conventions or recommendations. As of year-end 2000, ILO had adopted 183 conventions and 191 recommendations. The conventions are designed to be adapted to the legislation in the individual member states. Norway has ratified 105 of the conventions.

ILO's 8 key conventions:

(Core labour standards)

1. The Suppression of Forced Labour
2. Freedom of Association and Protection of the Right to Organise
3. Right to Organise and Collective Bargaining
4. Equality. Equal Remuneration for Men and Women for Work of Equal Value
5. Abolition of Forced Labour. Abolition of punishment for the expression of political views and for participation in strikes
6. Anti-discrimination in Respect of Employment and Occupation on Grounds of Race, Colour, Gender, Religion, Political Opinion or Social Origin.
7. Prohibition of Child Labour. Minimum Age for Admission to Employment (14/15 years). No employment prior to the age of completion of compulsory schooling
8. The Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

Member states are required to file annual reports on the fulfilment of the core conventions, regardless of whether or not they have ratified them. ILO's board of directors or member states can lodge complaints against members that do not follow up their ratifications. Investigatory bodies may be appointed.

Main challenges:

- Inadequate compliance with conventions;
- 250 million children in the workforce; in Africa, nearly half the children between 5 and 14 are in employment;
- 1.1 million people die on the job each year;
- 160 million people are unemployed;
- Ensure people a job and decent work.

NHO maintains that:

- **The ILO is the competent body to lay down standards and promote respect for the core labour standards.**
- **The ILO ought to intensify its efforts to improve compliance with the core conventions. The surveillance mechanism and follow-up procedures can be improved.**
- **The ILO's working group on the social dimension of globalisation should be given more responsibility.**
- **Professional and technical assistance to developing countries should be increased.**
- **The ILO should be the central organisation for a dialogue forum on core labour standards where governments, the civil society and the social partners can work together with other international organisations such as UNCTAD, the World Bank, OECD and WTO.**
- **Work with private, market-based initiatives to improve the core labour standards should be supported and encouraged. It is especially important that enterprises develop policies that devote attention to Corporate Social Responsibility. NHO will continue to play an active role in this field. NHO also supports the emergence of "social accountability" , cf. SA 8000, to document that an enterprise fulfils the ILO's core conventions in its production processes and corporate behaviour. One major challenge is related to the verification and certification of such private seals of approval.**

NHO supports the OECD's new guidelines for multinational corporations. NHO was actively involved in drawing up these guidelines.

Established in 1995

Founded in response to the GATT negotiations from 1986 to 1994 (the Uruguay Round) (GATT has existed since 1948.)

143 member states (as of December 2001). One country = one vote. Decisions are made by consensus

Budget: MNOK 675 (2000)

Secretariat: 500 employees in Geneva

■ The trade policy pillar

WTO (World Trade Organisation)

Lays down global trade regulations

The WTO is an international organisation that lays down international trade regulations. The WTO regulations are embodied in the WTO Agreement. The regulations contain many types of underlying agreements that cover trade in industrial goods, agricultural products and services. Moreover, there is an agreement that covers the protection of intellectual property rights.

The WTO's main objective is to lay down regulations that allow trade between countries to function as smoothly as possible as long as there are no adverse ramifications. The core of the WTO's work is hence gradually to reduce trade barriers and to devise regulations that guarantee insight, transparency and predictability. Predictability can be attained by making countries' commitments binding. The WTO is also responsible for resolving trade disputes that arise between member states.

The WTO is based on the principle of **non-discriminatory trade**.

The main principle is that a country should not discriminate between its trading partners. All countries should be accorded Most Favoured Nation (MFN) status. Regional free trade agreements are the exception. The second main principle is to treat imported and locally-produced goods equally once the imported items have crossed the border and arrived on the national market (so-called National Treatment).

WTO's purview:

- Administer the WTO's system of agreements
- Forum for trade negotiations
- Resolution of disputes
- Monitoring of national trade policy
- Technical assistance and training for developing countries
- Collaboration with other international organisations

Main challenges:

- New round of negotiations in the WTO
- Better market access for developing countries
- Improve existing regulations
- Make new regulations in new fields (investments, competition policy)
- Ensure transparency and dialogue with the civil society

The WTO has not pressured developing countries to de-regulate overnight. According to the WTO Agreement, some developing countries that have belonged to the WTO for several decades are entitled to charge duties of more than 50 per cent. In other areas, the problem is not that the WTO is moving too quickly, but too slowly. Africa's problem is hardly "too much globalisation". On the contrary, these countries evidently have too little trade and do not enjoy sufficient investments. As the situation in Asia has shown, global integration can be an important tool for promoting progress.

NHO maintains that:

- **Freer world trade is a powerful stimulus to economic development, prosperity and poverty reduction in many developing countries.**
- **A broad-based new round of negotiations would benefit all WTO member states, not least the developing countries. Developing countries require more access to markets in affluent countries. The de-regulation of trade between developing countries will be crucial to a new round of negotiations. WTO's ministerial declaration from Doha, Qatar, marked a major breakthrough for a development-orientated agenda.**
- **With China and perhaps also Russia as members, the WTO will become a genuinely global organisation, covering 98 per cent of world trade. The WTO's principle of non-discriminatory trade is fundamental.**
- **The WTO may create opportunities for developing countries, but it will be incumbent upon each country to take advantage of the framework the WTO provides.**
- **The WTO ought to increase its professional and technical assistance to developing countries, establishing a regular scheme, then integrating it into the WTO's ordinary budget.**
- **Globalisation calls for the WTO to be developed in depth through reduced trade barriers and modified regulations, and in scope through new regulations in important fields such as the simplification of trade, investments and competition policy. The WTO should not put the issue of core labour standards on its negotiating agenda. That issue is primarily the responsibility of the ILO.**
- **The dialogue with the civil society can be improved further, but the WTO should be continued as State-to-State co-operation between governments. The WTO should organise regular symposia and provide rapid direct information to interested parties. The most important contact between special interest organisations (NGOs – non-governmental organisations) and the WTO on trade policy must, however, take place with the national authorities. The same applies with a view to national parliaments.**

Despite its vast range of activities, the WTO is a small organisation with no more than a hundred or so employees. Accordingly, NHO is of the opinion that the WTO should be reinforced as an organisation by hiring more employees and being allocated a more generous budget for the performance of its duties.

Established in 1944
183 member states
Secretariat: 10 600 employees in Washington, DC, and 100 national offices
Lending: NOK 140 billion annually to more than 100 developing countries
The World Bank Group is composed of five organisations

- IBRD – The International Bank of Reconstruction and Development furnishes loans and provides development co-operation for middle-income and creditworthy poor countries.
- IDA – The International Development Association provides interest-free, long-term (35-40 year) loans to improve the quality of life in the poorest countries. 79 countries with 2.3 billion people qualify for loans from the IDA today.
- IFC – The International Finance Corporation grants loan and furnishes equity for private sector investments in developing countries.
- MIGA – The Multilateral Investment Guarantee Fund provides investment guarantees against non-commercial risk involved when investing in developing countries.
- ICSID – The International Centre for the Settlement of Investment Disputes helps resolve disputes between states and private investors.

The World Bank's vision:
"Our dream is a world free of poverty"

■ The development policy pillar

World Bank **The war on poverty**

For several decades, the World Bank has played an important role by furnishing loans to poor countries. The World Bank's role has changed in recent years as its private loans to developing countries have far outstripped its contributions. The World Bank has faced up to the challenge by re-directing its policy more towards poverty-related issues, and by broadening its political focus to include human rights, problems of governance and the environment. The Bank is the target of criticism from several quarters; while some claim that private markets can take over a large part of the Bank's role and that its political focus has become overly broad and diffuse, others argue that the Bank ought to go even further.

Challenges:

- Implement good, worthwhile projects in developing countries.
- Implement the debt relief programme under the IDA – for the poorest countries (HIPC – Heavily Indebted Poor Countries). 14 countries have received debt relief of NOK 123 billion, of which NOK 35 billion from the IDA and the rest of the creditor countries. Full implementation for all relevant countries would require forgiving NOK 440 billion in debts for the remaining 32 countries.

NHO maintains that:

- **The World Bank is an important, decisive institution that merits support.**
- **The debt relief programme merits support. It is important that debt relief leads to favourable trends in the countries in question. Accordingly, reforms must include debt relief clauses.**

■ The financial policy pillar

IMF (International Monetary Fund)

Promotes stability in monetary and financial markets

The International Monetary Fund was established in the post-World War II era to avoid a repetition of the many financial crises of the 1930s. The IMF was to strive to increase financial stability and promote international trade and economic growth.

The IMF

- monitors member countries' monetary policy, economies and finances (reports and consultations), providing advice and guidance on the formulation of economic policy;
- provides loans to countries with repayment problems;
- provides professional and technical assistance with a view to monetary policy, macroeconomic policy, tax policy, etc.

Challenges:

- Create a global financial architecture that facilitates stable foreign exchange markets
- Help countries in crisis get on a healthy economic track
- Give sound, worthwhile advice to individual countries in crisis

In the 1990s, the IMF provided large loans to Mexico, Thailand, South Korea, Indonesia, Russia and Brazil, among others. Lately, large loans have been granted to both Argentina and Turkey. Ordinary industrialised countries have not been granted loans since the 1970s.

Given that international currency and capital movements amount to many trillions of NOK every day, the need for international financial co-ordination has grown exponentially. The Asian crisis, in addition to other financial crises in individual countries and financial enterprises, has led to more intent focus on the regulation of financial markets. In addition to the International Monetary Fund, a number of other organisations, several of them new, play an important role.

- The Basel Committee recently proposed new capital adequacy requirements for banks that would take the banks' risks into account more fully.
- Other standards for financial regulation have been proposed by the Basel Committee as well as the FSF (Financial Stability Forum) and other organisations.
- Measures aimed at offshore finance and money laundering respectively have been initiated by the FSF and FATS (Financial Action Task Force on Money Laundering). The OECD's measures to combat tax competition, tax havens and corruption also have implications for the international financial system.

Established in 1946
183 member states
Weighted voting based on financial strength
Secretariat: 2600 employees in Washington, DC
The governor of Norges Bank represents Norway in the IMF

NHO maintains that:

- **The world needs an institution like the IMF. It performs an important function by contributing to foreign exchange stability. It provides valuable technical assistance, assists countries with loans and gives advice in acute payment crises. NHO maintains that globalisation and the integration of international financial markets are generally favourable trends. However, positive steps must be taken to strengthen the global financial architecture.**
- **It would not be realistic to impose a tax on foreign exchange transactions, nor would such a tax prevent instability on foreign exchange markets. National financial crises may be ascribable to many factors, not least to fundamental underlying financial conditions in the individual countries or to feeble regulations associated with the financial sector. Crises are often triggered by a lack of trust in the economy.**
- **It is vital to build up the IMF's role so that serious crises that can upset the world economy or other financial crises are dispelled, prevented or quelled in advance.**
- **Making a country's foreign exchange regime more robust requires greater transparency in terms of economic development. This calls for better statistics, information and the use of generally accepted standards for accounting and handling bankruptcies.**
 - **The financial sector must be reinforced through better regulation and the inspection of banks and other financial institutions. The de-regulation of the flow of capital must take place in the right order: first, the long-term movements of capital (direct investments), then the short-term (securities investments, bank loans, bank deposits).**
 - **The countries that have received advice from the IMF prove there is no universal panacea (one-size fits all) for economic problems. The development of a market economy must take account of individual countries' historic point of departure and traditions.**
 - **NHO supports the trend towards a more stable financial system. Further efforts must be made, and many challenges remain to be resolved. Discussions should be held in the broadest possible fora to determine how measures should be formulated. For instance, some of the most important standards are adopted in fora where Norway is not a member, and where developing countries have no presence at all.**

■ The environmental policy pillar

With a view to trade in goods and services, the WTO agreements allow countries the right to stipulate for themselves the desired level of their national standards for health, safety and the environment. In a world that applies ever more stringent requirements to the environment and health, international co-operation is essential to prevent individual countries from using environmental considerations for trade policy purposes. Developing countries are justifiably concerned about this.

However, as trade regulations are not very effective for resolving such challenges, the WTO is not the right tool to solve the broader environmental problems facing the world. The most effective way of solving environmental problems is to implement targeted measures through international environmental agreements. Over time, many such agreements have been signed. According to the UN Environmental Programme (UNEP), there are at least 500 environmental agreements in existence today, 323 of which are regional agreements. Nearly 60 per cent, or more than 300 agreements, have been concluded since 1972. For example, there are important environmental agreements associated with the convention on biological diversity, the Kyoto convention on climate, the Basel convention on the transport of hazardous substances, the Vienna convention on the protection of the ozone layer and a number of conventions related to chemicals. These conventions have been negotiated separately and have the meetings of the Conference of the Parties as their supreme governing body.

Under the auspices of UNEP, a multi-lateral negotiating process was initiated in spring 2001 to invigorate global co-ordination and management of environmental challenges (International Environmental Governance). A proposal will be presented to the next meeting of ministers of the environment in February 2002 (Global Ministerial Environment Forum). The goal is to draft some recommendations for the UN's summit on sustainable development in Johannesburg in autumn 2002 (Rio+10 – World).

Today's environmental systems are distinguished by the following characteristics:

- UNEP is weak and lacks resources. The UN agency's status is that of an assistance programme. Only 56 members contribute to the financing. The secretariat has 3-400 employees and a budget of USD 120 million over two years. Sixteen countries contribute 90 per cent of the funding. The Board consists of selected ministers of the environment.
- The various types of international environmental agreements are extremely fragmented. Each has its own management structures, secretariats, advisory bodies, financial mechanisms, meetings and work programmes. This is exceptionally resource-intensive in terms of travel, meetings and negotiations.
- There is a lack of co-ordination between related international environmental agreements.
- There is a lack of capacity to examine the enforcement of the environmental agreements.

There are about 500 international environmental agreements in existence today. The overall impression is one of fragmentation, a lack of co-ordination and no consistent uniform administration.

UNEP must be developed into a global environmental organisation.

NHO maintains that:

- **Today's global environmental system is inefficient and resource-intensive.**
- **UNEP ought to be reinforced both institutionally and financially speaking. More countries ought to take part in UNEP's efforts.**
- **Norway's MNOK 15 contribution to UNEP is inadequate and ought to be increased significantly.**
- **In the long term, Norway should be open to the idea of UNEP developing into a global environmental organisation. A World Environmental Organisation ought to have environmental expertise and be a forum for the world's ministers of the environment. Consideration should be given to whether core environmental conventions can be dealt with by a global environmental organisation.**
- **Related environmental agreements should be linked together (clustered) with a view to establishing joint procedures, meetings and work programmes, for example, to increase synergies in respect of research. This may, for instance, refer to conventions related to biological diversity, to the protection of the atmosphere, to chemicals, or to the protection of marine resources.**
- **Industry itself can also contribute to sustainable development by supporting measures in the markets on which they operate or by influencing the way in which markets work. Enterprises can contribute in the following manner:**
 - **Invest in innovation that can improve the quality of products and services.**
 - **Attach importance to 'green' solutions that decrease pollution.**
 - **Enter into a dialogue and partnerships with "stakeholders" such as the authorities and the civil society.**
 - **Give consumers an informed choice of the most environment-friendly products and solutions.**
 - **Influence the general conditions under which enterprises operate to promote sustainable solutions (abolish dangerous subsidies, fight corruption and prevent monopolies).**
 - **The environment must be assigned a market price to prevent waste and avoid the incorrect application of resources. There must be policy instruments that promote development and encourage enterprises to strive for continuous environmental enhancement.**



