

A call on the next leader of the Labour Party to redefine Britain's role in the world



September 2015

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Introduction

The Labour Party leadership election has generated a debate in British society, not merely around personality, but also around values and politics. The powerful notion that 'there is no alternative' to the way our current economy and society is organised has been challenged. The policy of austerity has been confronted, inequality has been raised as a defining problem of our times and the erosion of democracy has been critiqued.

At the heart of these debates lie questions of power. Who controls the world's resources and who benefits from that control? How can we challenge the power of global elites in order to create a fairer society where *everyone* is able to fulfil their potential?

In a country like Britain, these questions have implications for the whole world. The decisions of our government, our corporations, even our media, impact on enormous numbers of people across the planet. Our ownership of nuclear weapons has been critically raised during the Labour leadership campaign, an issue on which the voice of the British people has been ignored for decades.

But we want to go deeper. We want to use the debate that's been generated to question the role of our country in the world more fundamentally. We want to challenge the way our economic and social policies too often create poverty, conflict, inequality, forced migration and environmental destruction in other countries.

This must stop, not just for the millions of people around the world affected by these anti-social policies, but for the British people too. A powerful financial sector, unfair trade practices, ideologically-driven privatisation, and many other policies, which we inflict on the world, also serve to make our own country more unequal, with deep pockets of poverty aside incredible levels of wealth.

We call on the next Labour leader to address these issues head-on. True, it may make our country less 'important' at the top table, but that is a price well worth paying for a fairer world, and a happier society. In the following pages, we will lay out some policies, which we believe could *begin* to turn our vision into reality.

Principles

We believe the Labour Party's policies should be guided by the following principles:

- Finance should serve people's needs and aspirations, not control them
- Equality must be placed at the heart of efforts to combat poverty
- Countries must have the freedom to define their own economic policies, rather than being forced to implement a one-size-fits-all neoliberal agenda
- Democracy and accountability must characterise international policy if it is to have a positive impact on poverty and inequality

Summary of policy recommendations

Make trade serve people

- Halt negotiations and ratifications of 'new generation' trade deals like TTIP, TISA and CETA and scrap all 'corporate courts' in trade agreements. Multinational corporations should not have more power than governments
- Halt forced liberalisation of developing world economies and instead promote alternative trade relationships, which embed the importance of public services, high standards, small enterprises and cooperatives

Tame the City

- Introduce robust mechanisms to make companies pay their taxes internationally
- Cancel unjust debts and make lending fair and transparent
- Introduce a tax on financial transactions to encourage long-term sustainable investment and discourage speculation

Restore democratic accountability

- Work towards an international human rights treaty legally binding on multinational corporations and establish a commission to tackle corporate abuse of workers' rights and environmental sustainability

- Limit the influence of multinational corporations over UK political processes
- Overhaul the aid budget as a form of redistributive taxation and help countries across the world develop welfare states and decent public services
- Respect the rights of migrants and work towards more open borders internationally

Promote climate justice

- Commit to at least an 80% cut in greenhouse gas emissions by 2030 without the use of offsetting
- Commit to giving substantial reparations and transfers of technology to a global climate mechanism to help developing countries develop democratically-controlled energy systems in low carbon economies
- Support small scale, organic agriculture and democratically controlled energy systems in the UK and overseas, rather than industrial agriculture and corporate controlled energy systems

Make trade serve people

Free trade is presented as an entirely good thing by many politicians and the media. But global trade systems have always been used as a form of power, allowing access to resources and markets for business and investors, often at the expense of people and the environment.

Liberalised trade is a central aspect of globalisation, which has indeed created vast quantities of wealth, but at the expense of soaring inequality and workers' rights. Even where globalisation has increased investment in countries or parts of the economy, liberalised trade and investment policies mean that it's impossible to manage that investment for the wider benefit of society. No wonder that in many developing countries, moderately high levels of growth co-exist with rising levels of poverty.

Today, a new generation of trade agreements are being negotiated which are less about tariffs and quotas, and more about enhancing the power of multinational corporations over society. In particular:

- The Transatlantic Trade and Investment Partnership (TTIP) between the EU and USA
- The Trade in Services Agreement (TISA)
- The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada
- A series of bilateral investment agreements and free trade agreements that impose unfair trade terms and secret corporate courts on developing countries

These agreements are centrally concerned with standardising rules and regulations, privatising services and offering special new powers to multinational corporations. They threaten a race to the bottom in standards, increased privatisation of basic services, and an erosion of democratic rights. The so-called Investor State Dispute Settlement (ISDS) mechanism allows foreign companies to challenge legitimate government policies in secret arbitration panels if these policies are construed as damaging their expected profits. Policies that have been challenged through ISDS include freezing energy prices (Argentina), raising the minimum wage (Egypt) and introducing environmental regulations on a coal power station (Germany). The threat of ISDS has also been used to intimidate governments from proposing and passing important environmental or social protection legislation.

Successive British governments have been at the forefront of advocating these investment agreements at the UK and EU level, and pushing for a new range of issues, including investment protection at the World Trade Organisation. These agreements have included higher levels of intellectual property protection which have prevented the development and distribution of vital medicines. They have also included deeply unfair rules on agriculture which prevent developing countries supporting farmers, while at the same time allowing huge subsidies for Western agribusiness.

It is time to re-orient Labour policy on global trade. Of course, trade *can* create prosperity in the right conditions. But this means robust regulation to ensure trade and investment work in the public interest.

We call on the next leader of the Labour Party to **make trade serve people:**

- Oppose TTIP, TISA and CETA in their entirety, using the British veto in the Council of Ministers if necessary
- Initiate a public audit of Britain's bilateral investment agreements, and use renegotiations to remove ISDS processes. No new agreements should be signed which include this process
- Stop pushing further liberalisation of investment, procurement and competition at the World Trade Organisation and focus on correcting unfairness in the way developing countries are treated, especially in agricultural trade, and encourage sharing of technology, rather than enforcing ever tighter intellectual property regimes
- Initiate work with developing countries on an alternative trade system, which embeds the importance of public services and prioritises trade embodying high standards, with small enterprises and cooperatives, and allows poorer countries to use their resources for their own development

Tame the City

The financial sector has become dominant in the British economy, generating high levels of private debt and extreme deregulation. This dependence is referred to as the 'finance curse', in which huge inflows of foreign portfolio investment have inflated sterling's value, making it difficult or impossible for other sectors of the economy to compete, while also exerting a brain drain from other sectors to finance.

Finance has come to exercise a distorting influence over our political life and plays a damaging role in our economic development. Moreover, our financial sector continues to drain countries of billions of pounds of vital revenue by facilitating tax avoidance while also contributing to unjust and unsustainable levels of debt and causing economic crises that destabilise democratic governments.

According to parliamentary researchers, financial and insurance services contributed £126.9 billion to the UK economy in cash terms last year, growing massively over the last 20 years. While finance is also a source of employment, it is a relatively modest one given its value, providing 3.4% of British jobs which are largely based in London and the south-east. Certainly the influence of finance in the policy debate is out of all proportion to its role as a job creator.

It is true that the City of London's role as a global financial centre, enhanced by the network of UK overseas secrecy jurisdictions, gives prestige to the British state and a seat at the global table out of proportion to our economic strength. But this has not translated into benefits for the ordinary citizen, especially because it has helped skew the UK economy towards the south-east of England with its increasingly unaffordable living costs. It has gone hand-in-hand with tax avoidance on an industrial scale, rising private debt and spiralling inequality. We believe most British citizens would lead happier lives in a more equal, but less prestigious country.

We are particularly concerned by three areas:

1. Tax avoidance and corruption

The extent of corporate tax avoidance is now well documented, and the City of London together with Britain's overseas dependencies have played a crucial role in establishing and maintaining systems that facilitate such anti-social activity.

Tax Research LLP suggests that the 'tax gap' - the difference between the tax that should be paid in the UK if the tax system worked as parliament and HMRC intended, and the amount actually paid - topped £119bn in 2013-14. Billions of dollars more is lost by countries in the developing world.

Progressive taxation forms a central element in redistributing wealth and building democracy. Large scale tax avoidance has, therefore, removed the ability of countries throughout the world to eradicate poverty, reduce inequality and develop in a sustainable way. Under public pressure, all political parties now pay lip service to clamping down on tax dodging, but this is incompatible with the continued focus on tax competition.

2. High levels of debt

Austerity has been imposed on Britain under the rationale that we have a public debt problem caused by government overspending. This is untrue. A large part of our public debt comes from the government assuming liabilities for the private sector, which ran up debt through irresponsible practices allowed by our highly deregulated financial system. What's more we continue to have unsustainable private debt. The answer to this problem is not less spending but more regulation.

Britain's deregulated financial sector not only affects the UK, it also has a major role in creating debt around the world. Jubilee Debt Campaign has recently shown that

there has been a large increase in lending to low income countries. They categorise 22 countries as being in debt crisis, with a further 71 at risk. They further show that this rise in lending *has* fuelled growth in the countries concerned, but *has not* generally reduced poverty or inequality, or reduced dependence on primary commodities, pointing to a highly unequal form of development. We should also bear in mind that much of this debt is simply being recycled, and often has its origin in the spate of 'dictator debt' lending of the 1970s and 80s.

When debt repayment causes impoverishment, or fosters corruption, or rewards poor lending decisions, they can be regarded as illegitimate. Some countries – such as Norway – have begun to audit the debts they are 'owed' to find out whether such debts are legitimate or not. Cancelling illegitimate debts and devising a framework to prevent illegitimate debts being created in future, is a vital way of making the financial sector more responsible.

3. Speculation

A huge proportion of financial activity that takes place today is not genuine investment or underpinned by trading goods, but little more than gambling. Some of this gambling is detrimental to economic stability, the development of the 'real' economy and the fight against poverty, both in the UK and across the world. For instance, speculation on basic food products has led to *instability* in food prices – either pricing food out of the reach of the most vulnerable or making small-scale farming unproductive. There is also speculation on debt crises by so-called 'vulture funds', which profit from buying debt cheap and taking legal action, often in London. Finally, new financial markets are being developed to 'solve' the climate crisis including the establishment of carbon markets and markets in biodiversity. Early signs are that these have been at best ineffective, but often, disastrous.

We call on the next leader of the Labour Party to **tame the City**:

- Make companies pay their taxes by requiring dependent territories to fully adopt transparency measures including public registries of beneficial ownership; introducing country-by-country reporting as a condition for all companies to be listed on the London Stock Exchange and supporting the creation of a new UN body to foster international tax cooperation
- Recognise the UK's role in creating unjust debts, audit our debts and cancel those found to be unjust, as well as working internationally to

create a fairer system of reducing global imbalances. Play a role in pushing for a fairer system for weaker European economies like Greece, which are being forced into austerity and privatisation policies that are creating huge pockets of poverty and undermining sovereignty

- Scrap the UK Export Finance department, which generates debts and exists largely to support UK military exports, aviation and fossil fuels, and replace it with an export strategy as part of a more holistic, green industrial policy
- Introduce a tax on financial transactions to encourage long-term sustainable investment and discourage speculation, and ensure that the UK pushes for the toughest regulations on speculation on basic commodities at an EU level
- Introduce a package of measures to control the role of finance over the UK political process, including: removing the Corporation of London's Remembrancer from the House of Commons; restricting political party funding from corporate sources; and blocking the revolving door of secondees from the City colonising key government departments
- Stop companies with dubious human rights and environmental records from listing on the London Stock Exchange by introducing social and environmental criteria for firms wanting to list in London
- Introduce greater government and central bank oversight over the lending activities of UK banks to ensure that credit is redirected away from socially harmful sectors like fossil fuels and arms companies towards more useful sectors like housing

Restore democratic accountability

The process of globalisation has involved deregulation, privatisation and liberalisation of capital. This has given corporations power to generate profits and exploit people and planet to the extent that corporate interests are often indistinguishable from the priorities of politicians. The power of multinational corporations has fostered historically unprecedented levels of inequality, deepened the global environmental crisis, and eroded democratic rights.

Successive British governments have facilitated a greater role for multinational corporations in public service provision at home and helped establish global governance systems that give multinational corporations more power overseas . At the same time they have obstructed mechanisms to hold multinational corporations to account – from routinely blocking the development of human rights obligations in the United Nations, to reducing legal aid which makes it significantly more difficult for British lawyers to take legal cases against multinational corporations.

Even our aid budget is used to privatise and deregulate economies in countries across Africa, Asia and Latin America, often in the face of outright opposition from affected communities. British aid is increasingly channelled through a number of pro-free market consultants who regularly 'help' countries to devise privatised and market-based systems. The CDC Group, owned by the Department for International Development (DfID), pours funds into multinational corporations and financial markets with little oversight by the government. This is because aid has been wrongly conceived as a 'gift' rather than a form of redistribution or reparation. Aid is not charity any more than taxation to fund public services is charity.

Britain also has governance roles in the World Bank, International Monetary Fund, European Bank for Reconstruction and Development and the European Investment Bank which support and impose neoliberal policies on countries across the world, as well as providing significant public support to multinational corporations.

Jobs have become less secure as corporations have found it easier to relocate or contract out activities. Corporations have distanced themselves from accountability for their operations by using long supply chains, with people unable to access legal redress for harm done.

This has all fuelled a rise in global migration . While immigration has helped our economy, and while we believe in free movement of people, no one should effectively be forced to emigrate from their home, either by conflict or by extreme poverty. Britain needs to own up to its responsibility for fuelling this forced migration, by, as a minimum, respecting the rights of both refugees and economic migrants, combatting prejudice *and* dealing with the root cause of forced migration by ending exploitative economic relationships with countries in the global south.

We call on the next leader of the Labour Party to **restore democratic accountability**:

- Work constructively in the UN to support countries that are devising an international human rights treaty (the Business and Human Rights Treaty) legally binding on corporations
- Establish a UK Commission on Business, Human Rights and the Environment to tackle corporate abuse of workers' rights and environmental sustainability throughout supply chains, and create a 'right to redress' mechanism so that communities and individuals affected by the activities of UK corporations can access legal remedy in the UK
- Make the register of Westminster lobbyists mandatory for all elected politicians, including disclosure of those lobbying and resources spent on lobbying activities
- Redefine the aid budget as a form of redistributive taxation rather than charity, and work towards creating international institutions able to deliver these funds without neoliberal conditions attached, but with accountability to the people in the countries affected
- Restructure Britain's aid budget to ensure it becomes a world leader in developing public, democratic solutions to the lack of resources that too many people still suffer from. We should use our experience of developing a welfare state and decent public services to help others develop similar solutions and stop using consultants that promote unequitable free market approaches
- Use our role in international institutions to reform their institutional bias in favour of multinational corporations, for instance by scrapping the World Bank's Doing Business report. We should be ready to halt our funding until radical reforms are implemented. Make CDC Group directly accountable to the government and use it to support alternative non-state industry – cooperatives, collectives and small enterprises, rather than large scale projects like shopping centres and luxury housing
- Develop a system to better ensure that the UK hosts more refugees and accords them a decent standard of living and rights, ensuring that the costs are not borne by the poorest in the UK. Work constructively towards a system of free movement of people globally at the United Nations

Promote climate justice

Manmade climate change is a reality, and we have little time to fundamentally transform our global economic system to ensure we stop burning fossil fuels. But it is possible to make sure humans can still enjoy living on the earth while also making our societies fairer places to live. We need to reduce emissions drastically, and that means a revolution in the global economy. But we can also do it in a way which recognises our historical responsibility for climate change and therefore our duty to help others develop low carbon economies too.

It requires a commitment far in excess of anything we've seen so far, but fortunately it includes many of the policies already laid out in this paper. That's because climate change has been fuelled by deregulated financial and corporate power, while the solutions require serious levels of economic management. It also requires large-scale redistribution of wealth, resources and technological know-how if everyone is to have a decent standard of living within planetary limits.

This isn't just about fossil fuel companies. Industrial agriculture is also fuelling climate change, in addition to throwing people off their land and creating a less democratic and healthy form of farming.

We call on the next leader of the Labour Party to **promote climate justice**:

- Commit to at least an 80% cut in greenhouse gas emissions by 2030 without the use of offsetting
- Use tools like the aid budget to support the shift to democratically-controlled energy systems which ensure everyone has access to enough clean energy to meet their needs, both in the UK and around the world
- Invest more in green technologies and energy efficiency which generate high levels of employment. Part of this investment will help workers in high carbon industries develop skills to utilise in low carbon industries
- Commit to giving substantial grant funds and transfer of technology to a global climate mechanism under the UNFCCC to help developing countries develop low carbon economies and adapt to the effects of climate change. One study has shown that the amount given should be at least \$64.5 billion by 2030 to be commensurate with the UK's large historical responsibility for climate change. This is a conservative estimate of the amount of money

required to pay for green development in countries in the global south, other estimates have put the figure at up to \$1 trillion. All of this money must be given in the form of grants, not loans, especially when it is for climate adaptation. Climate finance must also be additional to the target of spending 0.7% of GNI on aid.

- Work to support small scale, organic agriculture in the UK and overseas, and remove public funding and long-term state support from industrial agriculture. This requires a renegotiation of the Common Agricultural Policy, better use of aid budgets and a fairer implementation of agricultural agreements in the WTO. Developing countries in particular must be able to give input and price support to farmers growing for domestic markets.
- Work to curb the power of multinational corporations on the international climate negotiations. As a starting point, all government meetings and correspondence with high carbon companies, must be disclosed automatically and such companies should not be allowed to sponsor UNFCCC events.