

Venice Manifesto for the Regulation of Economic Globalization

The virtuous globalization

The authors of this Manifesto,

Noting that the recent economic crises events require a reflection about the role of institutions in the economy and the proper functioning of the rapport between society and the market;

Bearing in mind that globalization without rules has caused insecurity and negatives economic-social effects in both developing and developed countries, and then it becomes necessary and urgent to establish a framework of shared norms at the international, supranational and transnational level;

Taking into account that this new regulation spreads itself through multiple devices, some of them already exist and must be more esteemed and used, while others must be recreated, helping to provide guidance, direction and rules to the global juridical framework,

Aware that these norms should cover at first the protection of Human Rights in their comprehensive understanding of CIVIL, POLITICAL, ECONOMIC, SOCIAL AND CULTURAL RIGHTS;

Conscious that these devices are settled by the launching of inter-rules mechanisms, based on the principle of the interdependence of the interests and of the public and private goods related to the process of economic globalization and of the respective regulatory areas, especially (but not exclusive) in reference to the rapport among world trade, markets integration and social and environmental rights;

Stressing that these inter-rules mechanisms must be implemented at all levels, even in non-state jurisdictions, as stated by the principle that “trade agreements are not to be read in clinical isolation from public international law”, proclaimed by the Appellate Body of the World Trade Organization (WTO);

Considering that to respect the fundamental rights the regulation of economic and financial activities linked to globalization finds double justification, an economic-commercial one in which such rules are necessary to create an interstate level playing field and to practice a fair competition between economic actors, and an axiological-values in which the regulation is focus in the promotion and in the respect of fundamental human rights;

Considering all that has been said, the writers of this Manifesto require the adoption by governments, international organizations, regional entities and multinational companies, of devices and behaviors consistent with the following principles and action lines:

Principle 1: To combine trade liberalization, market integration, respect of human rights, social justice and environment respect.

The rapid growth of international trade of goods, services and capital, made possible by the application of GATT/WTO trade liberalization principles, had produced *deterritorialization* of economic activity which didn't achieve any political project capable to keep the social link through bilateral, multilateral or supranational disciplines. As highlighted

by the World Commission on the Social Dimension of Globalization under the auspices of the BIT, “to the big majority of women and men, globalization didn’t attend to their simple and legitimate aspirations, of having a decent employment and a better future to their children”.

Trade liberalization was seen as an end in itself, to the detriment of social justice objectives, who must on the contrary regain the role of autonomy and priority on an international scale, as envisaged by the Declaration of Philadelphia, which is part of the Constitution of the International Labor Organization (ILO).

Economic globalization and the reduction of the international trade barriers (e.g. duties and quotas) has underlined the always important role of the interrelationship among trade and environmental protection, investment, monetary issues, the respect for *core labor standards* and thus human rights. However, in the transition period between national systems in crisis and supranational sources in construction, the regulatory intertwining of the economic and the social dimensions still subsists from specific sectoral and bilateral negotiations, and awaits a suitable political solution to stabilize, at the multilateral level, like a government device of the social dimension of international trade.

The economic system that rules globalization leaves unsolved essential ethical and legal issues, which require now global answers. This concerns the respect of the protection standards in the underdeveloped countries, where the social degradation and the violations of basic human rights seem always more unacceptable, **is the keeping of developed legal systems**, whose competitive deregulation is considered by governments as the only possible response to international competition. As illustrated by the World Economic and Social Survey 2008, “labor markets more and more flexible have undermined the employment security. In many developing countries, the gap left by the jobs lost due to a stagnant or declining public sector and to the cuts in the industry has been filled by precarious or poorly paid occupations in the informal sector or in the growing service sector. In developed countries, the way of life of the middle class has been despoiled”.

Only through the actions of institutional structures, responsible for the regulation of economic order in compliance with social progress and human rights it will be possible, with the participation of the States, to carry on globalization through principles universally and politically shared, which give legitimacy to the market’s action by confronting the ground equilibrium created by a process currently operated only by economic forces and based on trusting in the benefits of the free market built on dogma.

The hereinabove summarized problems exceed the capacity of self-regulation of the market and raises the need for hetero-corrective interventions, carried out with norms and measures requiring the respect of human rights, and at the same time, the rules of competition.

In this perspective it is necessary:

- To introduce social clauses in bilateral and multilateral international trade treaties, in accordance with ILO conventions. It’s also urgent to do a deep reform in the WTO to “internalize the externalities” generated by trade liberalization, by incorporating non-trade instances in the governance of world trade order, based on treaties and on international rules of the WTO Member States, evaluating the social and the environmental impact of Panels’ and Appellate Body’s decisions.

- To promote national laws on **public procurements** and about the modalities of public-private partnerships as envisaged by the Government Procurement Agreement and the Model Law on Procurement of UNCITRAL and by the Labor Clauses (Public contracts) Convention of ILO (1994), which predicts the adoption of social clauses in public procurement in order to avoid that the social standards represent a declining element of competitiveness.

- The promotion of these devices (mentioned above) by international institutions operating in the area of contracts, such as the World Bank, international financial institutions (such as the International Finance Corporation), the regional development banks, the European Union and other international regional organizations (APEC, Mercosur, NAFTA...), NGOs and voluntary guidelines (as the examples provided by the Equator Principles Financial Institutions and by the International Federation of Consulting Engineers).

- To establish an operational agreement between ILO, WTO and other international organizations of specialized expertise, as it was envisaged by art. 7 of Havana Charter of 24 March 1948 (never come into force) with reference to the compliance of Fair Labor Standards in global level.

- To launch “essential” conditionality clauses orientated to the respect of human rights in international treaties of investments, development aid and economic cooperation; promote and ensure a major role of the conditionality clauses in the activities of the IMF, the World Bank and the Inter-American Development Bank, which allow, if necessary, to appeal to sanctions and the dissolution of the agreement in case of default.

- To cancel foreign debt of developing countries or at least to introduce amongst the eligibility criteria for developing countries candidates for total or partial reduction of their debts to the rich countries, the criterion of respect for human rights and in particular of fundamental social rights;

- To provide fast financing funding to urgent social expenditures with the condition that the concerned country respects human rights, in particular the fundamental social rights,

- To condition the financing and insurance/reinsurance of credit export to the compliance by enterprises of basic social rights. Moreover, among the country risk should be included the respect of social standards enounced by the ILO, and we must avoid that public money – such as the financing of internationalization projects – is used to finance social dumping.

Principe 2: *To promote new guarantee instruments of economic and social rights through social and environmental certifications.*

The global financial crisis denotes the acceleration in the process of changing the modes of regulation, also through the implementation of devices to integrate the respect of human, social and environmental rights in the mechanisms of production of goods and services in the market, allowing the consumers to employ their choice of purchase as a legitimate form of economic pressure. Many people demand for such regulation, which is compatible with the current WTO system through the creation of an environmental and social sustainability label to ensure respect for fundamental rights throughout the production chain. In this context the European Commission should quickly revise the current Regulation (EC) No 1980/2000 of 17 July 2000 establishing a Community eco-label award scheme, and the Commission Decision of 10 November 2000 on a contract covering the terms of use of the Community eco-label. A social and an environmental label are necessary because of the weakness of the multilateral and the European norms, and also due to the real effectiveness of the regulatory mechanisms employed by eco/social labeling.

It is therefore proposed the promotion by national governments and by the EU of protection laws to the social and environmental standards, with enforcement mechanisms such as:

- establishment of social and environmental certification;
- adoption of national and international accounting standards to demonstrate in the company balance its alleged actions about social issues and human rights respect,
- establishment of the social, environmental and sustainability balance, making it compulsory for industrial and commercial enterprises, but also for companies operating in banking and finance market, whether they are listed on stock exchanges or not;
- adoption of appropriate fiscal discipline to facilitate corporate investments in social issues;

Principle 3. “To promote effective self regulation of economic private powers towards corporate citizenship.”

Social progress is no longer solely an affair of nation states but also of other entities which operate on the international scene, economic actors such as multinational corporations. Over the last few years an awareness has grown regarding the necessity to adopt on the part of such actors practices of social responsibilities on a voluntary basis. These forms of self proclaimed responsibilities continue however to base themselves on fragile legal grounds raising notable problems of effectiveness whose solution is often left to the goodwill of the corporations themselves. International practice shows the persistence of irresponsible behavior on the part of economic actors, the lack of both control mechanisms and the systematic implementation of the principles of the norms adopted in the codes of conduct. With reference to the codes of conduct and the other instruments of corporate social responsibility the following is necessary:

- recurring checks vis-à-vis the engagements taken by corporations through independent national and international agencies in accordance with that indicated in the UN norms on responsibility of transnational corporations (2003);
- The adoption on the part of national and international trade associations, of rules and sanctions in their bylaws which foresee the creation of specific monitoring mechanism regarding corporate social responsibility activities of partners with the creation of a register of companies which have adopted codes of conduct;
- The promotion of a transnational social dialogue with the assistance of the European Commission in view of elaborating codes of conduct addressed to the European corporations;
- Publication of information regarding best practices existing in Europe on collective bargaining of codes of conduct so as to promote said models and encourage their practice;
- Ensuring that codes of conduct at least contain the duties specified to the universal declaration of human rights with particular emphasis on economic, social and cultural rights proclaimed in articles 22-25 to which correspond the duties of businesses to contribute to social welfare and solidarity;

- Overcoming the contradiction created by the purely voluntary nature of corporate social responsibility and the non-binding character of its assumed engagement via the *maxim patere legem quam fecisti* which permits courts to make unilaterally assumed engagement binding.

Principle 4. “To promote the bottom up regulation via empowerment of non state actors in the context of a multi level regulation.”

- Without mandatory norms and pressures on the part of civil society, transnational firms have no incentive to protect economic, social and cultural rights. Non State actors in civil society, thus, must consider themselves responsible for the overall application of human rights (see U.D.H.R.) via the adoption of economic behaviors which are consistent with the above concepts, denouncing to competent bodies violation and making their voices heard in international instances where possible (i.e. as *amicus curiae*);
- In turn, NGOs must operate with maximum transparency answering to pre-requisites of actual representation. If such conditions are fulfilled, NGOs must be permitted to:
 - utilize all existing legal techniques in order to exercise their rights to denounce, to protect, to communicate on behalf of victims, to assist the parties in national and international proceeding;
 - Exercise the rights to act in the collective interest before domestic jurisdictions and international control or dispute resolution mechanisms wherever possible, as foreseen in the African charter or in the additional Protocol to the European social charter which gives duly registered NGOs a right of collective complaint to defend the economic and social rights of the victims.

Principle 5: To guide the financial world with new rules and principles regarding transparency, protection of the consumer and investors, responsible and sustainable investments.

The current economic crises has its origins in a process of financialization of the world economy, and uncontrolled used of liquidity free from production processes used to increase the value of stock market capital with the resulting creation of a global financial market disconnected from the real economy. This has created a catastrophic trend not only in relation to its social effects but also in terms of the middle term economic results of firms, imprisoned within the logic of short term monetization of results and also thanks to wide spread managerial irresponsibility.

The use of portfolio investments in only one aspect of a process of money creation which has evidenced a serious of negative characteristics among which are the utilization of financial procedures regarding the distribution of money which are extremely vulnerable and apt to be managed by irresponsible private actors. These are investments which use liquidity to create liquidity rather than using liquidity to generate productive investments.

In the face of the failure of the low less financialisation it is necessary to strength the transparency of the markets and the responsibility of firms as affirmed in the recent G-20

Declaration of 15th October 2008. This to promote adequate regulation and surveillance so as to increase investors and consumer protection, avoiding conflicts of interest strength international cooperation and reform international financial institutions. It is thus necessary to move forward by defining a series of behavior parameters for institutional investors which must:

- promote the transparency of financial markets by defining the productive activities aimed at carry out productive investments;
- vectoring financial capital towards the production of public goods such as urban infrastructure; schools; transportation;
- improve working conditions in the world via long-terms sustainable investments;
- support and favor, also via appropriate fiscal policies, financial ethics, social responsible investments which operate in condition of maximal transparency and exclude as a point of principal all the relationships with those economical activities which a contribute to Human Rights violations: for example production/trade of arms; environmentally unsold practices and activities which exploit miners or repress civil liberties;
- maximize relevance of specialized stock market indexes such as, for example, Dow Jones Sustainability Indexes aimed at monitoring the performance of socially responsible investments.

Principle 6. To create the conditions for a system of global justiciability of economic and social rights.

Globalization in the sense of de-nationalization and de-territorialisation of economic phenomena, calls for new jurisdictional mechanisms able to protect human rights beyond national boards. It is therefore necessary to improve national and above all international mechanisms in order to allow access to justice form the side of individuals. In this perspective governments are invited to respect every act of jurisdictional and non-jurisdictional nature coming from international bodies created to monitor international treaties on human rights. Governments are also invited to adopt new international mechanisms allowing an immediate and direct access of individuals to Human Rights protection mechanisms and to ratify as soon as possible the option protocol to the International Covenant on Economic Social and Cultural Rights of 1966 adopted in December 2008 by the UN General Assembly within the framework of celebrations of the 60th anniversary of the Universal declaration of Human Rights.

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