

The Church and Economic Globalisation

The Commission on International Affairs
Church of Norway Council on Ecumenical and International Relations

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The Commission on International Affairs “shall in particular focus its activities on the socio-ethical issues Church of Norway faces in all ecumenical relations in Norway and internationally” (from the mandate). The Commission regularly issues statements on international and national affairs.

The Commission mandated a group consisting of three people to write the study “The Church and Economic Globalisation”: Raag Rolfsen (leader of the Commission), Gard Lindseth (Advisor on international affairs in Church of Norway) and Helene Hoggen (Advisor on economic justice in Norwegian Church Aid)

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Preface

“How does God’s love abide in anyone who has the world’s goods and sees a brother or sister in need and yet refuses help?” (1. John 3,17)

We live in a world with a very unjust and unequal distribution of resources. The poverty in the world will always challenge the church. In the report “The Church and Economic Globalisation”, that you presently hold in your hands, global injustice is discussed in the light of economic globalisation. The report has been written by a work group established by the Commission on International Affairs (KISP) placed under the Church of Norway Council on Ecumenical and International Relations (Mellomkirkelig Råd – MKR). The group has consisted of: KISP Leader Raag Rolfsen, MKR advisor and secretary for KISP Gard Lindseth and Norwegian Church Aid (NCA) advisor on economic justice Helene Hoggen. KISP has followed the process of finalising the report, and members in the Commission have given valuable contributions along the way. A united KISP stands behind this report in its present form. In the report KISP seeks to be attentive and solidarian with the churches all over the world that experience globalisation as a threat against life and human dignity. Based on the perspective of being *a church in the North*, KISP would also like to contribute to necessary reforms in the global trade and finance system.

The starting point of the report is the process initiated by the World Council of Churches (WCC) to respond to what the role of the church in economic globalisation is. The document AGAPE (Alternative Globalisation Addressing Peoples and Earth), presented prior to the WCC General Assembly in Porto Alegre in February 2006, is a preliminary result of this process. The Church of Norway has been challenged by the WCC to contribute to the further development of the AGAPE process. On behalf of the Church of Norway Gard Lindseth participated at an AGAPE seminar in Geneva in September 2006. Some weeks later KISP organised a debate on AGAPE at the Church House in Oslo, where the panel participants came from Norwegian church life and politics and from Kenya and Sweden. Following this seminar KISP, on behalf of the Church of Norway, was given the assignment of responding to the AGAPE document.

This report has also been discussed on several occasions in the Church of Norway Council on Ecumenical and International Relations (MKR). MKR has decided to let KISP develop the report that will form the basis of the response of the Church of Norway to the AGAPE text and the AGAPE process. MKR considers this report to be a constructive and important contribution to the continued ecumenical process. Possible remarks from the discussion at the Church of Norway General Synod and decisions made on economic globalisation will be forwarded to the WCC together with the report.

This issue is so challenging that it evokes debates and reactions, this is good. After all, it deals with the biggest injustice in the world today, an injustice that is rapidly increasing due to the unequal distribution of resources that exists. In addition, the acute climate

crisis worsens the problems. Regardless of the extent of emissions reductions over the next few years, poor and vulnerable societies will continue living a life strongly affected by climate change. The poverty in the world is a matter of politics. We must always be critical to all those who contribute to or prolong poverty in the world, be it in Norway, the USA or in Africa. However, we cannot be absolutely certain in our suggestions for solutions, neither can we exclude that other participants see things differently than we do. That is why it is so important to discuss and become engaged in these issues. We therefore hope that this report will be read and that it will inspire to a more thorough reflection on the ethical challenges that we are faced with in regards to economic globalisation, not only in our congregations and in the global church, but also as a contributor to a broader public debate on these issues.

A first important occasion for a further discussion of these issues is the Church of Norway General Synod in 2007, where economic globalisation as a challenge for the churches will be one of the items to be discussed. On this occasion, MKR will present the KISP report "The Church and Economic Globalisation" as a resource document for the delegates to the General Synod.



Olav Fykse Tveit
Secretary General
Church of Norway Council on Ecumenical and International Relations

Oslo, October 2007

Chapter 1: Introduction

1.1 The Church and Economic Globalisation

Globalisation challenges the church. This challenge strikes the church in the core of its life and message. The church itself, as a worldwide community, is built on a global vision: “A new heaven and a new earth, which will be the resting-place of righteousness¹.” The preaching of Jesus was from the beginning founded on the realisation of this new community in his coming: The Kingdom of Heaven is near²! In word and action Jesus made clear to his followers what characterises the new Kingdom of God. He raised the excluded and marginalised; the poor, the sick and the despised, and in answering the question of who was the greatest in the Kingdom of God, he gathered children around him³. He did not tire of insisting that in the new Kingdom of God the last would be the first and the smallest would become the greatest⁴.

One of the core points of the Christian faith is the belief that the life-confirming power that Jesus showed in his life and preaching was victorious upon his death and resurrection. At the same time, the church lives towards completion: a new heaven and a



¹ 2. Peter 3,13.

² Matthew 3,2 and others.

³ Matthew 10,13-16. See also Mark 9,35.

⁴ Mark 10,31 and others.

new earth, which will be the resting-place of righteousness. In the light of this vision, the society emerging from the ongoing globalisation may resemble a counter kingdom: Instead of justice, injustice will prevail, and instead of a strengthening of the rights of the weakest, the survival of the fittest is the guiding principle in what we may call the market fundamentalism. The faith in an “already, but not yet” creates an awareness regarding the necessity for both patience and impatience; to wait does not imply passiveness but activity and alertness. This alertness is accompanied by an acknowledgement that in this reality we, as a church, are also actors-often an accomplice. The life and teachings of Jesus reminds us to continuously take the side of those reduced to objects and victims by the prevailing structures.

1.2 Globalisation

The disagreement upon what “globalisation” really means is just as big as the agreement upon the importance of the changes it implies. Today the global context influences our lives in such a way that it is incomparable to any other era in history. The complexity of this influence is also so considerable that it is difficult to contain the development under one single conception. “Globalisation” is thus a collective term for a variety of interdependent and often mutually enhancing processes. The areas of operation that previously were separated by nation, class, religion and other dividing lines are now drawn into the same sphere. The continuous globalisation leads to an ongoing expansion and intensification of this sphere. Political, cultural, social and religious phenomena, which previously belonged to more or less separated areas of life, influence each other to an increasing extent. An incident in the Middle-East, which previously would have been regarded as a religious phenomenon, can today have a big and immediate effect on the Oslo Stock Exchange. Neither are we only an object of globalisation. We are, as actors,



also part of a global room. The publication of the Mohammed caricatures in a small Norwegian magazine January 2006 is a good example that local incidents may lead to global consequences.

Globalisation is also characterized by the fact that the states obtain new roles in the international interaction: "The core essence of the globalisation concept seems to be that the country borders have become less important as a framework for human interaction in general, and for economic interaction in particular."⁵ In the course of a couple of decades the premises for the characteristic features of the traditional nation state have been drastically altered, and political governance, national economies and judicial practice cross state borders. The development over the past decades has not resulted in a condition of less state, but rather in new strategies for governmental politics.

The enhancement, expansion and intensification of the globalisation process we experience today have two particular causes. The first is the development and dissemination of the digital communication technology. Communication between people has become increasingly faster, more efficient, more direct and more cost-effective. Among other things, this has resulted in a mutually increased cultural, personal, political and religious influence. The awareness of belonging to one global reality is strengthened.

At the same time, the opportunity for global communication and interaction enhances the second developmental feature that has contributed to the enhancement of the globalisation process in our time, namely the impact of neoliberalism on global trade and finance. Neoliberalism in its most extreme form looks upon the states as facilitators for freer markets for an ever-increasing number of articles.

This report will focus on economic globalisation, and especially on how it is expressed through the role of the global trade and finance institutions. In practice, this leads to a lesser focus on the role of globalisation in relation to identity creation and mutual cultural, ideological and religious influence. We choose to focus on *economic* globalisation because this is the aspect of the globalisation topic, in relation to which the issue of justice is most relevant to discuss.

1.3 The WCC's AGAPE Process

Within the framework of the World Council of Churches (WCC) a process following the General Assembly in Harare in 1998 was instigated to attempt to answer the question of the role of the church in economic globalisation. The AGAPE (Alternative Globalisation Addressing Peoples and Earth) document, which was presented prior to the WCC's General Assembly in Porto Allegro in February of 2006, is a preliminary result of this process. The AGAPE document contains the voice of the South, i.e. the challenge from the churches that, in a particular way, have experienced the negative effects of globalisation. The document describes the disquieting challenges related to distribution

⁵ Report No. 19 to the Storting (2002-2003) A World of Possibilities. URL: <http://www.regjeringen.no/nb/dep/ud/dok/regpubl/stmeld/20022003/Stmeld-nr-19-2002-2003-/1.html?id=196672>

and environment that the global community faces today. It also calls attention to the unfortunate role that the global finance and trade institutions (the IMF, the WTO and the World Bank) have played in this negative development, and prescribes a resolute resistance against these institutions as a central ingredient in the struggle against today's injustice.



In this report we concur with the AGAPE document's issues, worries and the understanding that much of the injustice is institutionalized, i.e. that it is upheld by structures and codes of conduct that regulate today's global trade and finance. As it is stated in AGAPE, it is not enough just to "inject ethical standards into the current paradigm"⁶. The AGAPE document states that the role of the church must be to contribute to replacing the international system of today with a new system built on solidarity, public engagement, self-determination in regards to the resources, peace, ecological balance and justice⁷. This is a vision we share. At the same time we wish to emphasize that in the short term perspective it is also important to work within the existing structures and institutions.

⁶ AGAPE, page 35.

⁷ Ref, e.g. AGAPE, page 43.

The AGAPE document speaks the prophetic and visionary voice of the church. As a church in North we are forced to listen to that voice. If we let the truth speak to us we cannot fail to realize that our wealth and riches are linked to the current exploitation of both the poor communities in South and our earth's resources. Therefore, the long-term perspective of the global churches must be to evoke change in the structures that maintain the exploitation and unequal distribution. At the same time it will be necessary to sustain a short-term perspective. We must also let the truth about the unjust practices within today's structures be heard. It is therefore important that we as a church support the forces that are working for change within the structures; change to make a difference for the better for those who are affected by today's unjust system.

1.4 The Purpose of the Report

This report is a response to the World Council of Churches (WCC) – the AGAPE document. The World Council of Churches acknowledges that the AGAPE document is not a unifying document on all points for the churches in north and south and a process has been instigated to bring the continuing development forward. The Church of Norway has been challenged by the WCC to contribute to this process. The work with the AGAPE document in the Church of Norway has been handled by the Church of Norway Commission on International Affairs (KISP). A work group consisting of Raag Rolfsen, the leader of KISP, Gard Lindseth, an advisor of Church of Norway Council on Ecumenical and International Relations and Helene Hoggen, an advisor for economic justice in NCA (the Norwegian Church Aid) has developed this report. The report has been through several hearings in the Commission and when the report states “us” then KISP is the speaking subject in the text.

A united KISP stands behind the presented text. Even so there are some nuances in the Commission in regards to the view on economic globalisation. Some in KISP feel that the church to a greater extent should focus on opposing current structures and arrangements. In their opinion they have been brought to ruin. The majority is still of the opinion that it is important to make the actors within existing global trade and finance policy structures responsible⁸.

KISP would like to contribute to the replacement of today's unjust system with a more just global policy. The account given here seeks to support the engagement that has been put forth in the AGAPE process. We thus take the word for the process to continue in such a way that more will be heard. This report would like to be an important contribution from the Scandinavian context in this process. We understand our contribution to be – on the one side – a support for the prophetic voice from south to be heard in our reality and – on the other side – to bring forward a more short-term

⁸ It might be worth while pointing out that differences of opinion occurred in the Commission, regarding whether or not for the report to make use of the term “Empire”, like in several of the international church reports, including the AGAPE document. Some were of the opinion that the term in an appropriate way characterise the hegemonical political and economic forces prevailing today within globalisation. However, for the majority the term seems too have a too ideological nuance.

perspective focusing on concrete and possible changes within the current trade and finance policy regime.

The engagement within this area is deeply rooted in the faith of the church; the belief that all human beings are equal as well as the intrinsic value and integrity of Creation is rooted in the belief of God as the creator. The focus on the poor, the excluded that are victims of unjust structures, is closely related to the life and learning of Jesus. The hope is for a new community removed from boundaries is strengthened by the belief in the power to change given us by the Holy Spirit.

1.5 The Structure of the Report

The report presents KISP's understanding of economic globalisation and it gives concrete challenges to the national (Norwegian) and international governments. At the end of the report focus is placed on what the explicit contribution of the church towards the work for global economic justice is. To contribute to this the church must itself seek to gain knowledge. This document wishes to contribute to bringing such knowledge into the church. At the same time it is imperative that the church in its work for more justice in an increasingly more globalized world, work with other organizations, professional environments, political authorities and representatives from other religions.

Firstly, the report presents KISP's understanding of economic globalisation and then proceeds to discuss ideas for a response from the perspective of what it entails to be a *Church in the North* (chapter 2). Secondly the role of Norway in the global economic reality is discussed and a few specific areas where Norway can contribute to a more just world are highlighted (chapter 3). In chapter 4 we present a few building blocks and some visions for a more just world. In the following two chapters (chapter 5 and 6) we discuss more concretely how the trade and finance systems should be altered. In chapter 7 we conclude our report and offer some perspectives on what the church's unique contribution to economic globalisation is.

Chapter 2: Economic Globalisation and a Perspective from a Church in the North

2.1 The Participants in Economic Globalisation

Economic globalisation is not a recent phenomenon. Modern economic globalisation can be linked to imperialism, the industrial revolution, the strong position of the middle classes, the foundation of modern states and the improved means of transport. Trade between countries and continents increased during the 20th century and reached a peak right before World War I. The world wars and the interwar period, including the 1929 stock market crash, demonstrated the weaknesses of the combination of increased interdependence and political instability. This led to increased protectionism and claims that states to a greater extent should be self-sufficient.

The World Bank and the International Monetary Fund (IMF) (also called the Bretton Woods Institutions) were established after World War II in order to ensure predictability in commercial and financial transactions between states. Additionally, the General Agreement on Tariffs and Trade (GATT) was founded to regulate the trade between countries. In 1994, GATT became part of the new World Trade Organisation (WTO), which in addition to working with commerce also includes investments, intellectual property rights and trade in services, and, in contrast to its predecessor GATT, has strong supranational characteristics. Each of these three international institutions have in their own way contributed to a liberalisation of different sectors in poor countries as well as in rich countries. They are independent in that they were established as part of separate sectors within the global economy: a) the international currency and financial system (IMF); b) the global development policy (World Bank); and c) the global trade system (WTO).



On the other hand, they are interdependent through their common work with the Free Trade Objectives in different parts of the world economy and in that decisions within one sector have consequences for the other two. In the early 1990s the notion of “Washington

Consensus”⁹ was established. It represented the political market solutions that to an increasing extent were proposed by these institutions, in order to have the economy of the developing countries function more in line with the economic policy of the Western countries. The notion has been used as a common term for the issues and political advice given by international institutions to poor countries in their economic reconstruction and broader development processes. To a great extent, this policy was carried out in many developing countries, both for reasons related to ideological influence and because it was a condition for development aid, loans and later on, debt cancellation. Critics point to the economic crisis of Argentina (1999–2002) and Asia (1997) as proof of the failure of this policy. They also maintain that most countries that are presently industrialised, have undergone various development phases where it has been necessary at times to protect their economy through protectionist measures such as monopolisation, custom barriers, subsidies or taxes and fees.

The World Bank, the IMF and the WTO all have supranational features. However, this is more developed in the WTO than in the other two organisations. The IMF and the World Bank – or the International Financial Institutions (IFIs) as they are also called – are more of an administrative body, in addition to contributing a great deal of research. The IFIs have been closely interlinked and must be considered two sides of the same coin. On the one hand, the IMF has traditionally been responsible for macro-economic issues such as inflation targeting, whereas the World Bank has been responsible for micro-economic issues related to lending and development assistance. On the other hand, the WTO established new rules for world trade, and implement these by means of the dispute resolution mechanism which functions like an international court of law. In principle, the WTO is based on the rule of consensus. However, some are actually "more equal than others" even in this system. In the World Bank and the IMF the donor votes are formally weighted more heavily than the votes of the recipient countries.

As a first assessment of the global trade and financial institutions, it is important to single out both the positive and the negative points of the system.

The supranational and multinational qualities of the WTO probably represent the most important positive point. The fact that resolutions made by the WTO in practice are binding for all states, including the big and dominant ones, creates predictability and judicially. Additionally, the institution is the most efficient and vigorous in the present international system – it is fair to say that it is the only institution that the USA is willing to obey. The consensus principle of the WTO theoretically entails that all countries have the right to veto during the negotiations, even though this is not necessarily what is done in practice when the countries are negotiating and bargaining the numerous parts of the agreements constituting a complete package. The weakness of the WTO system is often described as being the lack of democracy, caused by insufficient transparency and unequal possibilities of influencing the decision-making processes. Furthermore, the dispute resolution mechanism represents both a strength and a weakness. It represents

⁹ John Williamson, (editor), *Latin American Adjustment: How much has Happened*. Washington DC: Institute for international Economics, 1990

strength in the sense that it contributes to supranationality, predictability and protection of the weakest in the WTO system; and a weakness in the sense that the only means of sanctioning the countries in cases of dispute is to exclude the products of others from their own markets.

The World Bank has exercised an important function by giving loans and development assistance to the poorest countries in the world. The core function of the IMF is to ensure macro-economic stability, for example by demanding strict inflation targeting. Presently, consensus prevails that these three international economic institutions suffer from so-called “democratic deficiency”, however, this deficiency is greater in the IFIs than in the WTO. This is illustrated by the fact that nationality, and not qualifications, decide the election of the director in the IMF and the World Bank; where Europe has the IMF director, and the USA has the World Bank director. Furthermore, the voting rules are based on the principle of “one dollar, one vote“ and on the economic power structures at the time of the establishment of these institutions, more than sixty years ago. Whereas the supranational features of the WTO mostly represent a strength, supranationality in the IFIs is less developed, far less democratic and characterised by being more unilaterally directed at the developing countries – also in regards to macro-economic stability. It is undoubtedly time to reform the three global economic institutions considerably in order to make them more democratic.

The three institutions have rightly been criticized for their different ways of dealing with poor countries, lack of democratic processes and the lack of legitimacy related to the market-liberal solutions recommended to poor countries. A general criticism of the global commercial and financial system is still that they neglect social, environmental and rights-based priorities in their search for even more open markets. Moreover, it is important to state that it is difficult to place the responsibility for failed decisions and projects. From a national point of view, supranational decisions are to blame, whereas the supranational institutions refer to the fact that their decisions are taken by the members of the boards consisting of national representatives. As long as these institutions do not have a more solid democratic base, it is difficult to pinpoint who is responsible for specific decisions.

Based on the above, the Church of Norway Commission on International Affairs (KISP) agrees with the criticism presented in the AGAPE document directed at the present global commercial and financial system. However, in this respect it is important to point out that the criticism against the WTO is different from the criticism against the IMF and the World Bank. In spite of the numerous weaknesses of the WTO, we do not believe that a situation where bilateral agreements and pressure are given a free hand would be preferred. KISP is of the opinion that in the long-term perspective it will be necessary to seek to replace the present global commercial and financial institutions with democratic legitimate institutions providing the poorest countries with a greater degree of co-decision making. On the other hand, we wish to emphasize that it is important to reform the present institutions. For many years ahead, the present institutions will play a crucial role in the international system and therefore, in the short-term, it will be important to

focus on internal changes, rectifying some of the existing injustices. The desired changes will be described in detail in chapters 5 and 6 below.

2.2 Neo-liberalism and its Opposition

In this document we have chosen to emphasize economic globalisation. However, there is no established boundary between economic globalisation and other expressions of the ongoing globalisation. In this regard, two important nuances need to be indicated:

- There are sectors and challenges within globalisation that are so tightly interwoven with economic globalisation that they have to be addressed in this document. These are issues regarding the environment, human rights, global democracy and development assistance. These issues are discussed in chapter 4 below.
- Commercialisation and areas of operation that were not defined as economic terms earlier, especially common goods and immaterial values and services, represent globalisation as an overreaching phenomenon. In the following we will define this as an intensification of globalisation.

This last point is an important aspect of the breakthrough of neo-liberalism in the latter part of the 20th century. This mainly relates to the economic reforms following the previously mentioned “Washington Consensus”. The breakthrough of neo-liberalism has met resistance, partly violent, not the least from churches and social and political organisations in the South.

David Harvey defines neo-liberalism in the following way:

Neoliberalism is [...] a theory of political economic practices that proposes that human wellbeing can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. [...] Furthermore, if markets do not exist then they must be created, by state action if necessary. But beyond these tasks the state should not venture¹⁰ . .

Thus, the states are weakened as participants in the system. Government systems for economic development, just distribution and social welfare are increasingly considered as protectionist and trade obstacles. This results in an ever-increasing number of areas of operation being commercialised. Goods previously defined as common goods under the management of the states are redefined as global trade products. This applies for instance to sectors like land, water, education, health, social security and pollution. The most extreme examples of the penetration of market liberalism in the social and cultural sphere are to be found within intellectual and immaterial property. For example, this means that the genetic code of a traditional medical herb may be patented. A fee is imposed for its use, a fee that often ends up going to a multinational company.

¹⁰ David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, USA, 2005, page 2.

The latter is an explicit example of not only the broadening expansion of the economic globalization, but also of how it infiltrates areas of operation that formerly belonged to the family, the local and the cultural communities. In addition, demands from global financial institutions for adjustment of national structures to make them fit better with the requirements of the market economy, the so-called structural adjustment programmes, have in many places resulted in the out-phasing or razing of social structures and support structures, which in turn has caused many people to end in deep social misery. An ideology working towards a total penetration of market economy and opposing all regulations that do not support the free market can be called “market fundamentalism”. This is relevant due to the fact that the ability of the market to create growth and welfare and to regulate itself is nearly elevated to a spiritual power – one should believe in the market.

During the past decades, a strong resistance to this development has emerged, especially against the intensification of the economic globalisation and demands for structural adjustment programmes. The AGAPE document must be read in light of this resistance. Claims have been made for local ownership, popular identity, self-determination and a real democracy, and in many places globalization has thus, apparently paradoxically, resulted in a renewal of local traditions and the need for local, religious and cultural belonging. The paradox in this becomes clear when we note that the strengthening of local, religious and cultural ballast is a global trend, i.e. that it is itself part of the complex phenomenon called globalisation.



2.3 An Ethical Assessment of Globalisation

Based on this complex picture, it can be useful to make a distinction. The distinction made here is not between the different areas of operation; culture, economy, trade, religion etc., but is based on what is considered ethical criteria. We can then distinguish between a globalised exchange of commodities, services, cultural expressions, information etc. that takes place between equal participants on the one hand, and on the other hand, a similar exchange between participants where one is inferior to the other. In the latter, in the best of cases, an acceptable result is obtained for the inferior party, based on the benevolence of the superior party. However, in most cases the unequal relationship will force the inferior party to accept a result that bears close resemblance to sheer exploitation.

Based on such a distinction, we often have to ask the frequently repeated question, of whether globalisation is reversible or irreversible. Based on what has been said so far regarding the complexity of the multi-faceted process covered by the term globalisation, it is impossible to answer a simple yes or no to this question. As previously indicated, a reversal of the globalisation process may itself be interpreted as an expression of a global trend. Based on the above-mentioned ethical distinction, instead of attempting to answer this question, it will be far more important to ask what parts of globalisation have to be reversed and what parts need to be strengthened. The answer to this question is that the globalisation mechanisms that weaken the balance of power between the participants have to be counteracted, whereas the mechanisms that support the equal status of the participants have to be strengthened.

Focus on the participants, and not only on the rules, is decisive in this respect. This report will show that today's institutional framework in many areas are formed out of the interest and ideologies of the states in the North. Efforts to reform this institutional framework is therefore important. It is also important to emphasize that justice is not only promoted through an identical set of rules and standards in the market, regardless of whether these are liberal or limited. Likewise, it is imperative to ensure that the participants have the same status in the interaction that is regulated.

In this respect it will be important to set into place a set of regulations which not only ensures a formal equality between the parties within the global commercial and financial institutions; we need rules and mechanisms that ensure that the weakest participants are actually listened to and have the opportunity to make a difference. Of equal importance is the possibility of protection from the objectives of market fundamentalism regarding a total infiltration of existence. The sensation of pride and inherent worth cannot be provided by the market itself. It is created, nourished, maintained and developed in the local, cultural, religious and social context that the participants choose to be part of. A justice based focus makes it clear that more free trade does not create greater equality. Greater freedom of action creates greater space for action for the ones who are already powerful, and thus also greater differences. For this reason, the global trade and finance policy should provide the opportunity for local communities, cultures, states and markets to protect against the penetration of the global market. In this way, these participants can

over time develop into equal parties, parties that in turn can influence the kind of market structures that shall prevail.

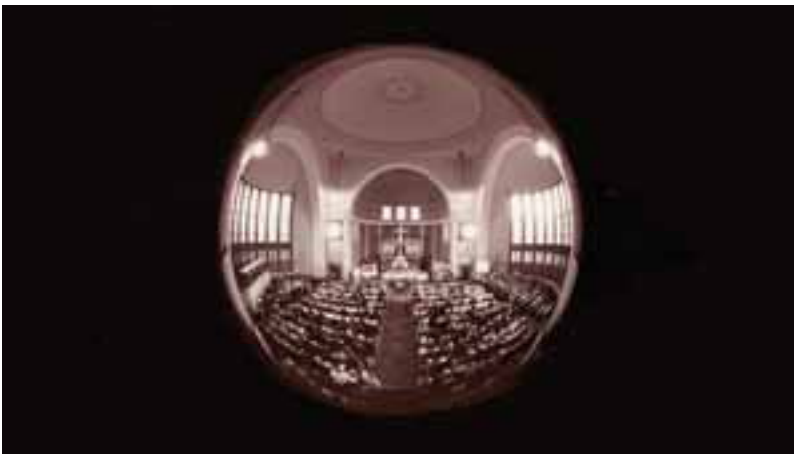
Without having to say yes or no to globalisation as such, it is the task of the church to challenge all responsible decision-makers regarding the following four issues:

- Work to obtain binding global regulations and mechanisms ensuring all countries and groups representation and co-determination power, including ensuring democracy within the WTO and the international financial institutions.
- Support and participate in the work to prevent the market from penetrating and taking over the social, cultural and religious basis upon which all societies depend.
- Counteract the law of the market concerning the survival of the fittest by taking the side of the weaker part (opting for the poor).
- Work to give states in the South the opportunity of protecting themselves against the destructive consequences of the present market logic, so that, over time, they will become equal participants on the global arena.

From a church perspective, this concerns protecting lives and safeguarding the possibility of people to recognise the God-given human value in their own lives. Taking a stance regarding these issues is therefore part of being a church in our time.

2.4 The Invisible Presence of the Kingdom of God

This tension between the fulfilment of salvation in the life, death and resurrection of Jesus on the one hand and the hope for accomplishment on the other has often been described as “already, but not yet.” This tension is not only a tension in time, as if the Kingdom of God is only a matter that the church is anticipating and that will manifest itself at the end of time. The Kingdom of God is invisibly present in the visible. When bread and wine are shared in Communion and when the Gospels are preached in word and action, the invisible Kingdom of God is revealed in visible signs for those who see



and believe. The tension between “already” and a “not yet” is at the same time a tension between visibility and invisibility.

In this tension lies a warning against the church’s self-understanding of an participant in our world. By emphasizing the “not yet”, the church is at risk of displacing the demand for justice to the coming world. Throughout history, the vision of a new heaven and a new earth has helped preserve existing and oppressing structures. Realization of justice has been postponed to the coming Kingdom of God, and the rulers have been allowed to act undisturbed by the church as long as peace and order were maintained. The church has chosen to take care of the spiritual part of existence, a spirituality that to an increasing extent has been privatized. In this way, the church has defined itself out of the political sphere.

On the other hand, by emphasizing the “already”, the church as a visible and historic phenomenon, stands at risk for identifying itself with the coming Kingdom of God. The world is black and white. Cultural expressions, political ideologies and moral rules are placed on one or the other side of a dividing line and people are defined as being either inside or outside. History offers many examples of such a self-understanding. One example is the church in the Middle Ages, where political and secular power were intertwined. Another example is forms of revivalist Christianity where salvation is made dependent on external signs and conduct during life. We are also today experiencing how the participants on the global arena identify the will of God with their own.

When the emphasis is put on the “not yet” and the invisibility of the Kingdom of God, religion and politics are divided too much. In over-emphasising the “already” and the visibility of the Kingdom of God, they are too close. This self-understanding undermines a central theological point, where the acknowledgement of sins is mainly an acknowledgement of one’s own sin and not the other’s.

The true life of the church lies in the strain between an "already" and a "not yet" – between the visibility and invisibility of the Kingdom of God. An “already” sends the church out in the world looking for all the signs of the power of the Kingdom of God – in the beauty and diversity of Creation, in all places where love and reconciliation is victorious over hatred and death and where the oppressed are raised up to their God-given dignity. A “not yet” does not create doubt, but despair over the prevailing injustice and a longing to contribute to the completion of the Kingdom of God.

2.5 Oikos

The words “ecumenism”, “ecology” and “economy” all originate from the Greek word “oikos”, meaning “household.” It calls attention to a fundamental connection: the efforts to make the church’s fundamental unity in Christ visible cannot be seen as isolated from how the exploitation of resources and trade influence the world of God. The church is called upon to challenge the structures, agreements and systems that oppress people and destroy Creation. In the same way, the church is called upon to support structures that contribute to lifting humans out of deplorable conditions and that facilitate a sustainable utilization of the resources of the earth.

The words of Paul in his first letter to the Corinthians, chapter 12, about one body and its many parts, emphasizes the fundamental interrelationship between ecumenism, economy and ecology: “If one member suffers, all suffer together with it”. It is not a voluntary task to take a position regarding the pain that the churches and peoples of the South are exposed to because of ecological imbalance and economic injustice. A true church feels the pain on its own body. By neglecting and denying this pain, the body deteriorates: “On the contrary, the members of the body that seem to be weaker are indispensable”. From the perspective of liberation theology, it has been indicated that Christ in a very special way is present in this pain, like the consciousness in a special way is present in a suffering part of the body.

The policy of the church in an increasingly global economic development should therefore be neither an abandonment of the world nor a one-sided criticism or condemnation of today’s structures. The church has to get involved and stand shoulder by shoulder with all the parties working for fair trade and a sustainable economic development. It must contribute in a creative way when difficult decisions have to be made and let its prophetic voice be heard when the poorest are neglected and excluded. In this way, the church can also participate in celebrating the structures that support people in lifting themselves out of miserable conditions and once again becoming an equal member in the community. As Paul ends his paragraph in 1 Corinthians, chapter 12: “...if one member is honoured, all rejoice together with it“.

Being a church in the world of God reflected as oikumene therefore means neither letting the world move freely along its path while awaiting the Kingdom of Heaven (“not yet”) nor identifying the good and the bad of two sides of a dividing line, as if the Kingdom of God is recognisable “already.” Being genuine economic, ecological and ecumenical participants means to see and recognise the indefinite value of the individual, and to reaffirm the value of the communities that support the possibility of humans to recognise dignity in their own lives and safeguard the integrity of Creation. With this focus on the God given value of existence, the necessity of identifying and revealing the forces against God given dignity logically follows. Defined as a totalitarian market system based on the survival of the fittest, market fundamentalism is such a power.

2.6 Economic Neo-liberalism and Political Liberalism

As a European church, our legacy makes us an accomplice to the political and economic development that is based on the serious exploitation of people and natural resources in the South. The present world economic order must be seen in relation to the serious violations over hundreds of years committed against peoples and populations of the South in the name of God, enlightenment and progress. The political liberation of the countries of the South has been limited by the fact that unequal economic distribution and interdependence between the North and the South to a great extent have been maintained. Through interest on loans, the use of tax havens, exploitation of raw materials, cheap labour etc., the flow of value still moves from the South to the North. The stream that flows back in the form of development assistance and emergency aid scarcely helps in repairing the worst damage caused by this injustice.

How can we, as a church in the North and as part of a society benefiting from the still ongoing injustices, see ourselves as credible voices in the fight to change this injustice? We can only do it by showing those who suffer our solidarity. We must look, listen and understand so that our response to injustice will not be included in a long tradition where the most powerful always have the solutions. We have to work towards a deeper recognition of how this injustice has come to be, and what we can do to create a world that is more fair.

As we have seen, the growing opposition in the South has been directed at the neo-liberalism as the major ideology for economic globalisation. The Church of Norway Council on Ecumenical and International Relations (KISP) supports this criticism. In market fundamentalism the human right to fight for one's own interest is an overreaching principle. As long as people are allowed to freely fight for their own interests, both society and market will regulate themselves to everyone's benefit. The function of politics will then be reduced to protecting the freedom of the market only. As previously indicated, the claim for the deregulation of markets and adjustment of the market structures in many places, especially in the countries of the South, have resulted in a reduction of the public sector, e.g. the health and educational systems. To the extent that the reforms have led to growth, this growth has often benefited only the richest and in many places poverty has worsened. At the same time the possibility of choosing one's own economic development strategies has been reduced by a one-sided focus on export and the weakening of the possibility of customs protection.

Based on this deep suffering we have to pay attention to the strong voice of criticism opposing neo-liberalism which is expressed in the AGAPE document. It is extremely important to listen to this criticism. It represents the victims of today's oppressive practices, and as we just indicated, in many ways also the victims of our own prosperity. As a church, we have to understand ourselves as members of God's worldwide household, and the pain and despair that many people experience today makes a strong impression on us.

It is also of vital importance in this respect that we distinguish between market fundamentalism on the one hand and political liberalism on the other. Together with the labour movement, feminist movement and other parties, political liberalism has been an important aspect in the liberation from the political, economic, social, ideological and religious hegemony in history. Political liberalism as an ideology seems to share the economic neo-liberalism's focus on how individuals and different self-interests within communities function as a creative driving force in the growth and development of society. However, in this respect these two ideologies separate. For political liberalism it will be crucial that the government is responsible for all citizens' access to the common goods of nature, health, education, food, housing etc. Within such a framework certain forms of market liberalism may have a role to play.

In our own country, on our own continent and in many places in the world, we see that a deregulation of trade obstacles, an opening for competition, a freer flow of ideas, labour

and commodities have resulted in positive social development. In the development of their goods and services, monopolies, be them state run or private, have been challenged and forced to take into consideration the people they are set to serve. Participants that were previously excluded from the community have been included as important contributors. It is also of vital importance for the development of a strong society that political management is built upon the community idea which sets a limit to the development of market forces.

In light of all this, the church should focus on identifying the mechanisms that result in injustice, rather than rejecting the prevailing arrangements and structures. In light of Jesus' general stress on the rights of the weakest, the church must be clear about what changes are necessary in order to prioritise those who suffer injustice rather than the objective of increasing the profits of the richest. In the short-term this work can consist in supporting those who work for important changes within the present global commercial and financial institutions.

2.7 A Global Mixed Economy

If we are to mobilise in the struggle against the injustice that is taking place, the interpretation of causes and solutions to the problems must be rooted in our own understanding of reality. On this background it is natural to join in on the criticism of economic liberalism. The principle of the rights of the weakest, and, based on this, the demand for democracy, participation, equality, and corporate social responsibility has to be communicated in a clear and distinct way. However, it seems utopian to disregard the fact that the self-interest of individuals and communities will also have to be mobilised in the struggle for more justice. The wish to protect one's own property remains an important political force. This applies to individuals as well as collective structures, including the church.

The Scandinavian welfare societies are built upon the idea of a balance between the right to fight for one's own interests on the one hand, and the principles of equality, justice and community on the other. For us, it is natural to look to such a model in the understanding of today's unjust structures. We must not fail to emphasise that the Scandinavian countries have a great deal of responsibility for the ongoing global injustice. However, the Scandinavian mixed economy, the way it has functioned at its best internally, e.g. where the market forces are regulated with a concern for the best interest of the community, can be inspiration for a development model, internally in the countries of the South as well as on the global arena.

When using "inspiration", it is to emphasise that we do not imagine that a copy of our society will be able to solve the problems of global injustice in the South. The models that must form the basis of a positive interaction between the private, civil and public sphere in each country must be built on local and national political, cultural and religious traditions. What we wish to emphasise is the principles that our Scandinavian mixed economy is founded on. Those principles are based on the fact that the government is responsible for ensuring equal access to all basic goods and rights. The principles are also

based on the creative energy and liberating force of individuals and groups, making it possible to interact with and strengthen the responsibility and tasks of the state.

One of the fundamental conditions for a mixed economy is that the notion of democracy and the idea of equality are made apparent within other sectors of society besides only the political one. A strong civil society, genuine co-decision for labour organisations and openness in decisions and decision-making processes is key for making the development within the global society a just one.

In the following chapters we will address the challenge posed by the ongoing globalisation process to the ever-increasing demand for global democracy. As for this challenge, it is necessary to take a closer look at the same principles. It is of vital importance that the international society continues, changes and establishes supranational organisations, institutions, regulations and agreements, mechanisms etc. However, the objective must not be to give the most powerful more freedom and latitude, but to guarantee all peoples and societies fundamental goods and rights and in this way create a global arena where all parties can interact on the same footing. It is on this basis that we call for the necessary reforms within the present multilateral trade, finance and development system.

Chapter 3: Norway's Role in Global Economic Policy

The Norwegian welfare state and its great petroleum wealth not only provide opportunities for contributing to a more just world, but it also means a moral responsibility to share our wealth. Below, we will point out three areas in which Norway has a particular responsibility in regards to the global economy as well as with the work being done to create a more sustainable world.

3.1 Norway as a Petroleum Nation: Fair Distribution of the Petroleum Wealth

The Norwegian petroleum wealth has provided Norway with a unique international position. It also entails certain obligations for the Norwegian state and oil companies. We define petroleum wealth in the following manner:

- the wealth which lies under the ocean floor (“petroleum reserves”)
- oil and gas that is pumped up, is industrially refined and distributed (“oil activity”)
- profits from oil activities that form the basis for Norwegian-owned petroleum related corporations’ equity and the wealths of private capitalists (“oil capital”)
- sales revenues managed by the Norwegian state, primarily through the Government Pension Fund - Global

At present, the petroleum industry is Norway's largest industry (2005). It represents 21% of Norway's Gross National Product (GNP), comprises 27 % of state revenues and represents 24 % of Norway's total investments. Oil and gas is clearly our largest export article, representing a total of 47 % of all exports (Ministry of Petroleum and Energy 2006). Norway controls 75 % of oil reserves and 45% of gas reserves in Western Europe. Norway is the second largest oil exporter and the fourth largest gas exporter in the world. During the past 10-15 years, companies such as Statoil, Hydro and Aker Kværner have established themselves in many developing countries. For instance, Statoil and Hydro have in total invested approximately 40 billion NOK (approx. 500 million Euro) in Angola since the middle of the 1990s. In addition, there are several other Norwegian companies working with special projects within the oil industry in Angola and western Africa, which have invested billions as well.



While Norwegian companies have been investing heavily in the southern hemisphere, the government has seen the need for combining Norwegian expertise within the oil industry with aid to developing countries. The “Oil for development” programme was launched by

the centre-right government (2001-2005) in 2005 with the objective of making petroleum administration and control prioritized areas within Norwegian aid to developing countries¹¹. The government wants to strengthen the professional aid related to the administration of oil and gas with an additional annual appropriation of 50 million NOK (approx 6, 2 Million Euro) over the next five years (from 2005). Openness, anti-corruption and good systems of governing are the emphasized areas of focus within Norway's work with the countries they cooperate with.

However, at a time when everybody is talking about climate changes one should perhaps question the fact that Norway, as an oil nation and with one of the world's greatest supplier of offshore equipment, should be facilitating and encouraging further oil extraction in the world. A recent evaluation has investigated Norwegian petroleum related aid, however without addressing the environmental issues, which makes it clear that these have no place in oil aid¹². Another conflict of interest is the close relationship between the state of Norway's considerable ownership role of its own continental shelf and at the same time its role as a shareholder of the developers Statoil/Hydro¹³, that are earning money in the countries taking part in the "Oil for development" programme. At present Statoil is active in 33 countries and earns more money in Angola than Norway gives in total to development aid to the whole of Africa. Up until now the oil adventure in Africa has gone on without the Norwegian public being sufficiently informed. For Norwegian companies operating in countries with weak or insufficient national regulations, they need to come to their own ethical conclusions. The Statoil/Hydro merger makes Norway an even more important international oil power. The new company should keep the highest standards within worker rights, ethics and environment. This implies that the company must ensure a real transfer of expertise and local participation. The company should also be in front when it comes to contributing to meeting world energy demand through the increased use of new renewable energy sources like solar energy, bio power and wind power.

The idea behind the programme "Oil for development," is difficult to disapprove of; oil is to benefit the poor in these developing countries. There are many stories about the curse of oil. Corruption, conflict, authoritarian governing, great gaps between the rich and poor, and environmental damage, are some of the problems that are repeated in country after country. However, despite the many challenges, oil also contributes to development in many countries and provides many developing countries with a certain sovereignty over its energy resources. As a rich nation in the North, we have no right to prevent poor

¹¹ Ref. URL: <http://www.norad.no/default.asp?VITEMID=3241>

¹² Ref. URL: <http://www.dn.no/energi/article1091262.ece?WT.svl=articletitle>

¹³ The two companies Statoil and Hydro have merged and, as of 1. October 2007, are one company. For more information see URL: <http://www.statoilhydro.com/en/AboutStatoilHydro/StatoilHydroInBrief/Pages/default.aspx>

countries from developing their natural resources. The point we would like to make here, however, is that there are other and more important ways in which Norway could administer its petroleum wealth than through their programme “Oil for development.” At the very least the environmental and climatic consequences of the programme must be made obvious. Furthermore, it should also be reflected upon whether Norway, with the knowledge we now have on climate change, should let more of her oil resources remain under the ocean floor. It is the world’s poor that first and foremost are suffering from the climate changes, and in solidarity with them we need to think about how our petroleum activity is affecting their lives.

At present, The Norwegian Petroleum Fund (The Government Pension Fund – Global) gives Norway more political and economic influence than most other countries. During the course of 2007 it will be worth 2000 billion NOK (approx 2, 2 billion Euro). Until now this influence has not contributed to reducing the gap between the rich and poor countries. Moreover, Norway has only to a small extent taken advantage of the potential for a new focus in the solidarity and energy debate that the Petroleum Fund makes possible. There is a need to take a closer look at how Norway can manage her petroleum wealth in a more offensive way, as well as in a manner of solidarity. Norway can do this through lobbying for new international and innovative mechanisms, but also through introducing arrangements and political initiatives at home.

We ask Norwegian authorities to work at the *global arena* for new international solidarity mechanisms, such as:

- From year to year and on a national voluntary basis, each oil country can earmark a certain percentage of its petroleum revenues to be used for good causes outside its own country. This can be considered institutionalized charity on a global scale. Norway can lead the way by spending a greater share of its oil revenues on development aid.
- Oil countries should impose a flat tax on all oil and gas production, for instance USD 1 per oil barrel, used for development purposes in developing countries. Such a tax would be able to provide more than 50 million USD a day on a world basis. Poorer oil-producing countries should be exempted from paying this tax.
- Introduce a progressive tax, that imposing higher taxes the higher the petroleum producer’s revenues become (due to higher energy prices), and to redistribute these tax revenues globally. The reasoning behind such a “compensation fund” is that when oil prices increase, the import expenses of the poorest developing countries increase much more greatly than their export income, while at the same time countries like Norway, enjoys a huge oil-income growth. In addition, such a taxation could result in oil and gas companies investing more in renewable energy and trying to reduce oil extraction.

Furthermore we will challenge *Norwegian authorities* especially to:

- Make visible the environmental and climatic consequences of the programme “Oil for development”.

- To further develop the Petroleum Fund, such that it can benefit the world's poor. The challenge is to introduce other indicators of how well the oil wealth is being managed than merely national financial returns. At present, the Fund invests less than 2 % outside the Western stock and bond market.

We also challenge *Norwegian oil and gas companies* to:

- Keep the highest standards within worker rights, ethics and environment, and ensuring a real transfer of expertise to the developing countries, including making sure local participation and co-determination.
- Develop and introduce new renewable energy sources to the world market, in order to make sure that the growing energy demand in the world is primarily met through increased use of renewables.

3.2 Norway as an Environmental Nation: Our Environmental Responsibility

The climate problem is the world's most serious environmental issue. In Norway emission of climate gases per capita is double the world average. The fact that those who presently emit less climate gases are also those who will be hit the hardest by climate change represents an ethical dilemma. And because these countries have fewer resources, they are more vulnerable and would be less capable of adapting to new situations. Norway has become rich off the sale of oil and the corresponding CO₂ emissions, which is the cause of climate change. With high emissions, a significant oil and gas sector and a solid economy, Norway has both a greater responsibility in regards to the climate problem as well as a better opportunity to do something about it compared to most other countries. Naturally, our wealth gives us the possibility of financing climate reducing measures abroad. However, if this becomes the only focus of our climate policy, we are showing an underestimation of the seriousness of the problem. It will be understood by the others as if wealthy Norway plans to continue exactly the same way as it always has.



It is difficult to take Norwegian environmental policies seriously if we, in the wealthy part of the world, refuse to reduce our own emissions. As we choose a future path towards sustainable development, we must act in a way that can be an example. – Otherwise we have not demonstrated that we understand the moral character of the climate issue.

Norwegian politicians for the most part agree that the climate threat is one of the greatest dangers of our time, but so far this has not been followed up with an environmental policy that corresponds with the seriousness of the problem. Norwegian wealth is based on inexpensive access to energy. Inexpensive and sustainable energy is important for development. Norway should now take the lead and set a good example by showing that it is possible to cut emissions, as well as by developing climate friendly technology that other countries can also benefit from. This could make it easier for other countries to reduce their own emissions. Alternative energy should be prioritized and correspond more equally with that which is spent on the petroleum sector today. Technology optimism prevails in today's climate debate, however in the end Norway and the world are dependent upon our oil consumption coming to an end. So far, technology has not provided us with CO₂- free substitutions for gas and coal, and even if this happens, oil will continue to cause global warming for the time to come. If one wants to reduce the emission of climate gases, the only possible long term solution will be the development of new renewable resources.

The interrelationship between environment and poverty is also discussed later in this report (see chapter 4.1). The Brundtland Commission Report "Our Common Future" from 1987 describes how sustainable development is defined as development which meets *basic human needs*. However, in order for future generations to be able to meet their basic needs, it is necessary that people today limit their interference with the natural environment and their consumption of non-renewable resources. Increased consumption in poor countries needs to occur while at the same time consumption in the rich countries is reduced. Moreover, it is important that countries in the South do not make the same mistakes which have been made by the countries in the North. The developing countries must be ensured access to the energy and infrastructure necessary in order to meet basic human needs, but these energy needs should be met primarily through the increased use of renewable energy sources such as solar energy, bio energy, and wind. In order for this to happen, rich countries need to arrange for a transfer of expertise to the developing countries regarding the use of renewable resources. Norway needs to work towards a new climate agreement at the Climate Convention, where all countries participate, but with differentiated responsibilities.

When enough people see the necessity for the reduction of poverty and environmental friendly, sustainable energy development, the world community will react. Norway can choose to save its money and wait until we are forced to contribute. However, this will to an increasing extent weaken Norway's reputation, and any measures taken later will be looked upon as only a temporary solution. A proactive attitude will strengthen Norway's reputation and put us in a leading position as far as technology development within the

clean energy sector. More importantly, this will contribute to large groups of the population being lifted out of poverty.

Below are some specific challenges to the Norwegian authorities:

- The official Government climate objective of cutting 30 % of emissions by 2020, must be reached by cutting at least 2/3 of emissions at the national level.
- As an oil nation, Norway needs to confront its role as rich oil producer. A ceiling on production and the extraction of oil and gas should be discussed, in consideration of the environment and climate.
- The Norwegian Petroleum Fund must move its investments from companies that earn money with activities that reinforce the climate changes, and rather invest in companies that contribute to solving the climate problem. A greater part of revenues from the fund should be set aside for climate research.
- Norway needs to work for a new climate agreement under the Climate Convention with quantified, fixed reduction commitments and clear deadlines. This convention must gradually be extended to including new countries, also poorer countries. The transfer of technology and capacity building in the South must be a high priority in the new agreement.
- Norway should work to reform the loan policies of the global financial institutions, in such a way that aid and support is increasingly directed away from fossil fuel and towards renewable energy.

3.3: Norway as a Fishery and Agricultural Nation¹⁴

Norwegian trade policy should not prevent developing countries from having the possibility to use the same political means that have been decisive for the economic development of the Western world.

In the WTO negotiations Norway has done little to change the tolerant and badly organized subsidy toolbox. At present, the total subsidy level of the OECD represents five times all development aid. The offer presented by the EU and the USA (Potsdam, June 2007) implies that neither of them needs to reduce their total subsidy level considerably.



The Norwegian Government works within the WTO in order to put an end to export subsidies. However, this is not sufficient help for the poor countries as long as the WTO system gives room for the possibility to convert this support to other kinds of support that are considered more

¹⁴ See also chapter 5.3.

legitimate within the WTO. A great number of developing countries, with the G20 countries in the lead (including countries such as South Africa, Tanzania, the Philippines and Brazil) would like to have a review of the “green box”¹⁵ to ensure that these so-called legal WTO subsidies are not encouraging export. The EU and the USA oppose the proposal, with the support of Norway. An UNCTAD report (2007)¹⁶ shows that a reduction or elimination of green box subsidies would result in a considerable increase in exports from developing countries, including the less developed countries (LDC) (up to a 20 % increase). As well as a corresponding decrease of exports from rich countries such as the EU and the USA (up to a 60 % decrease). The numbers prove that today’s green box subsidies have an effect on trade that is very destructive for developing countries. Therefore, Norway should support a review of these subsidies.

The 49 poorest countries in the world (LDC) have duty and quota free access for all EBA commodities (i.e. all export commodities except weapons) exported to Norway. For the other poor countries the average duty level for agricultural products is relatively high. However, it is not enough to give zero duty to the less developed countries (LCD). In Norway, this has resulted in an import level of 0.01 – 0.02 %. In 2007, the Norwegian government began reviewing preferential trade for developing countries (Generalized System of Preferences - GSP). The suggestion is to extend the zero duty system used by LDCs to 14 middle income developing countries as well, and to increase the duty reduction of the GSP system by 20 percentage points within the WTOs minimum access quota for agricultural products. This results in the fact that developing countries that are not included in the zero duty system get increased preferential treatment at the cost of industrialized nations. This proposal would be very positive for the developing countries. At the same time we mainly import our agricultural products from within the EU. Such zero duty systems therefore have to be supplemented by capacity building and special agreements between the importer and exporter that do not obstruct the development of competition. In addition, Norway must work towards shifting Norwegian imports away from the EU and towards developing countries, for instance through the use of import subsidies and punitive duty. With today’s import level from LDC-countries (except Botswana and Namibia), an import subsidy on 20 % would constitute less than one per cent of the Norwegian foreign aid budget.¹⁷

Political tolerance allowing poor countries to elaborate their own strategies for development must be given priority over the demand for market access. In particular this

¹⁵ This contains the subsidies that are not to distort competition of international trade of agricultural products, and with today’s agreement it can be used without limitations. The box includes so-called decoupled payments – payments that are not related to production, often marked the farmer’s “pension”. Also subsidies towards research, illness control, infrastructure, food security and environmental considerations are included in this box.

¹⁶ UNCTAD (2007): “Green Box Subsidies: A Theoretical and Empirical Assessment”.

¹⁷ Ottar Mæstad (2005) “Studie om økt markedsadgang for u-land i Norge: En handelspolitikk for redusert fattigdom”. Bergen: Chr. Michelsens Institutt. (*In Norwegian*)

applies to Norway's work for market access of Norwegian fish. The position of Norway in the WTO negotiations regarding fish (the Non-Agricultural Market Access Negotiations - NAMA negotiations) will result in an overexploitation of the fisheries due to strong incentives for increased fishing, which can, with great probability, lead to over fishing in export nations lacking good administration regimes. The UN's food and agricultural organisation (FAO) estimates that as much as 75% of the global marine fishery resources have now been fully exploited, overexploited or extinguished.

Much has been said about the contrast between Norway's defensive attitude regarding agriculture versus its offensive attitude regarding fisheries. It is not inconsistent in itself that Norway promotes offensive interests within the fisheries negotiations and defensive interests within agricultural negotiations, but the reasoning behind it should be fair and with the best intentions. If Norway wishes to protect its agriculture with arguments based on food security, we should also contribute to allowing developing countries to protect their food security (see also chapter 5.3). Regarding fish (according to the present Norwegian government's declaration (2005)), food security is not less important for one kind of food (fish) than another kind of food (milk, meat or grain) or for one group of countries (developing countries) than another group of countries (developed countries). The reasoning behind Norway's food security policy makes the conflict between local/national and global sustainable development very obvious. A considerable part of export does not compete with Norwegian production, which seems to imply that Norway should be able to soften its customs restrictions.

Norway also participates in bilateral negotiations with developing countries through the EFTA¹⁸ cooperation. These agreements include various "WTO plus" aspects. This means all bilateral agreements that go beyond the WTO agreement in the form of, for instance the opening of markets (agricultural products and fish) or the protection of intellectual property rights. The EFTA countries put a lot of pressure on developing countries to lower their import tariff barriers so that we may have access for our products (especially fish) within their markets. This affects the management capability, competing national products and the national treasury in poor countries. Patents on grains or biotechnological inventions within agriculture, as well as within pharmaceutical products, represent a large problem for a great number of developing countries because this often affects human rights such as the right to food and the right to health.

We have the following demands for the Norwegian authorities:

- Norway should work towards a reform in the WTO, facilitating a fair global trade regime in which all countries have the same power to influence the rules.
- Norway should increasingly shift its imports away from EU countries and towards developing countries.

¹⁸ Iceland, Liechtenstein, Norway and Switzerland are members of the European Free Trade Association – EFTA. The EFTA Convention established a free trade area among its Member States in 1960. In addition, the EFTA States have jointly concluded free trade agreements with a number of countries worldwide.

- Norway needs to soften its duty restrictions regarding agricultural products so that poor countries may have greater access to selling their products in the Norwegian market.
- Norway should support a review of the so-called legal subsidies (green box) in the WTO to ensure that they are not encouraging export.
- Norway needs to help ensure that developing countries are able to protect their food security in regards to fish. Norway's demand for market access for fish is not compatible with a global sustainable harvest of fishery resources.
- Norway must not, through the EFTA cooperation, demand bilateral agreements with developing countries which contain "WTO plus" elements.

3.4 Conclusion

In this chapter we have looked at Norway's role in the global economy and in the work towards a more sustainable world. Norway has particular responsibilities in regards to the following:

- To manage its oil resources and riches in a way that benefits the poor; Norway should attempt to use the Petroleum Fund in innovative ways in order to create a new focus in the solidarity and energy debate.
- Take the lead in climate policy by showing that it is possible to cut emissions, and by also developing climate-friendly technology that other countries can also benefit from.
- Soften its duty restrictions so that more poor countries can sell their agricultural commodities on the Norwegian market. Norwegian imports must to a greater extent shift from EU countries and towards the developing countries.

Chapter 4: Building Blocks towards a More Just and Sustainable World

As already mentioned several times, there are good reasons for being critical of the World Bank, the WTO and the International Monetary Fund (IMF). However, together these institutions provide arenas where countries may cooperate and accomplish a great amount. The realism advocated in this document is fundamentally different from classical political realism. Whereas classical realism wishes to conserve the prevailing balance of power, this document's approach is based on the desire to find realistic and feasible possibilities for change.

In this chapter we take a look at the world from the perspective of the dominating structures and through the eyes of economic globalisation. However, we discuss how these structures and systems may be modified, amended and supplemented. In this chapter, we attempt to fill in some of the areas that the AGAPE document does not address thoroughly. This chapter is also an introduction to chapter 5 and 6 regarding global trade and finance institutions.

4.1 The Environment and Nature need be the Foundation of Development Policy

The Climate Convention and other central environmental agreements such as the Convention on Biological Diversity and various conventions that regulate environmental pollution should be, to the greatest possible extent, the foundation of development policy. In addition, the Rio agreement (1992) Agenda 21 points out that industrialized countries have a particular responsibility for making its production and consumption patterns more sustainable.



No. 7 of the UN's millennium goals "Ensure environmental sustainability" focuses primarily on access to clean water and improving the quality of life for people living in slum areas. Ensuring the fulfilment of basic human needs is the core of sustainable development. It is also important to ensure an environmentally friendly path out of poverty which the planet can bear. Serious global environmental problems, such as the change in climate and the loss of biodiversity, is a clear signal that the planet as a whole cannot continue to grow at the same rate as the Western world has done until now. If the developing countries follow the West's lead in terms of how they develop, we will quickly reach the limit of what the earth can bear and cause irreversible environmental damage. Regardless of what the rich countries do in the future, we already have to live with the consequences of the climate changes, and the poorest countries are those hardest hit. This does not only mean that efforts to reduce climate gas emissions should be one of the world community's most important priorities in the future. It also implies that the countries in the South need to receive assistance in adjusting to the climate changes (caused by the richer parts of the world). The main objective in the fight against poverty must be to ensure that poverty reduction and environmental issues are seen as two parts of a whole. Clearly International trade and financial institutions have obligations as far as this is concerned.

The conflict between trade and environment is obvious in many contexts. The WTO has not sufficiently managed to integrate environmental considerations into their work, even though sustainable development is one of its goals, and concern for the environment is reflected in the articles of WTO agreements. Experience so far has shown that sustainable development is seldom an important decision making criteria within the WTO, or other international decision forums. At the World Summit concerning sustainable development in Johannesburg 1992, there were tough negotiations regarding environmental agreements and trade rules. Norway contributed by making certain that the WTO regime was not given more priority than the environmental regime, however the World Summit did not state that environmental agreements should be prioritized before trade agreements. Here we see the importance of ensuring that well well-founded environmental agreements are not weakened by rules ensuring free trade and short-term economic interests. Many industrialized nations oppose this way of thinking, as do many developing countries. Among other things, developing countries fear that such environmental regulations may be used to keep their commodities out of the industrialised countries' markets. Much work remains to ensure that the WTO contributes to sustainable development. However, the objective must be clear: sustainable development must be made an integral part of the decision-making process at the international level, through the support of new networks and concepts for sustainability in trade and investment.

Since the World Bank plays such an important role in world poverty reduction, it is quite essential that the Bank takes environmental issues seriously. The World Bank needs to include environmental criteria in its dialogue with possible borrowers. Many developing countries have been sceptical about borrowing money for environmental purposes. They are of the opinion that this should be taken care of primarily through the GEF (Global Environment Facility – run by the World Bank, UNDP, UNEP and supporting projects in

developing countries that are meant to solve global environmental problems). At present, the World Bank does not help developing countries find environmentally friendly ways out of poverty. The World Bank support of fossil energy increased by 93 % during the fiscal year 06 (USD 869 million)¹⁹ compared to the previous year (USD 450, 8 million). The financing of renewable energy projects represents less than 5 % of the Bank's total projects concerning energy during the fiscal year 2006²⁰.

Renewable energy and energy efficiency result in clean and safe energy, as well as it makes good economic sense and is positive for the environment. One would expect the World Bank, in the years to come, to change its loan profile so that it is a more environmentally friendly and escalate its efforts within the renewable and climate-friendly energy sector.

Even if the World Bank and WTO were to assume more environmental responsibility, it is still important to have strong global institutions working with environmental issues. A proposal is to upgrade the UN environment programme (UNEP) to a global organisation working for the protection of the environment, international environmental standards and efficient monitoring systems. It is also possible to express our expectations of new organisations, such as the *Renewable Energy and Energy Efficiency Partnership* (REEEP), which is fronted by the EU Commission, and *The Global Energy Efficiency and Renewable Energy Fund* (GEEREF) – which is an international confederation of governments, non-governmental organisations and companies that work in favour of renewable energy and energy-efficient technology.

4.2 Human Rights and the State's Responsibility

At the same time that it is important to work towards reforms within the institutions, it is also important to work for a better global balance between institutions that facilitate trade and welfare, and institutions working towards more social objectives, such as poverty reduction, the environment and human rights. There are things that global trade and financial institutions cannot do, and instead these issues should be managed by other and more suitable institutions. Churches and civil societies have an especially important task in assisting the world community in strengthening the global human rights arena.

The UN member states are obliged under the UN Charter to ensure human rights and the fundamental freedoms of their inhabitants and part of the responsibility for ensuring that this is the case is given to the UN agencies. However, the UN work for human rights is a sensitive issue within the UN context, and many countries do not want the UN to play a central role in enforcing human rights. Within today's human rights arena, there is a focus on legal agreements and state responsibilities, which can provide effective protection against the negative consequences of globalisation. Increased support for human rights principles must therefore be followed up in practice through global

¹⁹ Figures from the Washington-based NGO, the Bank Information Center.

²⁰ IMF/WB (2006): "An Investment Framework for Clean Energy and Development: A Progress Report."

monitoring systems and national implementation. The recently established Human Rights Council within the UN (2006) is important in this respect. The Council is placed directly under the General Assembly and this thus implies an upgrade within the UN human rights efforts compared to the already existing Human Rights Commission. The Council shall be a permanent agency and not only meet once a year, which makes it possible for the Council to monitor the global human rights situation quite differently than the Commission has been able to do. All UN member states shall be submitted to periodic human rights monitoring. Non-governmental organisations and churches have the important task of providing the Council with information and material regarding the human rights situation around the world.



Another important actor within global human rights work is the international labour organisation ILO (International Labour Organisation), which works to strengthen the rights of workers and indigenous people. At the very least, the land use and property rights of indigenous people need to be guaranteed. The churches have an important task in demanding that their governments ratify and respect the ILO decisions. Not only does the ILO need to be improved, but the whole human rights system must be upgraded through a general reconsideration of what are the responsibilities of the state. In addition, a clear definition of the responsibilities of non-governmental organisations, such as multinational companies and international financial institutions, is necessary.

An uncontrolled market economy results in human rights violations. Despite Corporate Social Responsibility (CSR) having become a popular expression among companies which use it to improve their image, there are presently no international agreements that effectively regulate and monitor the activities of companies. Legally binding international

guidelines with built-in sanction mechanisms would increase pressure on the worst companies that are not affected by the UN Global Compact, the OECD guidelines or other non-governmental initiatives to change company behaviour, and that for different reasons are not affected by the law. At the World Summit for Sustainable Development in 2002, Norway was one of the driving forces behind the resolution regarding the establishment of a binding framework for corporate social responsibility. Continued work within the UN must be given high priority, and in parallel the states should follow the challenge of the UN Secretary General about developing national guidelines. The more countries that have national guidelines, the greater their influence will be on global environment and development problems.

It is important to think about the relationship between the international on the one hand and the national and local on the other in a coherent and understandable way. Even though globalisation has changed the character of the national state and reduced its power, the world community is still made up of states which are represented in international organisations such as the UN, the World Bank, the IMF and the WTO. Within the movements which are critical to globalisation, there is a tendency to forget that these institutions are tools for national governments. Therefore, an important part of the work to change these institutions will have to take place through national democratic processes and through the influence of the national politicians' positions and viewpoints in the international arena.

In order for the human rights and other international treaties to be upheld, it is important to establish good states which respect the value of democracy and constitutional government. Well-functioning governments are a necessary condition in order to be able to safeguard national interests within multilateral cooperation. One problem in large parts of the poor world is the absence of democratic principles and values. Combating corruption for example, will require effective investigative agencies, and independent courts of justice. Independent and representative government agencies are necessary in order to protect the rights of the citizens. In this respect churches have an important role to play in defending constitutional governments and in working for a vital civil society. This not only provides the foundation for escaping poverty but it also contributes to a more stable and safer world. A genuine global democracy presupposes a world consisting of democratic states.

4.3 Global Democracy

Democracy's eternal dilemma is the conflict between allowing for the influence of the citizens and the possibility for effective decision making. This dilemma increases with globalisation. More economic power lies beyond the state's control and outside the country's borders. In general, globalisation implies a reduction in democratically elected authorities in the respective countries. Instead external international agencies, the executive power, public administration and strong market players have increased influence. In several areas globalisation restricts the political ability to act, but it also creates new possibilities for solving large, common challenges such as climate change, ideological and cultural conflicts, poverty, and the HIV/AIDS issue. If we are to solve the problems of the 21st century, it is necessary to have binding regulations at the global

level. And it is necessary to implement sanctions against those who violate these regulations. We need more supranationality. The AGAPE document hardly mentions the UN. However, a well-functioning UN – a good and legitimate supranational solution – should be one of the core issues that the world’s churches and civil societies around the world are working for.



Presently, the supranational institutions are not good enough nor democratic enough to solve common global challenges, and recognition of this has led to the fact that the UN is now being reformed. Even though the UN is far from perfect, it would be difficult to establish a satisfactory system for supranational management without the UN. No other international organisation has the same global perspective, the means, and the authority as does the UN. The UN provides an overall and coherent perspective of the member countries’ foreign policy and development policy.

The main problem for the UN is the lack of democracy and executive power. To begin with the problem is that the Security Council is composed in relation to how the world looked after the Second World War. In addition, it is a fact that the right to veto in the Council has often paralysed the UN and that the organisation is financed in an undemocratic manner. In the efforts to achieve a greater extent of global democracy, the World Bank and the International Monetary Fund need to be placed under the democratic administration of the UN member states (read more about this in chapter 6).

In our efforts to find good international systems and institutions, it is important that the Western world does not put pressure on the rest of the world to accept its solutions. Reforms should definitely take into consideration minor actors and the poorer countries. The objective should be a qualified pluralism, where one works for good government, but where one's perspective is wider and can see beyond only Western ideals regarding democratic legitimacy. Specific institutions must be able to function under various democratic and cultural conditions and enable individuals to participate and criticise the existing policy. The overriding objective of such global and supranational institutions needs to be that they become better at including the people and civil societies at an international level. The citizens must, to a greater extent, be guaranteed participation in order to prevent increasing dissatisfaction and to give the UN greater legitimacy and acceptance around the world.

4.4 Development Aid

UN's Millennium Goal number 1 is to eradicate hunger and extreme poverty. By 2015 the share of the population earning less than 1 USD a day is to be halved. During the same period the percentage of populations suffering from hunger shall also be cut in half. If one is to reach this objective, development aid needs to be increased, but at the same time we also need to rethink development aid and what it means. Too much development aid has been channelled into failed projects within corrupt regimes. It is important that human rights form the foundation of the fight against poverty and for the development aid which is given. Besides this, development aid workers always need to take into consideration the local context-specific conditions, as well as ensure that the money reaches those who need it the most. A formal recognition of the right of the poor to land and other life sustaining resources is of crucial importance. Together with the basic human rights, land reform/redistribution is important when it comes to giving the poor sovereignty over their own development. Norway plays a central role in the work within the Commission for the formalisation of the rights of the poor, and therefore have a particular responsibility for ensuring that legitimate representatives for the poor participate and are heard, both in this context and in other forums where this issue is discussed.

Straight development aid also has to be supplemented by investments from business. For many developing countries, access to markets is more important than development aid. However, development aid can also help these countries obtain access to markets. Not in the least, it is important to take a look at how development aid can help to develop regional markets and support South-South trade. Development aid can promote trade if it builds up the capacity and competence within the developing countries. Development aid can be directed towards improving infrastructure, such as better roads, technology transfers and help in developing their own renewable energy resources. If development aid is going succeed, it is essential that the institutional and legal framework in the countries receiving aid is prioritised, so that they may get the most from the aid.

The Norwegian government is presently working on a strategy plan for trade directed development aid ("Aid for Trade"), which is part of an international process. In the WTO a working committee has been established and the work is being coordinated with among

others the UN system (UNDP, UNCTAD), OECD, the World Bank and the IMF. Aid for Trade is positive in the sense that the objective is to strengthen the developing countries' governments, production capacity, infrastructure and marketing competence. However, one must be conscious of the underlying danger related to the way the work is now being organised, where development aid is used as a negotiation tool within WTO negotiations. In addition, the fact that the recipient countries' feel little democratic ownership for the World Bank's national development strategies (PRSP), leads to an undermining of the legitimacy of Aid for Trade, since these are to form the basis of the definition of the recipient countries' needs.

Development aid alone cannot lift countries out of poverty. However to a considerable degree, development aid can contribute to helping poor populations, as well as strengthen national institutions that promote development. This needs to take place through both bilateral and multilateral development cooperation. Development policy must always contribute to political frameworks that make it possible for individuals to support themselves. It must also make it possible for local communities and voluntary organisations to mobilise in support of their own interests, and for nations to be able to economically help themselves and able to take care of their own citizens.

4.5 Conclusion

In this chapter we have attempted to point out that economic globalisation does not only require reforms of the global trade and financial institutions, but also that at the same time work needs to be done regarding global democracy, human rights and environmental standards, as well as creating a new way of thinking about development aid. We have particularly emphasised the following points:

- A main objective in the fight against poverty must be to ensure that poverty reduction and environmental protection go hand in hand.. The World Bank and the WTO need to integrate environmental considerations into their programmes and framework.
- Churches and civil societies must assist the world community in creating a stronger and more binding global system for human rights.
- We must work for good and legitimate, supranational, global, and democratic solutions.
- Development aid is still necessary for helping developing countries out of poverty – however, development assistance must to a greater extent help these countries obtain access to markets and build up their own capacity and competence.

From the core of the church's belief in the one God who has created the world, and in man's inviolability, arises a commitment that must both be holistic and take concrete challenges into consideration. From such a fundamental approach it follows that one must see economic globalisation in connection with a threatened Creation, the rights of man, the requirement of responsibility and co-determination, and development aid. This approach is also the foundation when we deal with the global agents and challenges in global trade and finance.

Chapter 5: Fair Trade

So far we have looked into the general issues related to economic globalisation, the role of the church in the light of globalisation and its understanding of this role, the particular challenges and responsibilities of Norway and some building blocks that fill in some of the picture as presented in the AGAPE document. In the following two chapters we will concentrate on the central institutions within global trade and finance. Previously we have emphasized that in the long term it will be necessary to change the actual structure of global interaction within the above areas. We have also pointed out that this must be done by confronting market fundamentalism as the main ideology. In the short term this will have to take place within today's institutions and framework. Therefore, the focus in the following two chapters will be on the desired changes within these institutions.



5.1 What is Fair Trade?

As part of the global church we should support efforts working towards an economy which stands for the service of life. Economic justice cannot be reduced to signify a set of rules based on *equal opportunities* for all; such principles of equality have often strengthened the position of those who are already strong, and led to a strengthening of the power of the elite, which oppresses and exploits others. This chapter focuses on international trade in general and the multilateral trade regime of the World Trade Organisation in particular. The main argumentation in the following is that WTO has

many shortcomings and that the rich countries are primarily responsible for doing something to correct the situation.

Since the beginning of the history of man, different forms of trade have existed: between individuals, between groups and tribes and with time between countries and states. This is based on a fundamental understanding that trade can improve human living conditions through the sharing of the earth's resources and the gains of human work. It is also based on the fact that trade can stimulate economic development and the exchange of ideas across cultural, ethnic and geographical borders. Trade emphasizes the interdependence of humans and can in this way contribute to ensuring a peaceful coexistence between peoples and nations. However, trade can also destroy relationships, it can create and sustain inequality, and lead to indignities, poverty, violence and conflict. The church's duty should be to work for *justice within global trade*.

The question is not whether or not there should be trade, but *how* we should do trade. In this context where we are reflecting on trade, it is important to note that trade is not the objective in itself. It has to be seen as a means of promoting human dignity, sustainable societies and economic justice. In this way, legitimate objectives such as economic effectiveness and growth cannot justify a trade policy that at the same time undermine the rights of the poor. Global trade rules are fair to the extent that they offer positive opportunities for the poor, meet their needs and contribute to their rights being upheld.

The AGAPE document is a relevant analysis of the damaging effects caused by today's trade system. At the same time, we wish to emphasise that fair trade between countries provides the opportunity for growth in developing countries. This is possible when the rights of the developing countries to protect their own markets are combined with an increased possibility to sell their products in the rich countries.

Rich nations protect their markets through custom barriers that increase with the extent of manufacturing. These custom barriers restrict the industrialisation processes of the developing countries. Rich countries also give huge subsidies to their agricultural sectors. Today overproduction of subsidised goods leads to dumping in poor countries. This drives the prices down on the world market, and exporters in poorer countries suffer. In addition, the cheap import from the developed world makes farmers in the poor countries unable to compete on their domestic markets. A reduction of subsidies will not only result in overproduction, it will also lead to new markets and new possibilities for farmers in poor countries. If a reduction of subsidies in the developed world is combined with custom barriers in the poor countries and a reduction of custom barriers in the wealthy countries, we would be much closer to a situation with equal opportunities in the global trade system.

As argued in the AGAPE document, we are also of the opinion that the agreements for trade of services (GATS) and the protection of intellectual property (TRIPS) to a great extent has contributed to ensuring multilateral companies the right to control the world's social, financial, energy-related and cultural services in a way that does not serve the best interests of poor countries. Since there is very little probability that the

established multilateral framework will disappear anytime in the near future, it is important to run parallel processes. On the one side efforts need to be made to work against an aggressive liberalisation within the General Agreement on Trade in Services and a removal of TRIPS from the WTO framework. At the same time it is also important to look for solutions to these problems within the multilateral framework that is already established.

5.2 Trade within the World Trade Organisation (WTO)

The WTO consists of three main parts:

1. trade of industrial articles (GATT), which is divided into
 - a. agricultural products (AoA)
 - b. industrial products including fish and fish products (NAMA)
2. trade of services (GATS)²¹
3. intellectual property protection (TRIPS)²²

5.3 Trade of Industrial Products (GATT)

5.3.1 Trade of agricultural products (AoA)

The right to food is a human right recognised by the UN. This human right is violated every day in the poor part of the world. In the poorest countries 90 % of the population support themselves with agriculture. Thus trade of agricultural products is of great importance for their food security. Poor countries should be given the opportunity to protect their small farmers and ensure their food security through higher custom barriers. For example, this can occur through the use of WTO mechanisms that are presently being negotiated (SP and SSM)²³.

In short, the principle of food sovereignty implies that peoples and nations must have the right to decide their own policy and feed their own population, as long as they do not hinder others from doing the same. At its most extreme, the consequences of the principle of food sovereignty in practice can mean that the EU and the USA can freely force down the custom barriers of developing countries in bilateral agreements, while at the same time continuing their export subsidies and dumping of their food products on the world market. The principle of food sovereignty should therefore only apply to the poorest of countries. We have to allow poor countries the political space to build up their local industry and agriculture within a protected market. Those countries that are rich today have, in the same way, gone through different development phases where different kinds and degrees of protection and protectionist tools were used. Rich countries thus have to stop forcing down the custom barriers in the South in order to get

²¹ General Agreement on Trade in Services

²² Trade Related Intellectual Property Rights

²³ Special Products (SP): Customs protection for especially vulnerable products; and Special Safeguard Measures (SSM): Security Mechanisms on the occasion of an increasing import level for periods of time.

market access for their own products. Neither should rich countries have the same rights regarding the possibility of having protectionist agricultural policies.

Only rich countries can afford to subsidise. The USA and the EU spend at least 15 billion USD a year on illegal subsidies. Oxfam's analyses show that 38 developing countries suffer due to unfair trade conditions that are a result of the USA and EU subsidies that distort competition. This includes LDC-countries such as Malawi, Mozambique and the cotton producing west African countries. The EU's tomato export alone takes up more than 300 billion USD a year worth of the market. The illegal corn subsidies of the USA cost the corn producers of the world 4 billion USD a year in the form of market exclusion and price depression. According to the United Nations Development Program (UNDP), the OECD countries spend approximately 1 billion USD a day in agricultural support – more than six times the total amount spent on development aid. Since 1997 the tax-financed subsidies have actually increased by more than 20 %.

In order to ensure that subsidies do not go indirectly to exports and dumping, the subsidies need to be reported to the WTO and to be closely monitored. Moreover, the so-called non trade distorting subsidies (green box) of the WTO need to be reevaluated so that there is no doubt about whether or not this agricultural support can lead to dumping, as is often the case today.



We must work for reform of the present system of subsidies and flexibility in the custom regulations for poor countries, so that multilateral companies have a more limited space to act.

5.3.2 Trade of Industrial Products Including Fish and Fish Products (NAMA²⁴)

The aggressive reduction of custom barriers in countries without a well-developed administration could possibly have catastrophic consequences for the fisheries sector. This Swiss formula, which has been promoted by the rich countries, implies a much greater reduction in the custom tariffs of developing countries than in Western countries, since the developing countries have the highest custom tariffs to begin with. It is of crucial importance that developing countries are not forced to cut their tariffs too greatly;

²⁴ Non-Agriculture Market Access

in many cases this is the only defensive measure that the developing countries have for protecting their markets.

In the short and medium-long term, ambitious liberalisation can weaken food security among small fishermen and coastal populations who are dependent on selling parts of their catch to local markets at a good price. The UN Food and Agriculture Organisation (FAO) estimates that 34 million people earning less than one USD a day earn their living fishing. The poorest countries (LDC) are safeguarded by exceptions, however, the middle income countries are those who will suffer the most under this formula (e.g. Guatemala, Honduras, Kenya, Ghana). Food security for these people is at risk due to exposure to increased imports of cheap fishery products making it impossible for them to make their living selling fish and by the fact that increased exports is often closely linked to capital intensive fisheries that often are hard on the fishery stocks, the same stocks that the small fishermen are dependent on.

In addition, revenues related to custom tariffs represent one of the few public income sources for poor countries. There is also reason to fear an overexploitation of the fisheries due to strong incentives for increased fishing, which with great probability can lead to over-fishing in exporting countries without good administrative practices. (See chapter 3.3).

5.4 Intellectual Property Rights (TRIPS)

The objective of protecting intellectual property rights within the TRIPS agreement is to create motivation for innovation. Within the TRIPS agreement, the regulation of patents is one of the main tasks.²⁵ TRIPS includes the regulation of both patents of medicines within the pharmaceutical sector and of plants within the agricultural sector. However, it has become clear that the kind of innovation that TRIPS promotes, focuses on lucrative Western markets²⁶. Insufficient resources are spent on developing medicines and vaccinations against diseases which most often affect people in the poor countries. When market logistics are allowed to be the deciding factor within this area, then combating the diseases of those having less purchasing power are not prioritized. Some things are being done to try to remedy this situation within the UN framework²⁷ and innovative financial mechanisms²⁸, but not nearly enough.

On November 14, 2001 in Doha, the capital of Qatar, the WTO Ministerial Conference adopted the Doha declaration concerning the TRIPS agreement and public health. This represented a large step in the right direction. The TRIPS framework then received some

²⁵ TRIPS also includes copyright, trademarks and industrial design.

²⁶ Bulletin of the World Health Organisation (2006): Managing the effect of TRIPS on availability of priority vaccines, 2006 (84): 360-65

²⁷ Global Fund, GAVI

²⁸ UNITAID and Advanced Market Commitments (AMC)

flexibility worked into it, that enabled developing countries to use generic copies, through forced licensing and parallel exports, even though TRIPS has also put great limitations on the production of such copy medications. This flexibility enables developing countries, for instance India and Brazil, to produce generic medicines that make it possible for their own population as well as others from poor countries to obtain access to lifesaving medicine.

One of the most worrying development trends nowadays is the pressure that multinational companies (for instance Novartis lawsuits against India's patent legislation, 2007) and large countries (for instance the USA) put on the countries that choose to make use of the flexibility in TRIPS to produce copy medicines. In this respect, the bilateral agreements²⁹ between powerful countries in the North and developing countries play a central role. These agreements often go further than the multilateral agreements and do not have the same degree of transparency. Due to the unequal balance of power between the negotiating parties, these agreements are often marked by pressure from the stronger party.

Big multinational companies argue that patents are their motivation for developing new products. This exposes the weakness of pure market logistics. This is, to the highest degree, about protectionism and about protecting existing monopoly situations³⁰. Presently work is being done at different levels to soften today's system of patents. Efforts are being made, for instance, to put into place so-called "patent pools", which is a useful tool since many patents are often needed in order to produce a single product. Patent holders enter into a common "patent pool", on a voluntary basis, in order to give access to the different patents needed in order to produce a specific medicine. In this way, they save both time and money. Some Western companies also enter into agreements with companies in the South and they are able to benefit from each other's expertise. However, it is important that public authorities play a crucial role in this respect, since experience has shown that companies have little commercial interest in investing in the markets of developing countries.

At the same time that these progressive steps are being taken, multinational companies are working to expand the scope of their patent rights, in particular in relation to breeding methods. For example, the multinational agricultural company, Monsanto has applied to the World Intellectual Property Organization³¹ (WIPO) for a patent on pig breeding methods. This opposes a central principle within Christian faith and other religions regarding the impossibility of taking out a patent on life. Just as important as this principle, is the fact that this can have huge negative economic consequences for the

²⁹ e.g. USA-Singapore

³⁰ Ref. the situation close to monopoly that Microsoft has benefited from for many years in regards to computer software.

³¹ WIPO was the main responsible for the regulation of intellectual property before the establishment of the WTO.

people in poor countries. It also represents a problem that national regulations are increasingly opening up for expanding the rights of multinational companies. For example, Monsanto has successfully sued a farmer in Canada for the use of patented seeds that were spread by the wind.

5.5 Trade in Services (GATS)

The Agreement on Trade in Services includes the trade of different kinds of services. It deals with services that to a great extent are commercialised in the Western world, such as telecommunications and financial services, but also services central to welfare, such as public health and education, as well as services directed at basic needs such as water and sanitary services. The Agreement on Trade in Services is more flexible than the other agreements within the WTO regulations. It has a “positive bindings list”, which means that each country only commits itself to the special sectors that they wish to. However, in practice many developing countries are exposed to a lot of pressure by the EU and the USA to bind sectors that are of interest to these larger markets. Liberalisation of the service sector is to a varying degree considered controversial in developing countries, but very few of them are positive to this kind of liberalisation within the WTO.

India is an example of a developing country which has experienced the value of this agreement. The reason for this is both because they themselves export services, especially within the IT sector, and because they welcome an agreement which allows for people to work within the service sector abroad for short periods of time. As for services such as water, sanitary systems, public health and education, there is reason to be very critical to the idea of putting any pressure on developing countries to liberalise these sectors. In this respect it is very positive that the Norwegian government has chosen to withdraw their demands to developing countries within the water, education and energy sectors. On a theological basis of God as our Creator, the church should oppose any development trend where the belief of access to communal products becomes inferior to market logistics. However, we encourage people not to think about globalisation of trade in services as merely negative. This liberalisation can function in a positive manner if it results in a transfer of technology and the development of infrastructure in developing countries. It is a negative influence if it leads to multinational companies establishing only for the access to the developing countries’ capital.

The service sector in general and investments in particular are included in a great number of bilateral agreements³². If the WTO disappears, rich countries, especially the USA and the EU, would be free to pressure poor countries into bilateral agreements. The bilateral European Partnership Agreements (EPA) between the EU and the ACP countries³³ is an example of how this freedom can lead to many injustices within bilateral frameworks. In this respect, developing countries are pressured to take things even further than in the WTO (ref. last part of item 3.3 for the definition of “WTO plus”), within services,

³² The USA and the Democratic Republic of Congo (1989), USA and Bangladesh (1989), USA and Mozambique (2005).

³³ African, Caribbean and Pacific Group of States.

agriculture and issues relating to the protection of investments, policies dealing with competition and transparency, and the so-called “Singapore Issues”³⁴. The EPA agreement that is presently being negotiated between the EU and several African countries, among others Kenya, includes issues such as the right to investments. These are issues that developing countries within the WTO have declined to negotiate. Furthermore, the agreement is very aggressive in its demands for the opening of markets for European agricultural products. In contrast the EU has in previous agreements with these countries focussed on advantageous market access for certain products from developing countries, for example bananas (Lomé 1975 and Cotnou 2005).

The WTO is far from perfect and faces enormous challenges in putting into place the development round (commenced in Doha, Qatar 2001) that developing countries have long been promised. From the church’s perspective the ability of the WTO to carry out this round will prove to be a test of WTO’s legitimacy within global trade policy. This challenge will make it clear whether or not the central actors in the North have taken the concept of equality between parties seriously, realizing that it means more than merely equal possibilities in the sense of having the same rules.

In spite of all its weaknesses, the WTO represents predictability, transparency and legality that do not exist in bilateral agreements. Even though improper pressure is exerted within the WTO framework, the multilateral framework provides a higher degree of transparency, legality and predictability within trade. At this time, it is decisive that flexibility is included in the agreements dealing with the developing countries, which provides them with extra space to act and to choose solutions that provide them with the opportunity to build their service sectors. One way of doing this is to provide for exemption for developing countries from the planned necessity test. This test is a mechanism that seeks to remove the necessary and existing flexibility in the GATS regulations by forcing the counties to test their social prioritising in relation to market efficiency.

Cases handled by the WTO Dispute Panel (US-Mexico Telecom case and Antigua-US Gambling case) show that it is difficult for both developing countries, and rich countries to predict all possible consequences of the agreements they have signed. It is also important to recognize the right of developing countries to go back on an agreement concerning trade in the service sector if they, at a later stage, find themselves in a situation where they need to protect a particular sector in order to develop it. Governments change, and new political priorities can have no real effect in these countries if the previous government has already bound its political priorities in the dealings with the WTO. Rich countries must give poor countries the possibility that we had to choose protective solutions during industrialisation.

³⁴ Investment protection, competition policy, transparency in public contracts, and trade facilitation

5.6 Conclusion

In this chapter we have tried to point out possible reforms for different aspects of the world trade system within the WTO bilateral agreements, especially in relation to intellectual property rights and trade in services. We are of the opinion that these reforms can result in improved trade conditions for developing countries in the form of a more fair trade system. We have emphasized the following points:

- All dumping of subsidised products by rich countries into the poor countries' markets must come to an end. In addition, rich countries need to stop pressuring poor countries into opening their markets to them.
- Developing countries must be given more flexibility to deviate from agreements concerning the opening of their markets in order to protect their own economic development when this is threatened, and they need to be given better opportunities to sell their products in the rich countries' markets.
- Poor countries must be given access to non-expensive quality medicines (original or generic) in order to combat epidemic diseases and other diseases that threaten large parts of the population.
- Financial programmes directed towards the development of medicines for fighting diseases which affect developing countries particularly hard, must be strengthened
- It needs to be organized in such a way that the flexibility in the TRIPS regulations can actually be used by developing countries.
- Bilateral agreements must be monitored, so that they do not contain "WTO plus" elements.
- The flexibility in GATS must be maintained and improved, and not limited through a necessity test of national regulations.

Seen from the church's perspective, a global trade policy will only be legitimate when it shows its ability to support the oppressed and marginalised people and populations own capabilities to lift themselves out of poverty and conditions that are disrespectful to their God-given dignity. For the church, what counts is not the economic bottom line, but the human bottom line. The same goes for the global finance policy framework.

Chapter 6: Fair Finance

6.1 What is a Fair International Financial System?

Much of the opposition to the international finance institutions (IFIs) is based on the fact that since the 1980s they have put strong provisions on the macro-economic and micro-economic priorities of developing countries. In the 1980s the structural adjustment programme started, linking the borrower closely to neo-liberalistic economic reforms in line with the so-called “Washington consensus”. In 1999 the IFIs changed their strategies and said that developing countries themselves had to take the lead regarding political changes. In 2004, the World Bank announced a new conditionality policy, saying that it was only allowed to have loan conditions when they are strictly necessary in order for the programmes to succeed, and that they would make demands so that the countries themselves could initiate political change. The conditions are now more generally directed at “good governance” in the recipient countries. However, economic privatisation and liberalisation conditions (both binding and non-binding) are still sometimes connected to the IFIs’ loans, debt cancellation and development aid.

The IMF has advised developing countries to reduce public expenses in order to comply with macro-economic inflation objectives. Nobel prize winner Joseph Stiglitz (2002) criticises the IMF for having regarded macro-economic moderation as an objective in itself. The IMF also reckoned that the market would address all needs – including health care and education – for all socioeconomic groups. For instance, the privatisation of water supply in the Philippines (1980-99) has resulted in poorer access to water – especially for poor people – and a huge increase in costs. There have been frequent cholera outbreaks among the poor due to unclean water. Also Uganda, Bolivia and Mali have been pressured to privatise water supplies. Privatisation of education in South-Africa following pressure from the IMF and the World Bank has resulted in a considerable number of the poor not getting an education. Privatisation of agriculture has been recommended in Mozambique, Mali and Benin.

The present Norwegian government said in its government declaration (2005) that it would work to ensure that “multilateral aid is increasingly switched from the World Bank to development programmes and emergency aid measures under the auspices of UN agencies. Norwegian aid should not go to programmes that include requirements for liberalisation and privatisation.” The church should support the Norwegian government on this point. The question is whether the church should have gone even further and called for the abolishment of the World Bank and the IMF (the IFIs) as such. The AGAPE document goes quite far in the direction of demanding this. A great number of people will maintain that there is a division between the participants in the globalisation debate concerning exactly this issue.

We maintain that the question of whether the IFIs should continue or be disbanded is not sufficiently precise in order to be answered in an adequate way. The problem with the present IFIs is not that there is too much supranationality within the global financial system. The alternative to such a system would with great probability be a complex and incomprehensible network of agreements between the different states (bilateral

agreements). As indicated earlier, such a system would only serve the most powerful states and global financial/political parties. It would also weaken the possibility of defining responsibility, legality, predictability and popular support for global finance. Bilateral donors operate with less transparency and do not feel the same obligation towards international conventions on human rights and workers' rights. We need more supranationality, not less.



Rather than answering the question of reform or revolution it is much more adequate to identify the weaknesses of the present system, so that the church and other actors within the global civil society can challenge the state on these points. Some of the weaknesses of the present global financial system may be listed up as follows:

- too little supranationality and anchorage in global democracy
- too much donor power
- the threshold is too high with regards to the acceptance of debt remission of illegitimate debt
- little acceptance of the lender's responsibility
- loan conditions related to privatisation and liberalisation (so-called conditionality)
- the existence of tax havens
- possibilities of corruption, withholding taxes and money laundering

The objective must be a global finance system in which these weaknesses can be rectified. It is of secondary importance whether or not the institutions that ensure a more fair system have the same name as the present organisations.

In a short-term perspective it would be efficient if both multilateral and bilateral donors could agree on the fact that conditions requiring economic liberalisation and privatisation cannot be defended. In loan negotiations between equal parties it should also be possible to make demands concerning the compliance of international conventions on human rights and workers' rights. Another appropriate objective would be an immediate debt cancellation of all illegitimate debt. One of the prioritised goals must be to stop the cash flow from the South to the North. Loopholes in the regulations of multinational companies must be closed and the existence of tax havens must be opposed. This should become part of the World Bank's anti-corruption strategy. Finally, it is possible to partially solve some of these problems by establishing innovative financing mechanisms, like air taxation or a currency tax (see also chapter 3.1), and let the revenues go to development purposes. It is important that this is a supplement to development aid and to the suggested system changes.

6.2 Criticism of the IFIs' Use of Conditions (Conditionality)

The IFIs have repeatedly been asked to reform their practice of privatisation, loan conditionality and control at the micro level of the borrowing countries' budgets. Reports from Oxfam and Eurodad in 2006 show that the loan conditionality of privatisation is increasing and points out a practice in the World Bank that is contrary to what it has maintained, namely that conditionality is decreasing. Conditions are problematic both in terms of the principle of national democratic ownership to policy, and the actual contents of the requirements of the conditionality. When conditions regarding economic privatisation and liberalisation are related to development aid, loans and debt cancellations, it undermines the political space needed for poor countries. This space is of crucial importance to poor countries in their struggle to develop independent development strategies. Such conditions represent a democratic problem in that governments in the South are held responsible to their own population for political priorities made by the IFIs.

Furthermore, the contents of the conditions are worth discussing. Especially conditions regarding economic privatisation and liberalisation are considered an unfortunate intervention in the countries' micro-economic priorities. The World Bank is increasingly being criticised for having produced research results that on insufficient grounds support the positive effects of globalisation and trade to promote its own objectives and interests. Moreover, in 2007 the IMF was criticised in two reports written by their request (IEO³⁵ and Malan³⁶). Among other things, the critics dealt with the IMF intervention in the

³⁵ Independent Evaluation Office Report (2007): "The IMF and Aid to Sub-Saharan Africa", 12.03.07.

³⁶ Malan et al (2007): "IMF, World Bank Need to Work Better Together", in IMF Survey Magazine 19.03.07.

development policies of the World Bank in regards to less developed countries (IMF is to deal with macro-politics) and for insufficient coordination and compatibility between macro-economic objectives and micro-political priorities (for instance education and public health). The conclusion is that the IMF does not have the sufficient competence to fight poverty. In addition the conflict concerning the previous Director of the World Bank, Wolfowitz, in 2007, has been a reminder concerning the need for a reform of the undemocratic structure of the IFIs.

In the aid budget, the Government has cut the funds going through the World Bank and channel these funds instead through, for example, the UN system. The socialist-green parties in government have previously announced that the grant to the World Bank might get reduced as one is sceptical to the Bank's focus on private solutions. The budget suggests a reduction in the grant to the multilateral finance institutions. In total, Norwegian grants of NOK 1.75 billion are suggested, a reduction of 2.9 per cent of what is granted this year (National budget for 2007).

Several countries strongly oppose the practices of the World Bank. In relation with the Singapore Meetings in September, 2006, Great Britain's Minister for Development Cooperation, Hilary Benn, announced that 50 million GBP would be withheld until the World Bank changed its practice of conditionality regarding privatisation. In Norway, the Norwegian Church Aid has called upon the government to consider similar measures. In November 2006, the Norwegian Ministry of Foreign Affairs organised a conference on conditionality for the Utstein group countries³⁷ (minus Canada). As mentioned, the Norwegian government said in their Government resolution (2005) that Norwegian development aid will not be given to projects that are dependent on conditions such as economic privatisation and liberalisation. During the Conditionality Conference 2006 the Minister for Development Cooperation, Erik Solheim, mentioned Nepal as an example of a country he had visited recently, and just after the King had given his power back to the people. Minister Solheim was shocked by the fact that the World Bank at that time was more concerned with privatising the printing of schoolbooks of the country.

With the Conditionality Conference, the Norwegian government wished to examine the status of the IFIs' continued use of conditionality of loans. The Ministry of Foreign

³⁷ The Utstein Group is a group of Ministers for Development Cooperation responsible for the cooperation on aid to developing countries. They collaborate to push the development agenda forward, with focus on implementing international consensus. The Utstein Group may consist of different countries and is not exclusive. It is characterised by being impulsive, consisting of participants according to the relevant issue and situation. Originally, the group was formed by former Norwegian Minister for Development Cooperation Hilde Frafjord Johnson (2001-2005) as an alliance of female Ministers for Development Cooperation from Great Britain, Germany and the Netherland, in addition to Norway. Later on, it was expanded to include Sweden and Canada.

Affairs produced a study³⁸ proving that loan conditions demanding privatisation and liberalisation are still imposed on poor countries such as Mozambique, Zambia and Bangladesh. Indeed, the study shows an improvement, but at the same time it states that the recipient countries' ownership of these processes is weak. Therefore, it is important that churches and other participants continue to put pressure on their governments so that this kind of conditioning is not the basis of IFI loans.

An important effort that Norway can make in this respect is to seek a strengthening of the ability of developing countries to oppose the IFI demands and conditions when they wish to make other political and social priorities than those that they are told to make. The EU, to an increasing extent channels development assistance through other channels than the World Bank. They make increasing use of "trust funds" in Africa.

In March 2007, the negotiations in the International Development Association (IDA) started. These negotiations are about additional loans to the poorest countries. These loans are given as development aid with conditions. It is here that Norway and other Northern European countries give their largest contributions to the World Bank. In connection with the extra loans, the church should demand that during the negotiations Norway acts on its promises concerning the removal of the conditions of economic liberalisation. This is a modest demand that the Norwegian government could make without great political implications. In addition, it sends a clear signal and points out where some of the World Bank's funds should be going.

After the massive criticism made against the multilateral donors, these presently experience a legitimacy crisis. This crisis is especially striking in the case of the IMF, but also in the case of the World Bank³⁹. As a result, many countries have stopped their loan relationship with the IMF and declared financial sovereignty. Countries like Thailand, Indonesia and Vietnam have over the last few years declared that they will pay back old loans and not borrow more from the IMF. Brazil and Argentina have paid their debt and declared financial sovereignty. The IMF crisis is now a combined legitimacy, budget and role crisis⁴⁰.

The church should demand that the IMF and the World Bank abandon conditions of economic liberalisation and privatisation as soon as possible. All such micro-economic control of developing countries is damaging, both because it undermines developing processes and because the effects in many cases have proven to be negative. However, reasonable conditions can be found in some areas that can be linked to different kinds of contracting and responsible lending. These are conditions dealing with auditing,

³⁸ Bull et al (2006): "The World Bank's and the IMF's use of Conditionality to Encourage Privatisation and Liberalisation; Current issues and Practices".

³⁹ Especially the IBRD is becoming less relevant. The IBRD aims at reducing poverty in middle income countries and credit-worthy poorer countries.

⁴⁰ Ref. "The IMF: Shrink it or Sink it: A Consensus Declaration and a Strategy Paper" (2006).

transparency and compliance with international conventions and agreements. However, especially the IFIs have a particular responsibility that international agreements on human rights and workers' rights are guaranteed through their own practice and by their own project implementations.

6.3 China in Africa and Responsible Loans

China is on its way to becoming a new attractive lender in Africa. The loans are inexpensive in terms of interest rates. China is successful because they are able to look upon Africans as equal partners. On the one hand, China does not require economic privatisation and liberalisation conditions. However, on the other hand, China ignores international conventions of human rights and workers' rights. China as a "new lender" represents a threat and a competitor to established lenders from Western countries that have previously had a monopoly situation as donors. China also represents a threat for developing countries that have had their debt cancelled through different multilateral programs and now are in danger of accumulating a debt that is unsustainable.



The World Bank criticises China and India for being too generous with the distribution of loans without considering the lender's repayment ability. However, the need for taking up new loans is closely linked to the fact that Western countries do not manage to give sufficient development aid or fair trade conditions to poor countries. China is conceived both as a new imperialistic superpower that wants access to Africa due to its natural resources (for instance oil) as well as an expression of South-South solidarity. China is deeply involved in many African countries, for example oil-rich countries like Nigeria,

Angola and Congo-Brazzaville. China is also present in Sudan and Burma. In this connection it vetoed a UN Security Council (2006) resolution to impose sanctions against Sudan and Burma on the basis of human rights violations. The World Bank calls China a free-rider that makes use of multilateral debt cancellation initiatives. In a country like Zambia one was appalled by the inhumane working conditions when three workers in a Chinese copper factory were killed by a Chinese security guard. The strong role of China in Africa also indicates the necessity of change in the World Bank's and the IMF's use of loan conditions.

Responsible lending must presuppose that new illegitimate loans are not taken out. Therefore, lenders must be allowed to make certain demands of the recipients. The question is still whether it is appropriate to call such demands "conditions". In this context it is obvious that certain conditions or demands, such as the compliance of international conventions, for instance human rights and workers' rights, are legitimate. If new loans are given without respecting these conventions, new illegitimate debts will probably be established. This concerns responsible loans and the co-responsibility of creditors in the loan situation. As long as the lenders are sure that they can demand that the loans be paid back under any conditions, one loses the incentive for ensuring responsible lending in the future. It is therefore important, also in this context, that the Norwegian government at the international level addresses the principle of creditor co-responsibility, which was established through the historical debt cancellation of the Ship Export Campaign⁴¹ (October 2006). China as a new lender and the legitimacy crisis of the IFIs makes this an urgent matter.

6.4 Ecological Debt

The AGAPE document refers to the Ecuatorian organisation for the conservation of the environment Acción Ecológica, which defines ecological debt as: "the debt accumulated by Northern, industrial countries toward Third World countries on account of resource plundering, environmental damage, and the free occupation of environmental space to deposit waste, such as greenhouse gases, from the industrial countries". In certain cases the ecological debt can be traced directly to petroleum and mining companies that destroy eco-systems in their pursuit for wealth in minerals. In other cases the responsibility must be given to the international monetary institutions that finance natural resource exploitation projects without considering the social and environmental consequences.

This addresses central principles regarding how Northern industrial countries and their financial institutions have accumulated a moral debt to developing countries by exploiting their difficult situation. Operating a relevant pragmatic political approach to this is however very far away. Under item 3.1 above we have indicated possible financial arrangements that can provide access for the countries of the South to fossil-free energy as the basis for economic growth.

⁴¹ See for instance URL: <http://www.50years.org/cms/updates/story/344>

To obtain a gradual operationalisation of a political approach to illegitimate debt it seems most realistic to pave the way step by step. The first thing to do is to work for the recognition of creditor co-responsibility. The Norwegian debt cancellation from the Ship Export Campaign is an important step towards recognising a more comprehensive notion of illegitimate debt.

6.5 Illegitimate Debt, Debt Cancellation and the Co-Responsibility of Creditors

The most obvious examples of illegitimate debt⁴² is dictator debts lent to the Marco regime in the Philippines (1962–86), loans to Suharto in Indonesia (1965–) and loans to the apartheid regime in South Africa. In the latter case, the country has paid 4 billion USD a year in debt since the abolishment of apartheid. On the other hand, loans recognised by a country's parliament must be defined as legitimate debt. As a result of the oil crisis in the 1970s, a number of developing countries experienced that their debt doubled many times in a few years during in the 1980s. Even today we see that many poor countries are drained of their economic resources because of increased oil prices.

The debt crisis is not only an economical problem for countries in the South, but also a political problem that is based upon, and strengthened by the imbalance in the international distribution of power. Debt is still used as a means to control countries through loans and debt cancellation. We must admit that debt cancellation is also the responsibility of the countries of the North. Rash and irresponsible lending has contributed to the crisis. This crisis has been worsened by demands of liberalisation. Rich states must account for their role in the difficulties of the developing countries through institutions like the World Bank, the IMF and the WTO. In the same way corrupt and non-representative governments in the South must account for their actions. Winner of the Nobel Peace Prize Wangari Maathai has said that if we are to obtain a cancellation of illegitimate debt, churches, civil societies, organisations and parliaments must put pressure on leaders in both the North and the South⁴³.

The Norwegian Church Aid (NCA) and Changemaker are among the participating parties in Norway who have worked seriously with illegitimate debt. The NCA defines illegitimate debt as

- loans given to illegitimate regimes (dictator debt and apartheid regime debt)
- loans given to projects with illegitimate objectives because the lender knew or should have known that the loans would not benefit the poor population (Ship Export Campaign)
- loans where the repayment of the loans are illegitimate (debt cancellation that is made as part of the development aid, for instance in the case of Nigeria).

⁴² Joseph Hanlon: "Illegitimate debt consists of loans which were improperly granted and are thus the liability of the lender and are not to be repaid". Odious debt: The acceptance of, and utilitarian value for, the population are not considered, and the creditor was aware of this situation.

⁴³ NCA debt seminar, World Social Forum 2007.

In Norway the Minister for Development Cooperation made history when he declared, on Monday, October 2nd, 2006, that the Norwegian government, unilaterally and unconditionally, would call for a cancellation of all debt that Ecuador, Egypt, Peru, Jamaica and Sierra Leona owed Norway following the Ship Export Campaign in the 1970s. When the debt was cancelled, the countries of the Ship Export Campaign owed a total sum of 520 million NOK. The government says that it recognizes creditor responsibility connected to this debt and describes it as “failed development aid”⁴⁴. The church must support this brave and fair decision in the Ship Export Campaign issue, and contribute to the fact that creditor co-responsibility becomes an idea that is spread and given international recognition. In this respect the country of Norway is exemplary in the sense that as a principle debt cancellation is not included in the development aid budget, and it is granted unconditionally.

Through recognising its creditor responsibility the government contributes to putting the issue of illegitimate debt on the agenda. It thereby goes further than any other lenders in its making an issue out of a misunderstood lender solidarity that has prevailed for a long time in the Paris Club. Later, the government received reactions from the Paris Club⁴⁵. The issue of breaking the lender solidarity came up. The church has to support the government in saying that such an approach is not morally sustainable. Solidarity with other lenders is misunderstood if it is used to protect lenders from criticism. Like the Paris Club, the World Bank has not been willing to address the discussion of creditor responsibility in relation to lender irresponsibility. Poor countries are those that have been obliged to take the risk and pay the price with potential debt crises. The church should demand the cancellation of all illegitimate debt, both bilateral and multilateral. Moreover, the church should demand the cancellation of all debt if it is not sustainable in the sense that it is impossible for countries to pay it back without affecting the population's basic rights and services.

As a matter of principle, debt cancellation must take place unconditionally and must not be made part of development aid. In 1999, a multilateral initiative for debt cancellation (MDRI⁴⁶) was introduced for countries with a so-called heavy debt burden. The initiative includes 42 countries, the majority of which are African. The initiative has proved to be far from sufficient. In 2004, only one fifth of the debt had been cancelled, too few countries were included, severe conditions were attached to HIPC⁴⁷ completion point and it takes too long. In 2005, during their meeting in Gleneagels, the G8 countries adopted

⁴⁴ Quotation from the National Budget 2007 (The version of the Ministry of Foreign Affairs: “. . . (I)t is now generally agreed that the Ship Export Campaign was a development policy failure. As creditor, Norway shares part of the responsibility for the resulting debts. By canceling these claims, Norway shows that this responsibility is taken seriously.”

⁴⁵ The Paris Club, which was founded in 1956, is an informal federation of 19 countries that have official claims on other countries. The creditors are generally industrialised countries.

⁴⁶ Multilateral Debt Relief Initiative

⁴⁷ Heavily Indebted Poor Countries

an historical debt cancellation decision which included 19 HIPC countries but with the possibility for extending to the number to 38; however, also in this respect the issue of conditions came up. In January 2006, the IMF cancelled the debt of 19 HIPC countries. Even if there are weaknesses in connection with this debt cancellation initiative, it has had very positive effects for a number of countries and saved thousands of lives. Countries like Ghana and Tanzania have been able to spend money on financing education, health services and food provisions, rather than paying back loans, as was the case earlier.

Refusal to pay has been studied to a far less extent than illegitimate debt. In cases where states are pressured to pay back illegitimate debt, the Church should support the right of these states to refrain from paying. However, this is risky in the sense that it can have consequences such as sanctions against the relevant states. So far, only a few cases of refusal to pay exist and the risk has to be assessed individually by the states in each, individual case. It is still important that the Church has a clear and unambiguous voice supporting states that choose this difficult path.



6.6 Alternative Financing Mechanisms for Solidarity

Among individual states and in bilateral discussions there has been much discussion concerning the UN's millennium goals and how these are to be achieved. There is growing recognition that it is difficult to make all the countries increase their development aid to a level that would make it possible to achieve these objectives. Thus,

global innovative solidarity fees have become an increasingly important issue. These fees include air taxation, currency transaction taxes, oil company taxes, taxation on SMS messages and CO2 taxes. The logic is that those who earn the most on economic globalisation should pay back part of it to those who lose the most due to it. Global solidarity fees can be described as a continuation of the Scandinavian welfare model at the global level. This is an incentive that, to a great extent, is welcomed in the fight against poverty. However, it is of vital importance that this is a supplement to development aid (reaching the objective of development aid being 0,7 % of the GNP), and that it must not soften the claims for systemic changes in world economy.

Today, many rich countries have acknowledged that more has to be done in order to reverse the stream of finance and resources from the South to the North. This “leakage” is increased by the possibility of using so-called tax havens, making it possible for elites and companies in poor as well as in rich countries to avoid paying taxes to the states in which their wealth is generated. For example, countries of the South that are rich in oil have problems in distributing the assets from these resources among its population. In developing countries there is a trend that multinational companies and the countries’ elites share the profit. In this way, they deprive the population of resources that should be broadly distributed. The church must work to have the World Bank include the combating of tax havens in its anti corruption agenda.

6.7 Conclusion

In this chapter, we have tried to point out the weaknesses of international financial institutions, in addition to suggesting some possible changes that would improve the conditions for sustainable development in poor countries considerably. As long as the budgets of poor countries must give priority to paying back loans that have doubled several times over the years and that in many cases have been given under false pretences, it does not help much that rich countries bombard development aid on these countries. Therefore, multilateral as well as bilateral donors must assume responsibility for making changes by doing the following:

- All illegitimate debt and debt that in other ways is not sustainable, is to be cancelled unconditionally and outside the development aid budget.
- A debt arbitration court is to be established, with the task of acting as a neutral third party in both bilateral and multilateral disputes concerning debt.
- The possibility of developing countries to say no to the requirements of the IMF and the World Bank is to be strengthened.
- All economic liberalisation and privatisation loan conditions must come to an end. The Norwegian government can achieve this by
 - establishing a fund of good donors without conditions of economic liberalisation and privatisation.
 - calling for IDA additional loans, where Norway will contribute to soon, and connect this to the claim for freedom from conditionality
- Maintain the claim that the World Bank must include the fight against tax havens in its anti-corruption agenda.
- International conventions for human rights and worker’s rights must be upheld by both the lenders and the creditors.

Chapter 7: Conclusion and the Way Ahead

7.1 Introduction

In this report, the Church of Norway Commission on International Affairs (KISP) has presented its understanding of how the injustice of today can be replaced by a more just global policy. We have done so by using the AGAPE document as a starting point, and we have based our report on the perspective of being a *church in the North*. The intention of this report is to respond to the AGAPE document, however, we have not seen it as our primary task to give a detailed commentary about it. Instead the document has been used more as an *inspiration* when preparing our own report on economic globalisation.

In the report, KISP seeks to give attention to the voices which speak out strongly against globalisation and we wish to show solidarity with those churches all over the world that see globalisation as a threat to life and human values. Moreover, we have emphasized that globalisation is a multi-faceted process that in itself is neither only negative nor only positive. Therefore, we have seen the need for making an ethical distinction in this report, emphasising that *the globalisation mechanisms that weaken the balance of power between the interacting participants have to be counteracted, whereas the mechanisms that support the equal status of the participants have to be strengthened*. We criticise those parts of economic globalisation that do not benefit the poor, but we do not agree with a one-sided condemnation of globalisation. A genuine global democracy and fair international trade rules can facilitate growth and development, also for poor countries. However, we must prevent the market from penetrating and taking over the social, cultural and religious basis that all societies depend upon. The law of market logic regarding the survival of the fittest must be counteracted by protecting the weakest. The focus on the poor, the marginalised and the victims of unjust structures is closely linked to the life and teachings of Jesus.

In this report, KISP has wished to be self-critical of our own political context. Therefore, we have dedicated chapter 3 to discussing Norway's role in the global economy by pointing out some particular areas in which Norway may contribute to a more just world. Chapter 4 presents some building blocks and visions for a more just world, and chapters 5 and 6 discuss how the international trade and financial system should specifically be changed. The report's challenges to the political actors can be summarised in the following points:

Norway has a particular responsibility in regards to:

- managing its petroleum resources and wealth in a responsible and innovative way that benefits the poor, as well as taking the lead in climate policies by cutting its own emissions and developing climate-friendly technology.
- adjusting its custom restrictions in order to shift Norwegian imports from the EU to developing countries.

We call upon Norwegian authorities in particular, but also other responsible political actors to keep an overall and concrete approach to the challenges of globalisation, by:

- seeing the interlinkage between poverty reduction and environment, supporting the work for the establishment of a stronger and more binding global system for human rights as well as for democratic and legitimate supranational solutions, combining development aid with market access and development of the capacity and competence within poor countries.
- working for a trade structure that does not allow dumping of products on the markets of poor countries, supporting efforts to ensure poor countries' access to cheaper quality medicines, facilitating a flexibility in the TRIPS regulations that are actually used, monitoring bilateral agreements, supporting the maintenance and improvement of flexibility within GATS, supporting efforts to extend the possibilities for developing countries to deviate from agreements on market access.
- cancelling all illegitimate debt unconditionally and keeping it outside the development budget, contributing to the establishment of a neutral court of law for debt, strengthening the ability of developing countries to reject the claims of the IMF and the World Bank, be a driving force in the work to bring an end to all demands for privatisation and liberalisation, ensuring that the World Bank includes the fight against tax havens in its anti-corruption agenda, demanding that international conventions for human rights and workers' rights are respected by both lender as well as borrower states.

7.2 Opposition to Globalisation as a Question of Faith?

Finally, we will present some reflections related to ecclesiology and the confession, as well as provide some perspectives concerning the way forward for the AGAPE process.

The AGAPE discussion is part of a broader discussion within the world-wide church. Is the resistance to globalisation a question of faith? This issue is particularly actualised as a result of the General Assembly in the World Alliance of Reformed Churches (WARC) saying in 2004 that the issue of global economic injustice and the ecological crisis touches upon the credo of the church itself (*status confessionis*). The statement of the WARC demonstrates that in such issues considerable differences in theology and views of the church may occur, not only in the world-wide church, but also *among* protestant churches. Lutherans are traditionally more careful than the reformed when making socio-ethical issues into confessional issues. Within Lutheranism such questions rarely lead to a division of churches: "To achieve true unity within the church, it is enough to agree upon the teachings of the Gospels and the administration of the Sacraments" (The Confessions of St. Augustine, VII) On the other hand, this does not mean that the church shall stand idly by and not condemn injustice, especially when this is structural and systemic.

With reference to Luther's the doctrine of the two kingdoms (or two reigns) – about the church and authorities being two separate spheres – a great number of people throughout history have been sceptical towards church's involvement in political issues. However, in our time there is an increasing consensus that the church cannot ignore politics. Luther's point in regards to the two reigns was primarily an unfortunate mixture of secular and religious power in the church of the Middle Ages. Luther made it clear that the church is called to preach the Law of God to all people, be it within the church or in society in

general. In the light of the equal value of all humans created by God, this also had to include socio-ethical and political implications.

From the perspective of Lutheran tradition, it is difficult to set up clear borders as to mark where and in what way the church shall deal with society and politics. As God's visible expression for its spiritual beliefs as well as a responsible actor in society, the church shall oppose injustice. Not involving oneself is not synonymous to being neutral. – It is a choice about not caring.

Thus, the question is how and in what ways the church is a political actor. The church should be an *advocate*, representing the voices of those who are not heard and those whose human rights are violated. The church should also be the *prophet* who sees clearly and banishes injustice from the prevailing systems. The church must also admit, however, that it is no privileged actor on the political arena. It



has the same point of departure as other actors. The church is not necessarily a better actor than others, and it is not a singular political body. Even though the unjust global distribution of resources is an ethical and moral issue, it is also a complex political problem with uncertainty concerning what solutions are best. In issues concerning economic globalisation, the church uses general knowledge and insight. It does not possess any more competence than those acquired, or borrowed from professionals within this area.

For Lutherans the Doctrine of Trinity and Christology is the core of faith. However, the teachings of the church as the body of Christ in the world still indicates that the confession cannot be separated from the life of the church. On this basis, a Lutheran church denying people with another skin colour the Holy Communion, would represent a church-splitting point of view. Similarly, living unaffected by the social and economic injustice causing suffering onto the body of Christ, would be living with an amputated Christology.

Since neither the church nor other participants have an easy answer as to how to fight systematized injustice, we must be careful not to make a point of view a matter of faith. We, the members of KISP, do not see that the suggested means to fight economic globalisation as presented in the AGAPE document as being church-splitting. Some of

the formulations in the AGAPE document come close to defining the relation to neo-liberalism as this question: "... the role of the churches in the face of neo-liberal globalisation is not exclusively a question of prophetic ministry and social justice in the service of life. In fact, the task goes to the heart of the evangelical vocation of the churches themselves...". By supporting neo-liberalism, "the ministries of preaching the gospel and celebrating the sacraments can be comprised when churches are complicit with systemic injustice and the exploitation of life⁴⁸." Using this kind of formulations, the document may risk excluding important actors from the fight against poverty and injustice. The criticism presented against the AGAPE document shows great differences of opinion about the understanding of economic globalisation and the role of the church in this respect.

Even though we agree that the church plays an important political role in issues concerning global justice, we are still far from stating that opposition to globalisation is so important that it becomes a confessional issue. Not only is this problematic on the basis of Lutheran theology, it could also be unfortunate for the church community. The church is to take a stance and speak out against injustice, but it is also to be an inclusive community. The tension between the opinions of the individual on the one hand and the need to stand united with one clear voice must be weighed against each other. From a Lutheran perspective it may seem as if the AGAPE document goes too far regarding what it means to be a church (see above). The church should refrain from making the relationship to one particular political ideology a church-splitting issue. By making opposition to neo-liberal globalisation a question of the having the correct Christian faith, one risks excluding many from the Christian community.

7.3 The Way Forward for the AGAPE Process

When gathered at the General Assembly of the World Council of Churches in Porto Alegre in February 2006, an AGAPE "Call to Action" document, and not the AGAPE document, was presented. The appeal presented 8 main issues where churches were called to take action:

1. The fight against poverty
2. International fair trade agreements
3. Responsible lending and regulations for global finance markets
4. Sustainable use of land and natural resources
5. Fight against forced privatisation of public goods and services
6. Life-giving agriculture
7. The right to work and a decent salary
8. Churches and the power of empire.

The AGAPE discussion has made apparent that churches all over the world agree to a large degree on 7 of the above-mentioned points. However, the last point has caused great discord between churches. By bringing in the term "empire", several connotations are brought to mind and has thus split the churches. It is an ideological term that refers the

⁴⁸ Ref AGAPE, page 6.

struggle of the classes, and resistance to the market and capitalism. For the countries of Eastern Europe, the empire is linked to the Soviet communist empire and reminds them of a past that they are happy to be rid of. For many people, the European market and (“the empire”) EU have become the opposite of the (communist) empire they had endured.

Even though the empire discussion has caused much debate, it remains a fact that many feel we have an unjust system that generates poverty. As a church in the North, we believe it is important to recognise this sense and these voices of the South. It is however also the opinion of the majority of the KISP-Commission that the term “empire” and the way AGAPE describe the present global economic system is not very fortunate for the purpose of the common fight for justice and against poverty of the ecumenical movement. The majority are of the opinion that there is a need for broader notions that unite the churches in the North and the South in this fight. The relatively great consensus about AGAPE’s “Call to Action” shows that there is no need to agree on the document’s description of the global system in order to agree on alternative measures for reaching the common objectives. In the continued process, it will be important to clarify to what degree it is the language and words being (cf. “empire”) used that separate us and to what degree there is genuine political discrepancy.



Former Prime Minister Kjell Magne Bondevik and WCC General Secretary Samuel Kobia.

The AGAPE process from here on should be a transparent process where we learn from each other and from the different participants in society. Through dialogue and common experiences we will be able to increase our competence and understanding of the problems in order to improve and create changes in different contexts and situations. The main focus of the World Council of Churches should be how to get from “here to there”. Thus it needs to be discussed further what tools and strategies to use in creating change,

what ideas and suggestions that may succeed and who we are to cooperate with in making the desirable changes happen. The church should be a critical prophet when necessary, but it should also facilitate a process allowing far more voices and participants to contribute to the ongoing work with globalisation than has been the case so far.

7.4 Epilogue

The church manages a treasure chest of language. Through renewing this traditional language when encountering the challenges of today, the church can contribute with new perspectives and new understanding. Whereas responsible politicians are forced to keep a pragmatic political approach, the church has a long tradition of speaking prophetically. Such a prophetic voice must be clear and heard in public, and it must be solidly grounded, both theologically and biblically: A prophetic voice reveals injustice and violations and points out the values of the Kingdom of God.

However, it will always be a challenge for the church to make its voice heard in society in general. When dealing with big global issues, the church must be capable of managing and interpreting the holy in a credible way that entails the protection of humans and Creation and at the same time encourages the involvement and curiosity of people in the big issues of life. In order to manage this, we must “translate” the religious perspectives from a specific religious society to a more general and accessible language⁴⁹. The German Philosopher Jürgen Habermas’ challenge to religious communities is to speak a more general and understandable language, because in a secular world it will seem alienating to insist on using exclusively religious terminology. The church should speak so that people understand, in addition to demonstrating its characteristics as a church.

The church is a transforming power precisely by emphasizing the *global* nature of it. As part of a world-wide Christian community local and national churches will always have to have a global perspective. As a church of the North this means that we must reflect our own wealth in a global context. The Church of Norway is part of a world-wide church which suffers from the way that rich countries, for example Norway, exploit the resources of the world. In Norway we cannot ask only how we can make use of our wealth for ourselves. The global responsibility forces us to making efforts towards a better and more just world. We can do this through real national emission reductions, a more fair distribution of the profits from oil and by changing the international set of regulations for trade and finance in order to benefit poor countries. These issues deal with our common future on our common earth. When the church has its voice heard on these issues, it has a clear and credible biblical foundation. When the church speaks, it is therefore of vital importance that it speaks in a such way that it is heard.

⁴⁹ Jürgen Habermas, «Religion in the public sphere», lecture on the occasion of the Holberg award, 29.11.2005. See URL: http://www.holbergprisen.no/HP_prisen/en_hp_2005_habermas.html