

Reflection paper on Harnessing Globalisation – ETUC Assessment

Adopted at the Executive Meeting of 13-14 June 2017

Reflection paper on Harnessing Globalisation is the second reflection paper out of five that the European Commission announced when publishing its white paper on the Future of Europe. In comparison to the white paper and the reflection paper on the Social Dimension of Europe, the Globalisation paper does not provide any scenarios for the future. It provides the vision of the Commission of the current state of globalisation together with analysis of what has been positive and where globalisation has fallen short in providing benefits for all. Most importantly, the Commission for the first time admits that globalisation has to be fairer, that it has produced not only positive effects but also negative ones, that there are challenges to be addressed.

Trade unions have long been calling for a fairer distribution of the benefits of globalisation, and finally we see this confirmed in the Commission's Reflection Paper. The answer to globalisation is not to close borders – to trade or to people – but to apply rules that prevent a downward race to lower wages, bad employment conditions, social dumping and exploitation. Unfair business practices must end, including multinational companies dodging tax and avoiding labour law. Companies must make sure that when they go outside the European Union they pass on their responsibilities and obligations throughout the supply chain.

The ETUC is pleased to see the Commission take up our demands for better social security provision, improved skills and education, measures to ensure fair public procurement, transparent trade agreements, enforcement of ILO labour standards, and overall wealth redistribution. However, the paper does not go far enough. Collective bargaining must be promoted at European as well as global level. There is reference to strong enforcement of rules, and sanctions on companies that break them, without saying how this will be achieved.

The proposals on tax justice do not meet ETUC demands for companies to publish mandatory, public, country-by-country reports of their activities. And while the Globalisation Adjustment Fund is an important initiative, it is not enough. To meet today's challenges, more resources must be committed not only to the European Globalisation Adjustment Fund (EGF) but also to other EU structural funds. The ETUC notes that development cooperation is critical in achieving a fairer globalisation for all and calls the European Commission to involve trade unions in partner countries in the implementation of development cooperation projects. Also, the EU should develop an investment plan to tackle globalisation.

The Reflection Paper is full of great sentiments and at times the analysis is overly optimistic and positive. But there is finally a general recognition that globalisation in its current form is creating unacceptable inequalities. We need much more clarity about how these proposals will be implemented, and the ETUC will be active in pressing the Commission to maintain and enforce its commitments.

1. EU trade policy and globalisation

ETUC has prepared a detailed proposal to achieve a fair and progressive trade policy. The proposal encompasses some of the following points that are dealt with by the Reflection Paper on Globalisation.

Coherence between multilateral institutions and for a social global governance:

The paper states that “To better harness globalisation, we need more global governance and global rules” and “... we should contribute to the strength and reform of multilateral institutions to make them fairer and more effective, so that they remain a part of the solution. Yet, in an increasingly contested global order, we should also be ready to push ahead through cooperation with smaller coalitions, while leaving the door open for others to join when ready.” A key aspect from the ETUC’s point of view is the need for coherence between the WTO and the ILO. We have consistently pressed for WTO trade agreements to include social concerns as set down in ILO Conventions, and for the WTO and ILO to cooperate through a joint institutional mechanism involving the social partners.

Coherence needs to be reflected also in all the actions of the European Commission. All DGs must be guided by the new approach to work towards fairer globalisation. The Commission must consistently be guided by its obligations to implement the UN Agenda 2030 goals both in its external as well as in internal actions.

Implementation and enforcement of agreements:

The paper calls for “better enforcement of existing agreements and rules in such areas as trade, labour standards, climate and environment protection. The World Trade Organisation has a binding dispute resolution system which the EU should continue to use when required. Likewise, we should ensure commitments by partners in our bilateral trade and investment agreements are respected.” The ETUC fully agrees with those sentiments. They should also be applied by the EU itself. The refusal by the Commission to engage the dispute settlement mechanism in the EU-Korea Free Trade Agreement Sustainable Development Chapter is but one example of its failure to use available measures to enforce labour rights in trade agreements, including the GSP+. The ETUC has made detailed proposals in respect of these issues. It is important to emphasise that fair globalisation can only be achieved if ILO standards are included in trade agreements and if there are effective remedies to combat any violations of these standards.

Investor protection:

The paper states that the “EU will also continue its efforts to establish fair rules for the protection of international investments while allowing governments to pursue their legitimate policy objectives. Disputes should no longer be decided by arbitrators under the so-called Investor to State Dispute Settlement (ISDS). This is why the Commission has proposed a Multilateral Investment Court which would create a fair and transparent mechanism and is being discussed with our partners.”

While welcoming the repudiation of ISDS, which we therefore expect not to be included in any EU trade agreement, the ETUC still has severe doubts as to whether the Multilateral Investment Court currently under discussion is the right solution. We continue to maintain that there should be no special measures for foreign investors and that investors should not be treated more advantageously than workers – who in any event should have access to at least equivalent complaint and redress mechanisms. We also note that the reflection paper is silent about Bilateral Investment Treaties, the legality of which for Member States is questionable and about intra-EU BITs which we believe are not legal.

Trade Defence and Reciprocity:

The paper says that “We also need effective trade defence instruments: these should be overhauled to make them faster, more resilient and more effective in tackling dumping and unfair subsidisation” and “...concerns have recently been voiced about foreign investors, notably state-owned enterprises, taking over European companies with key technologies for strategic reasons. EU investors often do not enjoy the same rights to invest in the country from which the investment originates. These concerns need careful

analysis and appropriate action.” Again, the ETUC has insisted on prompt and decisive action to deal with dumping (notably unfair labour practices, which we insist should be included in the considerations), intellectual property theft and the need for reciprocity. The Commission paper recognises that there is a problem, but it does not yet offer an adequate solution.

Right to regulate:

The paper recognises “the view that governments are no longer in control, not able or willing to shape globalisation and manage its impacts in a way that benefits all. This is the political challenge we must now confront”. That statement does not necessarily endorse the sentiments expressed and it should be made clear that this issue is not just a political challenge to be confronted. It is a reality that needs to be dealt with through active measures. Footloose capital and multinational enterprises (MNEs) must be brought under control. This entails work at international level, for example through enforcement of the OECD Guidelines for MNEs and implementation of newly revised ILO MNE Declaration. The Commission has traditionally erred on the side of voluntarism in CSR. Stronger enforcement measures are necessary to result in material consequences for abuses of labour standards.

2. Collective Bargaining and Pay rise campaign

The Commission paper recognises that: “Over the last decade, real incomes of middle-class households in the EU and other advanced economies have for the most part stagnated even as the economy has grown overall.” This is welcome recognition, although somewhat of an understatement of growing inequality, lower real wages and a growing youth pay gap in many EU member states, cuts and freezes of public sector pay, and the reversal of wage convergence between east and west in the EU. It does nonetheless reinforce the ETUC’s case for its pay rise campaign for a general wage increase for all European workers to tackle inequality and drive growth.

The paper cites the increasing role of global value chains. It also says that “we should take forward efforts to improve social and labour standards and practices, in close cooperation with the International Labour Organisation, but also civil society, social partners and the private sector. In this context, collective bargaining systems should be promoted at global scale.” Collective bargaining should be a milestone of the new European consensus on development and the alignment to the UN 2030 agenda should be part not only of the external dimension but of the internal EU dimension as well. The reflection paper addresses the necessity to reinforce social dialogue and collective bargaining in the national dimension with free and autonomous social partners. This is indeed important and must be put into practice in the EU and beyond. The ETUC also stresses the importance of SDG8 on Decent Work, and urges the EU to work with trade union partners in the EU and Global South to achieve it. The EU should in particular focus on working with unions to overcome discrimination on the grounds of gender, sexual orientation, disability and race

The reflection paper lists a number of challenges when looking ahead to what globalisation might look like in 2025. Globalised economies trigger unfair competitions among workers who enjoy too different protection standards. Collective bargaining is the best tool to deal with many of these challenges and a bulwark against social dumping. Social partners, worldwide, should have the capacity to either reap the benefits of interconnected economies or to manage the negative effects of globalisation on workers, to deal with the consequences of delocalisation or restructuring. Through collective bargaining social partners can facilitate the inclusion and integration of refugees and migrants in work places. The possibility of transnational collective bargaining should be explored more fully to make globalisation benefit all workers regardless of their place of work.

The potential of collective bargaining should be better explored, in particular in its cross-border dimension. Transnational company agreements (TCAs) reinforce the level of engagement and accountability of MNEs when they abide by their social and environmental responsibilities. But TCAs need a level playing field as well. Supporting social partners to build a legal environment for cross-border negotiations with MNEs in Europe will enable the rest of the world to set a level playing field for collective bargaining. When promoting company mobility, the Commission should at the same time also promote the workers' participation rights and mechanisms in the workplace to combat the shortcomings of globalisation highlighted in the reflection paper.

3. Taxation

The paper recognises the importance of taxation. It is of crucial importance for a fair burden sharing between employees and corporations and for financing public services. It is estimated that the taxes lost as a result of the existence of shadow economies in Europe represent 139.3% of the EU annual deficit. As stated in the document: "large corporations can take advantage of loopholes in international rules and shift profits to low-tax jurisdictions rather than paying taxes where they produce and sell. These strategies deprive EU governments of tax revenues and contribute to unfairness and the perception that global integration only benefits the bigger companies and well-off citizens." and "The EU should continue to take action for global tax justice and transparency. By the end of 2017, the EU will have a common list of non-cooperative jurisdictions. This will provide stronger instruments to tackle external tax avoidance and to deal with third countries that refuse to play fair."

To ensure a global level playing field between MNEs and Small and medium enterprises (SMEs), more is to be done to fight tax avoidance. The ETUC is quite doubtful on the possibility to agree quickly on a list of non-cooperative jurisdictions outside of the EU. In this respect, we request public country-by-country reports for each country where a MNE has an activity, not only for EU Member States. Only such documentation will enable taxation where profits are generated¹.

In addition, the ETUC regrets that only the biggest MNEs (with a global turnover above 750 million euros) will be required to report. Finally, the ETUC urges European institutions to come up quickly with an ambitious proposal on a Common Consolidated Corporate Tax Base preventing transfer pricing as the main tool for profit shifting. The ETUC is launching a working group on taxation issues and will come with additional proposals.

4. Digitalisation : Optimism is not enough

The Commission rightly presents digitalisation as one of the most important drivers that will influence the globalisation process. However, its approach is over-optimistic and looking only at the positive side and the expected growth prospects. The reality of digitalisation is that there are possible winners and losers, opportunities but also risks.

When coming to the sectors, digitalisation is rightly considered as a driver of transformation in the areas of transport, energy, agri-food, telecommunication, logistics

¹ A positive example comes from Norway's sovereign wealth fund, the largest of its kind in the world. In early 2017, it required the MNEs which it investing in, the publication of country-by-country breakdowns of how and where their business model generates economic value, where that value is taxed and the amount of tax paid as a result. Where companies choose not to apply such transparency principles, they should be ready publicly to state why.
<https://www.nbim.no/contentassets/48b3ea4218e44caab5f2a1f56992f67e/expectations-document---tax-and-transparency---norges-bank-investment-management.pdf>

and distribution, financial services, industry, health care. The list is incomplete, but is a good starting point. Possible “reshoring” effects, i.e when some production processes are relocated in Europe thanks to digitalisation, are also underlined. This paper however fails to deal with the overall social dimension of digitalisation and its impact on jobs, tasks and workers. The term “fair” pops up quite regularly in the text, which is a small step forward, but it is never clearly defined.

When addressing its own Communication on the collaborative economy, the Commission gives the impression that it provides clear EU rules and policy recommendations, whereas in reality, the Commission recommends to Member States to abstain from regulatory action and adopts itself a “laissez faire” policy approach.

The ETUC calls on the Commission to tackle the social challenges posed by digitalisation. The digital single market strategy should be enriched with initiatives aimed at fighting the digital divide within Member States and among them. EU institutions must ensure convergence by supporting the capacity of member states to invest in digital infrastructures and launch solid industrial policies for sectors where digitalisation and further automatisisation is planned or expected.

On the global phenomenon of digital and crowdworking platforms, the ETUC calls for the EU institutions to propose a legislative framework ensuring the same level playing field for all economic players, and guaranteeing the enforcement/implementation of workers’ rights in the digital/gig economy.

5. EU financial instruments

The reflection paper talks about the costs of globalisation being localised and that support needs to be provided to local regions to deal with the negative effects of globalisation but also for “making the European Economy more competitive, sustainable, resilient to globalisation and ensuring that it generates the necessary resources to ensure a fairer distribution of its benefits...”

During the current Multiannual Financial Framework, new programmes have been launched, or reformed and strengthened, including the renewed EGF. It is essential to ensure coherence between so called curative measures taken to combat the effects of globalisation such as closure or relocation of factories, or restructuring, which are financed by the EGF, and preventive measures like life-long learning, training, upskilling or re-skilling of workers, provided by the ESF.

The EU should increase support to workers affected by globalisation and specifically by digitalisation. The capacity of the EGF should be strengthened and its budget increased in the next EU budget post 2020 (MFF), possibly with innovative sources of financing based on the taxation of robots or highly automated processes.

It is also of the utmost importance to put the next MFF in line with the EU’s international commitments, and mainly the Paris agreement on climate change and the UN Sustainable Development Goals (SDGs). As far as the Paris agreement is concerned, its article 2 commits parties to “Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”. On that basis, and building on the EU 2050 roadmap towards a competitive low-carbon economy target, the EU budget should be used in a climate compatible manner.

6. Migration

Migration is one of the most visible human phenomena that globalisation is affecting and changing. The analysis is short but well focused, including a welcome reference to the

need for the better integration of migrants in host societies. However, the analysis presents some inconsistencies when looking ahead.

The reflection paper hints at the fact that in a globalised world, movements of people will increase, at the same time arguing that there would be less migration if globalisation worked for all. Regrettably the Commission considers this also as a solution for combating what it calls “illegal” migration. Such analysis is flawed and only deepens the anti-migrant sentiment and narrative.

The document barely explores the nexus between development and migration. Globalisation is seen as an antidote to excessive migration flows. The document alludes to the fact that a prosperous future for the people of developing countries would help to reduce and manage migration flows. It is true that globalisation has lifted millions of people out of extreme poverty, but it has not removed inequalities. Instead, increased inequality is one of the main factors that triggers movements of people.

There is a further flaw in this analysis. Evidence shows that people living in extreme poverty are more likely to emigrate when they have access to minimum but sufficient levels of skills and of resources and this is unlikely to change in the future. Indeed, it is crucial to provide jobs and prosperity at home to reduce migratory flows but it is inevitable that in an open world there are many other factors that play their role in increased migration. Most of these migrants will be low skilled workers while the rest of the world is competing for the high skilled. These aspects are hinted at but not explicitly addressed.

The reflection paper may be seen as positive if it could be used to unveil some contradictions, which linger on in the EU. In the last decade, Europe has cultivated the idea of becoming an impenetrable fortress. Walls have been erected and legal ways to enter the EU have been restricted. This is at odds with the views brought forward of a migration that enriches economies and societies. However, to benefit from such enrichment, discrimination against people with a migrant background trying to access the labour market must end. There is a high need to prevent abuse of migrants by some employers which leads to the undercutting of existing workers' livelihoods.

The reflection paper hides the fact that the EU has performed poorly in the management of migration flows. The EU is still torn apart by the lack of solidarity while the world is moving towards a global compact for migration planned to be signed in 2018 under the auspices of the United Nations. If Europe wants to be a frontrunner in setting the global playing field for well-managed migration and asylum, it is urgent to align the EU internal agenda with the ambitious objectives that have been set in the New York Declaration for refugees and migrants in September 2016. Furthermore, the EU should increase coherence between its internal and external actions. The EU Semester and Europe 2020 Strategy should be aligned to the UN 2030 Agenda and its SDGs.

On the external dimension, it can also be agreed that enforcement of existing standards can be better achieved. International standards are intended to protect all migrants throughout the world but, as it is the case in Europe, they are either not ratified or poorly enforced. International conventions setting protection standards for migrants have to be transposed and enforced, including ILO Convention 97 (Migration for Employment, 1949 revised), ILO Convention 143 (Migrant Workers, Supplementary Provisions, 1975), ILO Convention 189 (Domestic Workers Convention, 2011) and the Council of Europe's Convention 144 on the Participation of Foreigners in Public Life at Local Level. The UN International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families is yet to be ratified by any EU Member State. Countries must also honour the 1951 Geneva Convention to protect and provide humanitarian assistance to refugees.

7. Climate change, Sustainable development and just transition

The Commission's paper deals with climate issues in a very superficial way, which is most regrettable in the situation where the USA has pulled out of the Paris Climate Agreement. Increasing and accelerating efforts to reduce emissions and to adapt to already unavoidable climate change consequences are rightly identified as necessary conditions to harness globalisation. However, the reflection paper neglects a series of elements that are of the utmost importance to make globalisation a desirable prospect for all.

First, the paper does not make any reference to the need to provide specific climate finance to vulnerable countries. Reaching the 100 USD a year in 2020, with additional public money (i.e. not taken from the official development assistance - ODA), is the very minimum that developed countries can do. Beyond 2020, an assessment of developing countries' needs must define the baseline for developed countries' commitments, bearing in mind that they have contributed the most to the accumulation of greenhouse gas in the atmosphere.

The paper also completely overlooks the need to implement climate policies that are consistent with the SDGs. The rise of imported biomass consumption, the adoption of batteries and electric cars, or the use of project based mechanisms (big dams, forestry) by EU countries epitomises, among other things, the risk of having climate policies that are – directly or indirectly - detrimental to human rights in third countries.

The decarbonisation of the economy that the Paris agreement should accelerate will not only provide "new business opportunities": it will also lead, in regions and sectors relying on fossil-fuel intensive activities, to a series of serious social challenges. This is why the Paris agreement makes an explicit reference to the need to ensure a just transition for the workforce that creates decent work and quality jobs. The acknowledgment of these challenges is the first step to set up policies enabling people to anticipate and manage them. Collective bargaining is an important tool to facilitate a just transition for workers for a green economy and prevent negative and abrupt effects on employment.

In a similar way, presenting the Paris agreement as something that will lead to competitive advantage to those industries that already reduced their carbon footprint oversimplifies the complex relationship between climate policies and trade. Even though there is no evidence of a carbon leakage in the EU so far, it is obvious that deep decarbonisation for companies active in carbon intensive sectors and making their business on global markets will entail competitiveness challenges, especially for those competing with companies not exposed to the same policies. In a series of industrial sectors, deep decarbonisation requires the rapid deployment of expansive technologies that look incompatible with the global competition many industries are exposed to. The Commission's paper does not really address the concrete short-term instruments that are needed to tackle this risk which is a major source of concerns for workers from sectors that have been too often exposed to social and environmental dumping. Innovation is rightly identified as a priority but building the economy of the future (p.17) also requires defending our industrial leadership in the existing economy.

Last but not least, the environmental impact of international transport is almost not mentioned in the paper whereas international aviation and maritime transport represent almost 10 % of global CO₂ emissions. The growing transport demand induced by globalisation makes emissions from international transport constantly grow despite efficiency improvements. In the long run, measures proposed by the International Maritime Organisation (IMO) and International Civil Aviation Organisation (ICAO) will mitigate growth of the sectoral CO₂ emissions but not lead to absolute emission reductions. The European Commission's narrative about globalisation missed that crucial element. There is no globalisation of trade without growth in international transport and the current growth rate of international transport is incompatible with climate constraints.

Social Protection

Social protection is touched upon in a rather superficial way. It is not seen as a tool to foster just and sustainable development in third countries. Despite the reference to the recently adopted European consensus on development, the focus is put on investment opportunities for European companies and prevention of migratory pressure. Instead, we should aim at a global improvement of the social dimension for all, especially for the most vulnerable, based on solidarity and inclusion.

The internal response to globalisation proposes a slightly more complete but still very simplistic approach. We welcome the reference to fair and equitable redistribution of wealth, to focused investments fostering social inclusion of vulnerable people including migrants, to strengthen social cohesion. However, this should be accompanied by concrete references to both European and global social development strategies having social protection at their core, whereas the UN Agenda 2030 SDGs and the EU2020 are not even mentioned in the analysis for the internal response. It seems that there is no holistic approach between the European welfare and social model and the global perspective, whereas Europe, portrayed as the continent with “most equal and inclusive societies in the world” actually presents grave poverty and inequality that “strengthening” and “adapting” internal policies does not do enough to solve.

Overarching strategic coordination of social protection policies should be developed, coherently tying together both the European and the global dimensions. It should encompass the EU2020, the Agenda 2030 the objectives and implementation lines of which still need to be clarified and the SDGs which provide the directions for global planning.

A consistent approach to comprehensive universal social protection floors should be provided according to ILO initiatives, to make sure that the most vulnerable are not left behind anywhere in the world. Such a protection floor should include adequate unemployment benefits, minimum income schemes, ensure universal access to quality and affordable essential services (such as healthcare, education, housing and social services). The EU should contribute to a global fund to increase and support prime social protection coverage in developing countries.

European and global targets should be integrated and aligned with the aim of upward convergence. Ambitious shared targets would then need common and comparable indicators. This is important to evaluate the internal coordination of welfare systems that have brought only sparse results. In the world of increased inequalities, properly functioning social protections have become even more important to combat the negative effects of globalisation. Public expenditure must be improved and engaged both at national and at EU level to be adequate with respect to real social needs.

Successful social protection systems require robust investment of public resources, highly regulated and largely public-based service provisions and sound tripartite and bipartite social dialogue for their management and design. These are the elements granting that social protection serves human dignity and decent lives all over the world - irrespectively of economic performance.

Conclusion

The Reflection Paper on Harnessing Globalisation is a step in the right direction. It has opened a debate on the effects of globalisation, the negative consequences that we have witnessed and the increased inequality that is no longer sustainable. The world needs a change. On top of the positive change in rhetoric the Commission now has to deliver concrete and innovative solutions to the many issues highlighted in the reflection paper.

If the Commission is serious about the European Pillar of Social rights and strengthened social dimension for Europe, the negative effects of globalisation have to be tackled. We

need clear proposals from the Commission on how it intends to improve the current challenges faced by Europe and the World. The Commission has to take a critical look at its current policies that no longer correspond to the 'new' narrative in the reflection paper.

Most of the challenges cannot be solved by Europe alone. Europe needs to show leadership in seeking solutions for the many threats that we face. The solution is definitely not the way the US President, Donald Trump, has chosen to go with regard to climate change or to resort to protectionist rhetoric. The challenge facing world leaders is to tackle climate change and the negative consequences of globalisation in a way that creates quality jobs through investment, innovation and strong public services, enabling working people and industrial regions to make the transition in a just and fair way.