



Globalization

Speech by Jacques Chirac, President of the French Republic at the world economic forum in Davos

Paris, January 26, 2005

Chairman,

Ministers,

Ladies and Gentlemen,

The tidal wave that recently devastated the Indian Ocean, the first major natural disaster of the twenty-first century, is an indicator of the state of this world of ours.

The extent of the human tragedy, compared with other recent disasters in Europe, North America or Japan, highlights the yawning gap that separates rich and poor when faced with the risks our planet presents. The poor do not have the means to protect themselves physically, even less so financially from the risks of day-to-day existence.

The scale of the destruction is a reminder of the fragility of humankind in the face of nature. It calls for our urban and highly technological civilisation to show greater humility, respect and responsibility.

Organisation of aid for the regions devastated has underlined the fact that in the face of such an enormous challenge, the only effective response is co-ordinated international aid.

The huge outpouring of generosity from all corners of the world bears witness to the assertion that a planetary awareness, a sentiment of world citizenship does exist. In this era of a world without frontiers, humankind, in all its diversity, has fully realised that we share a common destiny. In order for this solidarity to be translated into effective collective action, new methods of co-operation are needed between States and civil society, NGOs and the corporate world.

This disaster should raise the alarm. Because our world suffers chronically from what has been strikingly called the "silent tsunamis". Famine. Infectious diseases that decimate the life force of entire continents. Violence and revolt. Regions given over to anarchy. Uncontrolled migratory movements. Rises in extremism, breeding grounds for terrorism.

These dramas and disruptions call for collective and united reaction. This is not simply our duty as human beings. It is also clearly in the interest of the



PRESIDENCE DE LA REPUBLIQUE

most fortunate countries. For the world does not end at the borders of their prosperity. It is not limited to the convictions of those currently favoured by fortune.

The dynamism of the West and its unrivalled economic model are legitimate reasons to be proud. They are based on hard work, a spirit of innovation, free enterprise and the rule of law. With trade liberalisation and the spreading of scientific progress, globalisation is enabling hundreds of millions of men and women to improve their living conditions, in China, India and Latin America.

Here in Davos, you are spearheading this movement. The power of the globalised economy can be read in your companies' balance sheets. The turnover of the world's leading one hundred companies was over seven trillion dollars in 2004. The sum of the turnovers of the top two companies is greater than the GNP of the entire African continent.

And yet, this globalised economy concerns only one third of the global population, a privileged minority in a world of insecurity. In Africa, in the emerging countries, a vast majority of the population, in rural areas and shanty towns, is still waiting -but it will not wait forever- to see the promises of progress take concrete shape.

This is a situation fraught with danger. It is morally unacceptable. It is also economically absurd, when we measure the opportunities and prospects for growth opened up by the take-off of a country like China, for instance.

Development is both the greatest challenge and the greatest urgency of our time.

It is a matter of ethics. For the open economic system and humanist civilisation we share, it is also the best guarantee and the best investment for the future.

The divide between rich and poor has widened to a frightening degree! The difference in income per capita between the least developed countries and the OECD countries, which was a ratio of one to thirty in 1980, now represents a ratio of one to eighty! The youth of Africa, Asia and Latin America is rightly demanding its entitlement to a future. These populations will put their energy and talent at the service of the future, if they are given the means to do so. If this prospect is denied them, however, then let us beware of the risk of revolt.

Our shared ambition should be to overcome poverty through a partnership between market forces and solidarity.

We have made progress in the last few years. We have removed many obstacles. A new global vision of development is required. This vision must break away from archaic outlooks and preconceived ideas. It must be based on the idea of partnership, as expressed by the Millennium Development Goals, the Monterrey



Conclusions or the ambitions of NEPAD.

Left to their own devices, economic forces are blind and contribute to the marginalisation of the weakest. But if supported by the appropriate rules, trade liberalisation and opening up to investment are powerful stimulants for development.

For the opening up of the economy to bear fruit, the pace must be adjusted to each country's ability to adapt. This is why we need to make the concerns of the poorest countries, in Africa in particular, a top priority for the Doha Round objectives, which is not sufficiently the case today. And let us not forget that development is the major goal, the principal justification for the Doha Round. France is working in this direction to ensure the success of the WTO conference in Hong Kong in December, and the conclusion of the negotiation in 2006 on a broad and balanced basis.

The advance of democracy, improved governance and the fight against corruption are among the priority conditions that must be met for an economy to take off. People achieve their potential when they are free. Companies, whether large or small, national or foreign, need a solid legal framework, the rule of law and fair competition in order to invest. With NEPAD, Africa has begun to change. These efforts must continue. The international community must show massive commitment in return. This is one of the goals of the Gleneagles G8 Summit; and France will play its part.

However, the opening up of the economy, good governance and freeing up the entrepreneurial spirit are not enough. There are other obstacles to development. So many countries are landlocked, repeatedly suffer from natural disasters, with their populations prey to pandemics, malnutrition, illiteracy and the tyranny of subsistence needs. How can they imagine anything other than a survival economy?

The way to break this vicious cycle, to enable hundreds of millions of men, women and children to become part of the dynamics of positive globalisation, is to ensure international aid and solidarity, which will enable funding of basic infrastructures, access to health care, to education, in a word, the building up of the physical, human and financial capital needed for economic take-off. Once again, the demands of ethics, peace, security and economic interests converge.

This is the orientation of the Millennium Development Goals that the international community has set. To halve extreme poverty and malnutrition by 2015. To ensure universal primary education for girls and boys. To reduce by two-thirds the mortality of children under five. To curb AIDS and control malaria. To halve the percentage of the world population that does not have access to safe drinking water and sanitation. These commitments were solemnly undertaken by the international community in 2000. These goals are in fact modest when compared with legitimate needs, but they are currently unattainable if we do not take the necessary measures.



PRESIDENCE DE LA REPUBLIQUE

The Sachs report shows that it is not yet too late to achieve the Millennium Development Goals. To do so, the international community has to work together and commit to a progressive doubling, between now and 2015, of solidarity efforts on the part of rich countries. In 2006, we will need to mobilise almost fifty billion dollars of additional official aid.

These amounts may seem considerable . They are, in fact, minimal compared with the wealth generated by globalisation. Compared with global GNP of forty trillion dollars. Compared with the eight trillion dollars represented by international trade every year. Compared with the one and a half trillion dollars created by growth in 2004.

Three percent of the annual increase in the world's wealth - this is what we need to raise in order to beat poverty.

And, contrary to the fears sometimes expressed, this additional aid can be put to effective use. And this can be done right away.

With a long-lasting effort of two billion dollars per year, we can finance research into a vaccine against malaria.

With two billion dollars per year, we ensure primary education for all the children in sub-Saharan Africa.

By committing around one hundred million dollars per year for a few years, we ensure reintegration of the three hundred thousand child soldiers currently counted worldwide.

These new resources do not in any way imply the creation of new international bureaucracies. On the contrary, we must use existing mechanisms, by streamlining them, making them increasingly transparent and increasingly efficient. I refer first of all to the United Nations, which has an unrivalled experience and a unique capacity for organisation, as was demonstrated once again in Asia. We must also use the support of all the other players, the Bretton Woods institutions, bilateral and multilateral development agencies and banks, local administration and non-governmental organisations. In a case-by-case approach, we must highlight the need for transparency and good governance, always keeping practical issues in mind..

How do we marshal these additional resources? What France suggests is that we combine approaches.

An increase in official aid is required. All countries that do not yet contribute 0.7 percent of their GDP should commit, as France and the United Kingdom have done, to a schedule enabling them to reach this figure as speedily as possible.

But let us be realistic. That will not be enough. Developing countries need predictable and stable financing, i.e. founded on long-term mechanisms.



PRESIDENCE DE LA REPUBLIQUE

France suggests moving simultaneously in two directions, requiring a joint effort on the part of States and the corporate world.

First direction - the International Finance Facility. France immediately supported this British initiative, which would enable significant sums to be raised rapidly from the financial markets. We support the project for an experimental mechanism devoted to vaccines, which would enable us to save several million children's lives.

We are also prepared to look at a similar mechanism to fight AIDS, as proposed by the United Kingdom

But how to reimburse these loans without reducing international aid or putting too great a strain on budgets? By backing these loans with new resources, international taxes or levies, or voluntary contributions. These resources could also be used directly to finance development.

The report I commissioned on these issues from a group of experts from all horizons and walks of life - French and international, economists, company directors, bankers, NGO representatives - as well as the work carried out with Brazil, Chile and Spain, demonstrate the opportunities for, the economic rationale and the technical feasibility of such instruments. On September 20th 2004 in New York, more than one hundred and ten countries supported this approach.

It is quite natural for these proposals to be debated. There is no question of overstepping States' sovereignty and tax-raising powers. Consent to taxes is one of the touchstones of democracy and there is currently no world parliament to take a vote on the matter. But there is nothing to prevent States from co-operating and coming to an understanding on new resources and their allocation to a common cause.

Today, I propose to forge ahead by creating an experimental levy to finance the fight against AIDS.

Why AIDS? Because, despite the remarkable action of the Global Fund, the WHO, the World Bank and bilateral donors, we are failing in the face of this terrible pandemic. Today, eight years after their discovery, we have only managed to put four hundred and fifty thousand sufferers in poor countries on antiretroviral treatment programmes. This is very far from the minimum goal set by the WHO of three million by the end of 2005. Three million lives saved every year, that is what is at stake.

To finance research into a vaccine, develop prevention campaigns and remove the remaining obstacles to access to care for HIV/AIDS, we need to mobilise at least ten billion dollars per year, instead of six, as is the case at present.

This would enable us to strengthen health care systems, particularly in terms of human resources. We could consolidate price reductions, through the



PRESIDENCE DE LA REPUBLIQUE

effective implementation of the WHO agreement on cheap drugs. We could commit, in the poorest countries or those most affected by this plague, to move towards the universal and free provision of treatment for sufferers. The examples of Brazil and Senegal in particular show that this is economically feasible and also effective in terms of public health.

Several bases for raising these new resources are possible.

Let us look into the option of a contribution from international financial transactions. This would not be a Tobin tax. The international solidarity levy would be designed so as not to be an obstacle to normal market operation. It would be based on three main requirements:

- A very low rate, of a maximum of one ten thousandth
- Applied to a fraction of international financial transactions, which represent some three trillion dollars per day
- This levy would be based on co-operation between the major world financial markets, so as to avoid the effects of evasion.

It would enable us to raise ten billion dollars per year.

There is a second possibility. Why not ask countries that maintain bank secrecy, which they consider to be part of individual freedom, to partially compensate for the consequences of world tax evasion, which is so damaging to the poorest countries, through a levy on flows of foreign capital in and out of their territory. This levy would be allocated to development.

Third avenue. Let us look at the hypothesis of a contribution levied on the fuel used by air or sea transport. This would simply represent the end of an exemption regime. The fuel used by these sectors, which contribute to the greenhouse effect and the pollution of our planet, is currently practically exonerated from all taxation. This would be another way to mobilise several billion dollars.

There is yet another way. A small levy on the three billion plane tickets sold each year worldwide. A contribution of one dollar per ticket, for example, would raise at least three billion dollars, without compromising the economic balance of the sector;

What is striking about these examples is the disproportion between the modest efforts required and the benefits everyone would reap from them.

It would also be possible, with good information campaigns, to encourage a greater number of voluntary contributions for development.

Every year, US citizens give over two hundred and twenty billion dollars to charitable causes. Three percent of this goes to international causes. I propose that the large developed countries set up co-ordinated tax incentives to stimulate and encourage private donations for development. The huge amount of solidarity that was shown following the tidal wave in the Indian Ocean



demonstrated that people are ready to give.

This voluntary approach is not necessarily limited to individual donors, but could also apply to the big global economic players. For large corporations and private financial organisations, it would be a magnificent undertaking to set up, under their aegis, large international foundations dedicated to the fight against poverty, in the same vein as the Bill and Melinda Gates Foundation. Let us give thought to the promising prospects of co-operation between private and public development stakeholders that such an initiative would bring about.

France, along with the countries that have supported us in this approach since the outset and those who would like to combine their efforts, will take these proposals to all the competent bodies over the next few weeks. These include the UN, the European Union, the International Financial Institutions and specialized agencies such as the International Civil Aviation Organization.

Our aim is to reach decisions at the United Nations summit in September concerning the implementation of the Millennium Development Goals.

The G8 Summit at Gleneagles in July should enable us to take a decisive step forward concerning the funding of development. I know that my friend Tony Blair has great ambitions in this regard. He will have France's full support.

In this respect, support from the corporate world is crucial. I suggest to the Secretary-General of the United Nations that a meeting of the Global Compact be organised in Paris, in order to include as many companies as possible in this morally necessary struggle on which the very future of globalisation depends.

Ladies and Gentlemen,

We want the globalised economy to have a future. For this to be possible, we need to confer upon it an ethical aspect, humanise it, control it, and expand it to match the true size of the globe.

We want the peoples and the youth of the world to see a project for hope and progress in the globalised economy. For this to be the case, we must simultaneously set up, on a planetary scale, new forms of political governance and rules for the global market, as our predecessors did in the nineteenth and twentieth centuries on a national or continental scale.

The history of Europe and the United States shows that there is a dynamic link between economic progress, supported by market rules secured by public authorities, social progress and democracy.

It is up to us to strengthen global governance. This, together with development, will be the goal of the United Nations summit in September. This is the reasoning behind the French proposal to create a world economic and social governance council.



PRESIDENCE DE LA REPUBLIQUE

It is also within our remit to promote social and environmental responsibility for companies and for States. The future of globalisation is not to be found in an economy that practices social dumping or wastes natural resources, but in the respect for social rights, the overall improvement in standards of living and in development that respects the ecological balance.

Liberating the most vulnerable populations from their everyday fight for survival also means giving them the means to protect themselves from the principal risks of existence. In the developed countries, the setting up of social protection and risk-sharing mechanisms has significantly contributed to economic development. We must help developing countries to set up minimum safety nets.

Ladies and Gentlemen,

The fight for development is a fight for the future of globalisation. This fight is also your fight. It is in your interest as economic leaders. It is your responsibility as citizens. It is your duty as men and women.

It is a fight that involves the whole of humankind. Together we will win this battle.

Thank you for your attention.

|